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PERFORMANCE OF INDIAN ECONOMY IN BANKING SECTOR

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Abstract: The financial system of India is a middle income growing marketplace economic system. The banking scenario in India has already gained the momentum, with the domestic and international banks gathering pace. All the banks in India have shifted their focus to ‘cost’ determined by revenue minus profit. Axis Bank- a private bank- began its operations in 1994, after the Government of India allowed new private banks to be established. The Bank was promoted jointly by the Administrator of the specified undertaking of the Unit Trust of India (UTI - I), The Housing Development Finance Corporation Ltd (HDFC Ltd) aims at furthering home ownership by providing long term finance to the household sector

Keywords: Financial system, Administrator, a private bank.

I. INTRODUCTION

The financial system of India is a middle income growing marketplace economic system.it's miles the sector's 5th-largest economy by means of nominal GDP and the 0.33-biggest via purchasing strength parity (PPP). Consistent with the global financial Fund (IMF), on a according to capita income foundation, India ranked 142nd through GDP (nominal) and 128th via GDP (PPP). From independence in 1947 till 1991, successive governments promoted protectionist financial regulations,with enormous country interventionand financial regulation. th is characterised as dirigism, inside the form of the License Raj.The stop of the bloodless struggle and an acute stability of bills disaster in 1991 led to the adoption of a huge monetary liberalisation in Indian.since the begin of the twenty first century, annual common GDP increase has been 6% to 7%, and from 2013 to 2018, India changed into the sector's quickest developing essential economic system, surpassing China. traditionally, India was the largest financial system in the world for maximum of the two millennia from the first until the 19th century. Economic reforms implemented in India since 1990 have included the development of the financial system. This has resulted in the expansion of both the banking sector and the stock market. However, the Indian banking sector is still relatively small compared with the banking sectors of most East Asian economies, and there is scope for expansion. Individual Indian banks are also small by international standards. Furthermore, the Indian corporate bond market is still immature and has not even started to develop on a significant scale.

1.1 PERFORMANCE OF PRIVATE SECTOR AND PUBLIC SECTOR BANKS:

Introduction The banking scenario in India has already gained the momentum, with the domestic and international banks gathering pace. All the banks in India have shifted their focus to ‘cost’ determined by revenue minus profit. This means that all the resources should be used efficiently to improve the productivity and ensure a win-win situation. To survive in the long run, it is essential to focus on cost saving. Previously, banks focused on the 'revenue' model which is equal to cost plus profit. After the introduction of banking reforms, banks shifted their approach to the 'profit' model, which means that banks aimed at profit maximization, therefore, there is the need to discuss this issue in detail. Thus, this Chapter analyses the individual performance of private sector and public sector banks undertaken for the study.

1.2 PERFORMANCE OF PRIVATE SECTOR BANKS:

The existence and success of banks depend on their ability to meet the various needs and wants of the customers. The new millennium has brought with it challenges as well as opportunities in various fields of economic activities including banking. Private Banks have played a major role in the development of the Indian banking Sector. Private sector Banks undertaken for the study are: Axis Bank, South Indian Bank Ltd., Bharat Overseas Bank Ltd., Dhanalakshmi Bank Ltd., HDFC Bank Ltd., ICICI Bank Ltd, Jammu & Kashmir Bank Ltd., Yes Bank, Bank of Rajasthan, Kotak Mahindra bank. To analyze the profitability of the bank multiple statistics is applied which helps to examine the relationship between various variables. The profitability of the bank is considered dependent on the returns liquidity, asset and capital adequacy of the banks. The profitability is analysed from year 1991-1992 to 2008-2009. The various independent variables taken are: returns, assets, liquidity and capital adequacy.

1.2.1 AXIS BANK:

Axis Bank- a private bank- began its operations in 1994, after the Government of India allowed new private banks to be established. The Bank was promoted jointly by the Administrator of the specified undertaking of the Unit Trust of India (UTI - I), Life Insurance Corporation of India (LIC) and General Insurance Corporation of India (GIC) and other four PSU insurance companies, i.e. National Insurance Company Ltd., The New India Assurance Company Ltd., The Oriental Insurance Company Ltd. and United India Insurance Company Ltd.

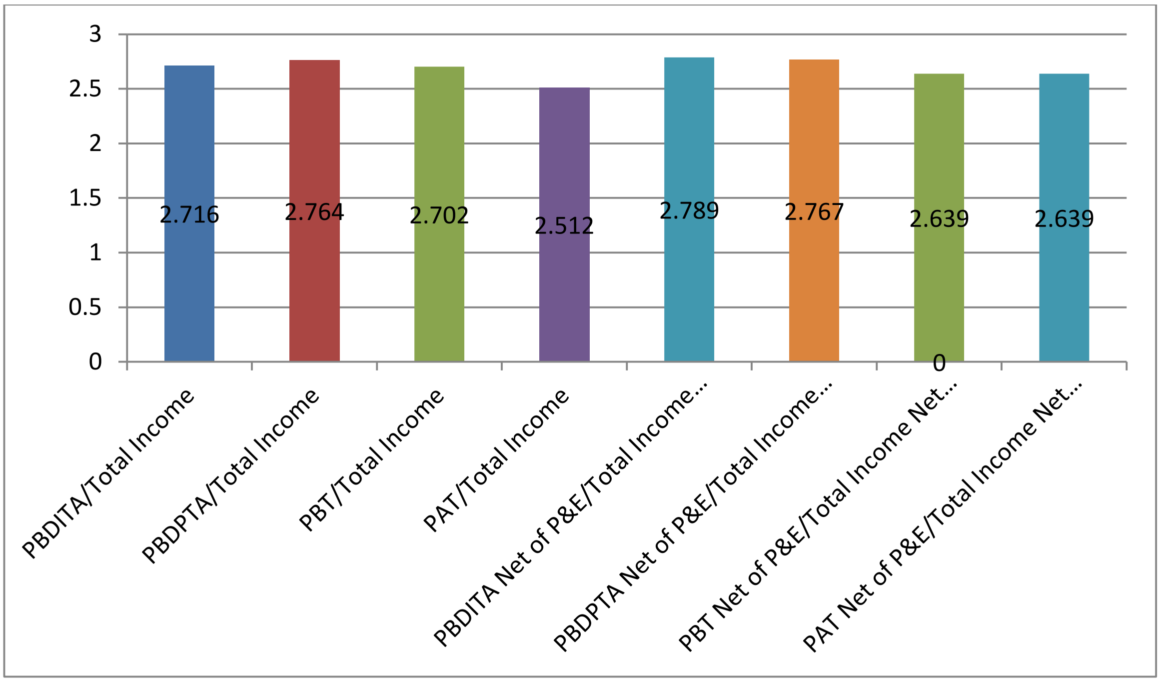
Profitability:

Table 1 shows the negative relationship between profitability and return, assets, liquidity, capital adequacy. It is also found that Non-performing assets have increased sharply. The Net NPAs and the Gross NPAs as proportions of Net and Gross Customer Assets were at 0.35% and 0.96% respectively as at the end of March'09, as compared to 0.38% and 0.91% as at the end of December'07, and 0.26% and 0.62% as at the end of March'07. It may be due to writing-off of impaired assets aggressively, by the Bank in recent years. The provisions held together with accumulated write-offs, as a proportion of Gross NPAs and accumulated write-offs, amount to 86.31% at end March'10. If the accumulated write-offs are excluded, then the provisions held as a proportion of Gross NPAs amount to 63.76% as at end March'09. Further, the analyses shows that the value of coefficient of multiple determination ( ) is quite high. It is also revealed that about 95%-100% of variation in profitability is explained by the combined effect of independent variables. It may be seen that the required coefficient of variables are significant at 1% level of significance. It is concluded that coefficient of determination is very high. The DW values in the study are not significant at 1% level of significance, signifying that it is rather reasonable to assume the absence of multi co linearity

Table 1: Data Warehouse Analysis of AXIS BANK

Dependent variables	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin Watson
PBDITA/Total Income	1.000	1.000	-	-	2.716
PBDPTA/Total Income	1.000	1.000	-	-	2.764
PBT/Total Income	0.978	0.976	-	-	2.702
PAT/Total Income	1.000	1.000	-	-	2.512
PBDITA Net of P&E/Total Income Net of P&E	0.999	0.999	--	-	2.789
PBDPTA Net of P&E/Total Income net of P&E	1.000	1.000	-	-	2.767
PBT Net of P&E/Total Income Net of P&E	0.957	0.946	-	-	2.747
PAT Net of P&E/Total Income Net of P&E	1.000	1.000	-	-	2.639

Fig.1: Data Warehouse values of Axis bank



1.2.2 HDFC BANK:

The Housing Development Finance Corporation Ltd (HDFC Ltd) aims at furthering home ownership by providing long term finance to the household sector. It also provides housing finance consultancy services to various international agencies like The World Bank, Asian Development Bank, United States' Agency for International Development etc FII's hold more than 60 % of HDFC's equity, Indian Public holds less than 15 % and the rest is being held by banks and others.

Profitability:

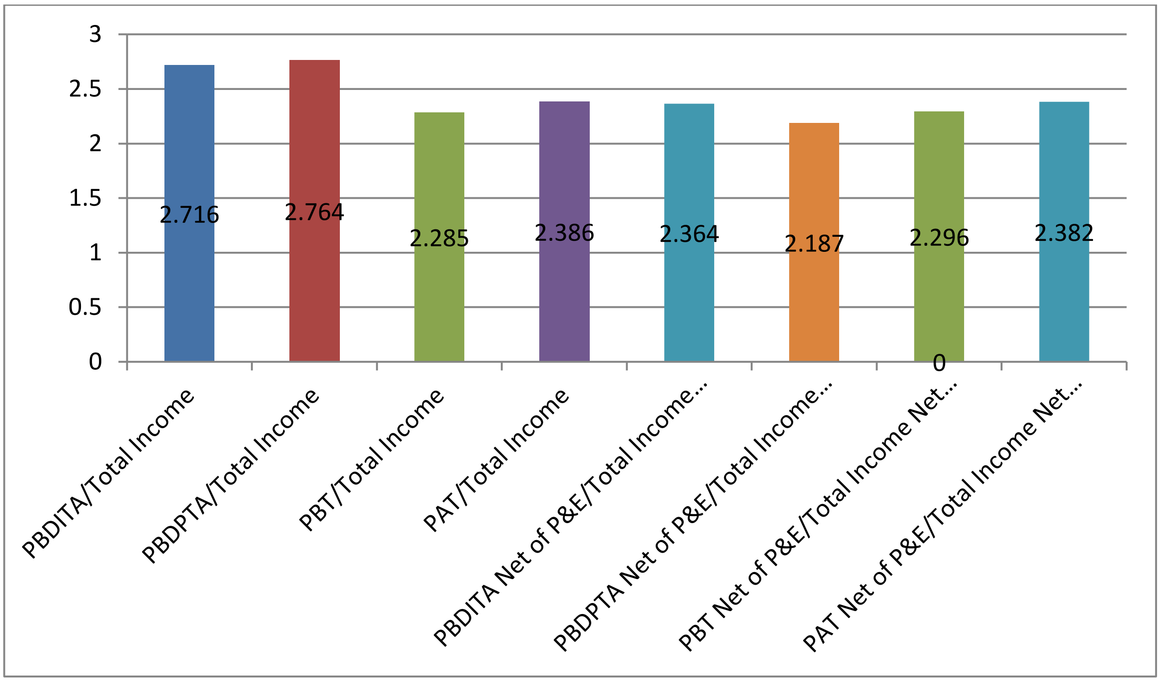
Table 2 shows the negative relationship between profitability and return, assets, liquidity, capital adequacy. The reason for negative relationship is due to operating (non-interest) expenses increased due to higher infrastructure and staffing expenses in relation to the expansion in the branch network, and growth in the retail loan and credit card businesses. HDFC Bank Net Non Performing Assets (NPAs) stood at Rs 2.99 billion in 2008 and Bank’s ratio of gross NPAs to total customer assets was 1.29%, this was basically due to effects of global meltdown.

Table 2: Data Warehouse Analysis of HDFC Bank

Dependent variables	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin Watson
PBDITA/Total Income	.970	.941	.822	.73953	2.354
PBDPTA/Total Income	.996	.992	.975	.98677	2.168
PBT/Total Income	.998	.996	.987	.80434	2.285
PAT/Total Income	.997	.995	.984	.71806	2.386
PBDITA Net of P&E/Total Income Net of P&E	.970	.940	.821	.73902	2.364
PBDPTA Net of P&E/Total Income net of P&E	.995	.991	.972	1.02271	2.187

PBT Net of P&E/Total Income Net of P&E	.998	.995	.985	.84374	2.296
PAT Net of P&E/Total Income Net of P&E	.997	.993	.980	.76565	2.382

Fig.2: Data Warehouse values of HDFC bank



Further, the value of coefficient of multiple determination ( ) is quite high. The analysis revealed that about 94%-99% of variation in profitability is explained by the combined effect of independent variables. It may be seen from the analyses that the required coefficient of variables is significant at 1% level of significance. It can be seen from the analyses that coefficient of determination is very high. Further it may be seen from the tables that DW values in the study are not significant at 1% level of significance, signifying that it is rather reasonable to assume the absence of multi collinearity.

1.2.3 ICICI BANK:

ICICI Bank was promoted by the erstwhile Industrial Credit Investment Corporation of India Limited (ICICI Ltd.) and the erstwhile Shipping Credit and Investment Corporation of India Limited (SCICI Ltd.) by an initial capital contribution in the proportion of 75:25 respectively. Pursuant to the merger of SCICI into ICICI, the bank became the wholly owned subsidiary of the latter. ICICI reduced its stake in the bank through a public offering of shares in 1998. Its American Depository Receipts (ADRs) were listed on the New York Stock Exchange (NYSE) in 1999-2000. On 3 May 2002, ICICI merged with ICICI Bank. Two more companies - ICICI Personal Financial Services and ICICI Capital Services (subsidiaries of ICICI) were brought

under the merged entity.

Profitability:

Further, Table 3 shows the negative relationship between profitability and return, assets, liquidity, capital adequacy. The reason for the negative relationship is due to the global meltdown which affected the returns of the Bank. Gross NPAs rose fromRs51, 160.57 crore in the April-June quarter to Rs55, 743.37 crore in the December quarter, 2006. As a percentage of total advances, however, gross NPAs actually declined because the loan base had grown. Gross NPAs include doubtful loans against which banks have set aside money to cover the risk of default. Banks have been keeping a hawk's eye on the quality of loan assets amid the downturn that has forced companies to hold back investments and consumers to spend less. However, the

bank's non-interest income showed a fall despite a strong growth in fee income from selling products such as mutual funds and insurance. The analyses also shows that the value of coefficient of multiple determination ( )

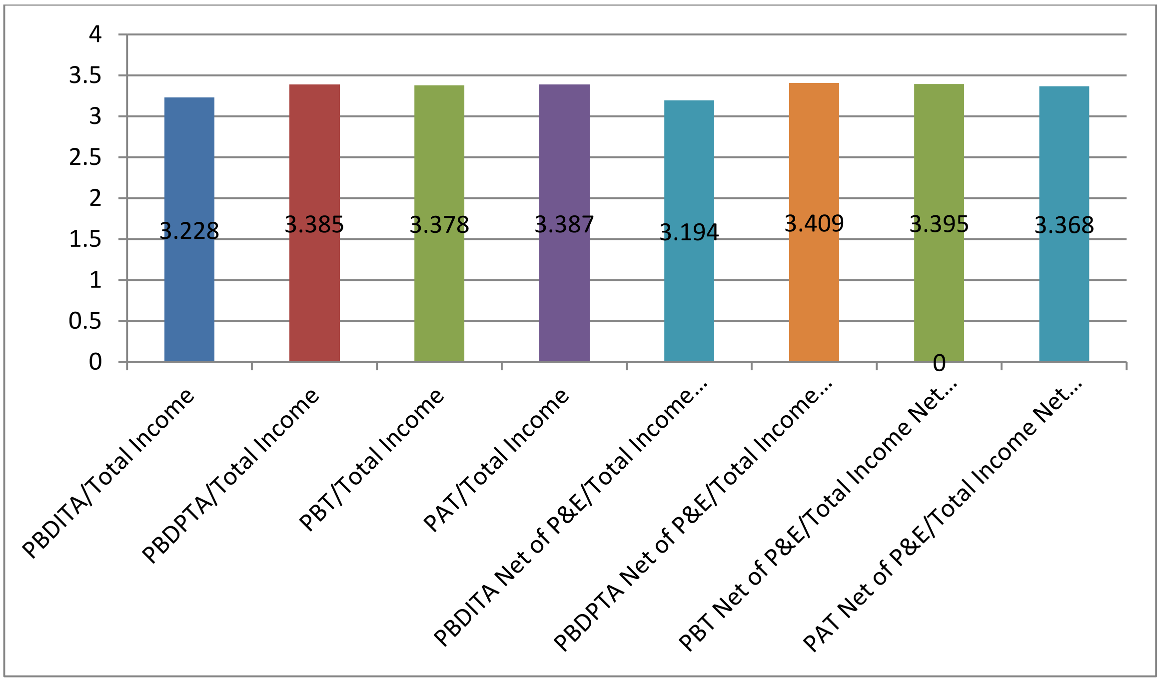
is quite high. The analysis reveals that about 100% of variation in profitability is explained by the combined effect of independent variables. It may be seen from the analyses that the required coefficients of variables are significant at 1% level of

significance.

Table 3: Data Warehouse Analysis of ICICI Bank

Dependent variables	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin Watson
PBDITA/Total Income	1.000	1.000	-	-	3.228
PBDPTA/Total Income	1.000	1.000-	-	-	3.385
PBT/Total Income	.943	.976	-	-	3.378
PAT/Total Income	.999	.989	-	-	3.387
PBDITA Net of P&E/Total Income Net of P&E	1.000	1.000	-	-	3.194
PBDPTA Net of P&E/Total Income net of P&E	1.000	1.000	-	-	3.409
PBT Net of P&E/Total Income Net of P&E	.989	.978	-	-	3.395
PAT Net of P&E/Total Income Net of P&E	1.000	1.000	-	-	3.368

Fig.3: Data Warehouse values of ICICI bank



It may be seen that coefficient of determination is very high. The DW values in the study are not significant at 1% level of significance, signifying that it is rather reasonable to assume the absence of multi collinearity.

PERFORMANCE OF PUBLIC SECTOR BANKS:

The public sector banks hold a fine numeral of total assets of the banking industry. Since liberalization, the government has approved significant banking reforms. While some of these relate to nationalized banks like encouraging mergers, reducing government interference and increasing profitability and competitiveness other reforms have opened up the banking and insurance sectors to private and foreign players. Public sector banks make up the largest category of banks in the Indian banking system. The Public Sector banks undertaken for the study are: Bank of Baroda Bank of India, Central bank of India, Punjab & Sind Bank, State Bank of India, UCO Bank,United Bank of India, Vijaya Bank, Bank of Maharashtra.

1.2.4 BANK OF INDIA:

Bank of India was founded on September 7, 1906 by a group of eminent businessmen from Mumbai. In July 1969 Bank of India was nationalized along with 13 other banks. Presently, Bank of India has 2609 branches in India spread over all countries with 93 specialized branches. Bank of India was the first Indian Bank to open a branch outside the country, at London, in 1946, and also the first to open a branch in Europe, Paris in 1974. The Bank has sizable presence abroad, with a network of 23 branches (including three representative offices) at key banking and financial centers viz. London, New York, Paris, Tokyo, Hong-Kong, and Singapore.

Profitability:

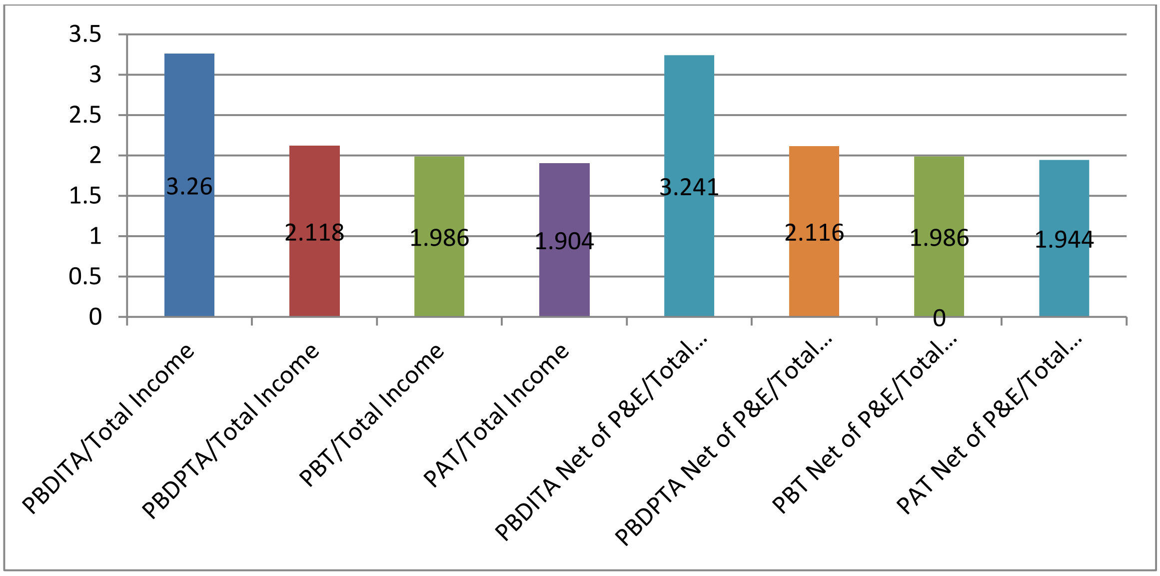
Table 4 that the negative relationship between profitability and return, assets, liquidity, capital adequacy. The reason for the negative correlation among the various variables studied for Bank of India is due to change in the policy reforms in 1993, which lead to the effect on the assets and returns of the bank. During the year 1993-1994 the bank's profitability was affected by the negative effect on the returns. This was basically due to the change in the policy reforms which lead to the effect on the returns and assets.

The bank's profitability was also affected by the excessive borrowings done by the bank and there was decline in the retained profits in the year 1999-2000. The value of coefficient of multiple determination ( ) is quite high. The analysis revealed that about 99% of variation in profitability is explained by the combined effect of independent variables where as variables PAT/Total income and PAT net of P&E/Total income net of P&E shows the 100% effect.

Table 4: Data Warehouse Analysis of Bank of India

Dependent variables	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin Watson
PBDITA/Total Income	1.000	.999	.996	.80387	3.260
PBDPTA/Total Income	.999	.997	.984	.94896	2.118
PBT/Total Income	.999	.999	.993	1.30665	1.986
PAT/Total Income	1.000	1.000	.999	.47565	1.904
PBDITA Net of P&E/Total Income Net of P&E	1.000	.999	.996	.80056	3.241
PBDPTA Net of P&E/Total Income net of P&E	.999	.998	.986	.91463	2.116
PBT Net of P&E/Total Income Net of P&E	.999	.999	.993	1.26155	1.986
PAT Net of P&E/Total Income Net of P&E	1.000	1.000	.999	.44257	1.944

Fig.4: Data Warehouse values of BANK OF INDIA



It may be seen from the analyses that the required coefficient of variables issignificant at 1% level of significance. It may be seen that coefficient of determinationis very high. The DW values in the study are not significant at 1% level ofsignificance, signifying that it is rather reasonable to assume the absence of multicollinearity.

1.2.5 CENTRAL BANK OF INDIA:

Central Bank of India was the first Indian commercial bank that was wholly owned and managed by Indians. The Government of India nationalized the bank, along with 13 other major commercial banks of India, on 19th July 1969. The registered office ofthe Central Bank of India is in Mumbai. The bank entered a partnership with Kotak Mahindra Assets Management Company in December 2008, under which all the Kotak Mutual Fund products will be made available through Central Bank of India branches.

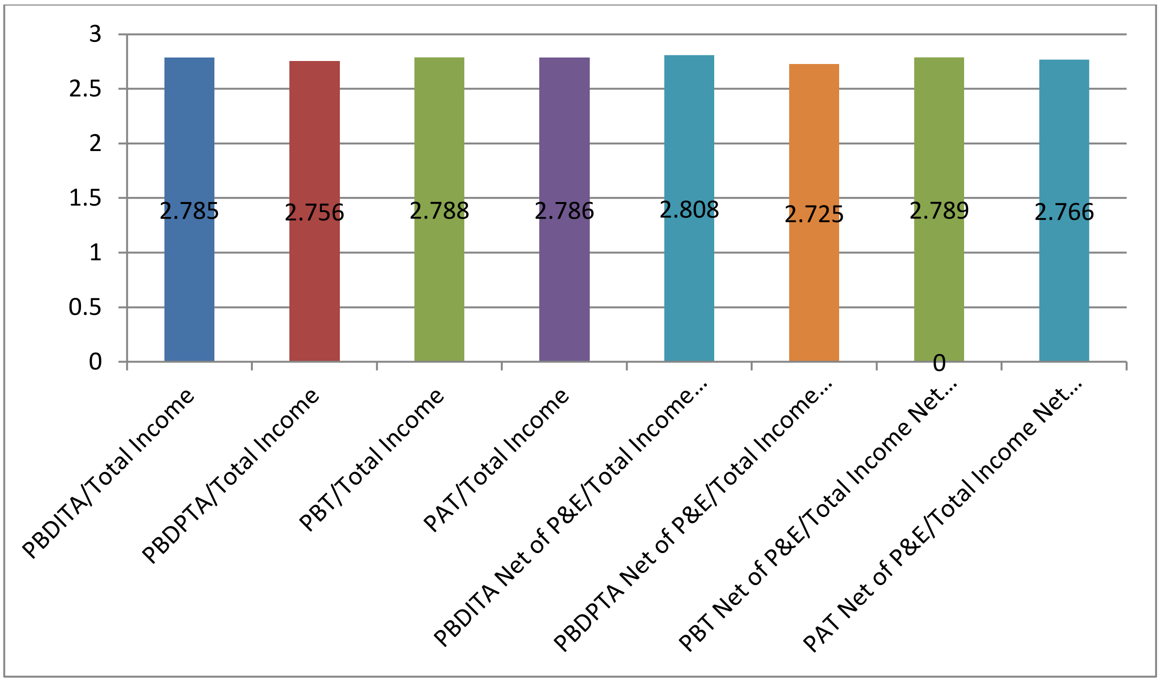
Profitability:

Table 5 shows the negative relationship between profitability and return, assets, liquidity, capital adequacy. The reason for the negative relationship amongst the dependent and independent variable is due to the rise in NPA's of bank in the year 1996-1997, had net NPAs of between Rs 1,100 crore to Rs 1,700 crore. RBI in 87 consultation with the Government of India appointed consultants for the banks KPMG Peat Marwick. Central Bank of India came out of the red in 1996-97 with a net profit of Rs. 150.83 crore. The bank's interest spread to working funds increased from 2.65 per cent in 1994-95 to 3.21 per cent in 1996-97.

Table 5: Data Warehouse Analysis of Central Bank of India

Dependent variables	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin Watson
PBDITA/Total Income	1.000	1.000	-	-	2.785
PBDPTA/Total Income	1.000	1.000	-	-	2.756
PBT/Total Income	.999	.975	-	-	2.788
PAT/Total Income	1.000	1.000	-	-	2.786
PBDITA Net of P&E/Total Income Net of P&E	1.000	1000	-	-	2.808
PBDPTA Net of P&E/Total Income net of P&E	.998 .	.994	-	-	2.725
PBT Net of P&E/Total Income Net of P&E	1.000	1.000	-	-	2.789
PAT Net of P&E/Total Income Net of P&E	1.000	1.000			2.766

Fig.5: Data Warehouse values of CENTRAL BANK OF INDIA



The analyses revealed some of the major deficiencies in the bank as observed were as follows: a) Comparatively lower resource base and lower volume of business (fundand non-fund based) resulting in lower income generation. b) High proportion of NPAs and high rate of NPA generation. c) Increasing administrative expenses notcommensurate with the level of business and income. d) Overstaffing e) Absence of strategic planning, MIS, risk management and internal controls f) Unremunerativeoperations of overseas branches and subsidiaries.

The bank received a capital infusion of Rs 1,555 crore in 2008-09. Out of this, Rs 700crore came from the government, which is the majority shareholder with an 80%stake. The rest of the fund came from selling government bonds of Rs 855 crore and increasing its capital adequacy ratio (CAR) to 13.22%, , which is higher than the benchmark of 12% for banks in India. Encouraged with this higher CAR, the bank Is 88 now planning to push for its long-pending foray into the international markets, which earlier didn't find favor with RBI due to lower capital adequacy.

The analyses shows that the value of coefficient of multiple determination is quite high. The analysis revealed that about 100% of variation in profitability is explained by the combined effect of independent variables. It may be seen from the analyses that the required coefficients of variables are significant at 1% level of significance. It may be seen from the analysis that coefficient of determination is very high. Further, it may be seen from the analyses that DW values in the study are not significant at 1% level of significance, signifying that it is rather reasonable to assume the absence of multicollinearity.

1.2.6 VIJAYA BANK:

Late Shri A. B. Shetty and other enterprising farmers in Mangalore, Karnataka, founded Vijaya Bank. The bank became a scheduled bank in 1958.Promoters of the bank; the Government of India has equity holding of about 54 percent, as against the Indian public holding of about 20 percent and institutional investors leaving a stake of approximately 22%.

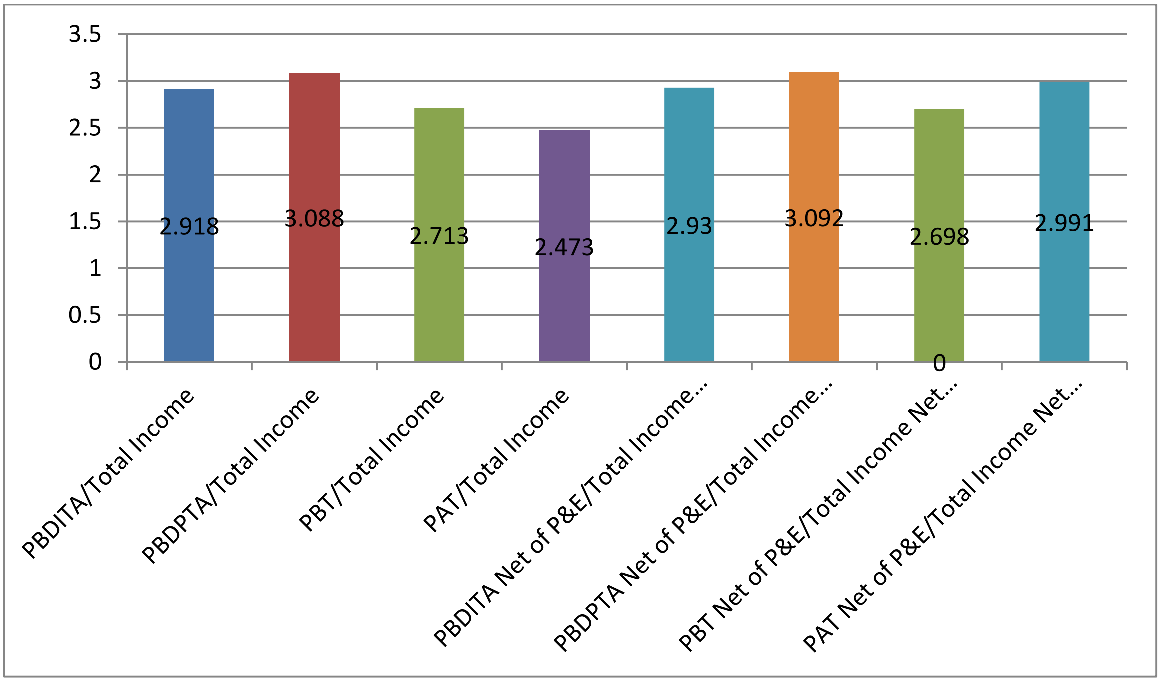
Profitability:

Table 6 shows the negative relationship between profitability, returns, assets,liquidity and capital adequacy. NPAs are not an exception to Vijaya Bank alone, moreparticularly marked by recessionary pressures. The rise in the NPA level was onexpected lines. The addition has been on account of very few large accounts, inspitethe bank made all efforts to turn those around. Otherwise, NPA level in sectors likeagriculture, education loans etc are quite reasonable and manageable.

Table 6: Data Warehouse Analysis of VIJAYA BANK

Dependent variables	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin Watson
PBDITA/Total Income	.928	968	-	-	2.918
PBDPTA/Total Income	1.000	1.000	-	-	3.088
PBT/Total Income	.999	.989	-	-	2.713
PAT/Total Income	.998	.967	-	-	2.473
PBDITA Net of P&E/Total Income Net of P&E	1.000	1000	-	-	2.930
PBDPTA Net of P&E/Total Income net of P&E	.989	.999	-	-	3.092
PBT Net of P&E/Total Income Net of P&E	.957	.998	-	-	2.698
PAT Net of P&E/Total Income Net of P&E	1.000	1.000	-	-	2.991

Fig. 6: Data Warehouse values of VIJAYA BANK



Further, the analysis shows that the value of coefficient of multiple determination( ) is quite high. The analysis revealed that about 100% of variation in profitabilityis explained by the combined effect of independent variables. It may be seen from the analyses that the required coefficients ofvariables are significant at 1% level ofsignificance. It may be seen that coefficient of determination is very high. The DWvalues in the study are not significant at 1% level of significance, signifying that it israther reasonable to assume the absence of multicollinearity.

1.2.7 STATE BANK OF INDIA:

SBI was constituted through an Act of Parliament on 8 May 1955, after the Reserve Bank of India acquired a controlling stake in the Imperial Bank of India, which then came to be known as State Bank of India. During the process of nationalization, the private ownership was retained, though on a minority basis. The State Bank of India (Subsidiary Banks) Act was passed in 1959, enabling State Bank of India to take over eight former State-associated banks as its subsidiaries

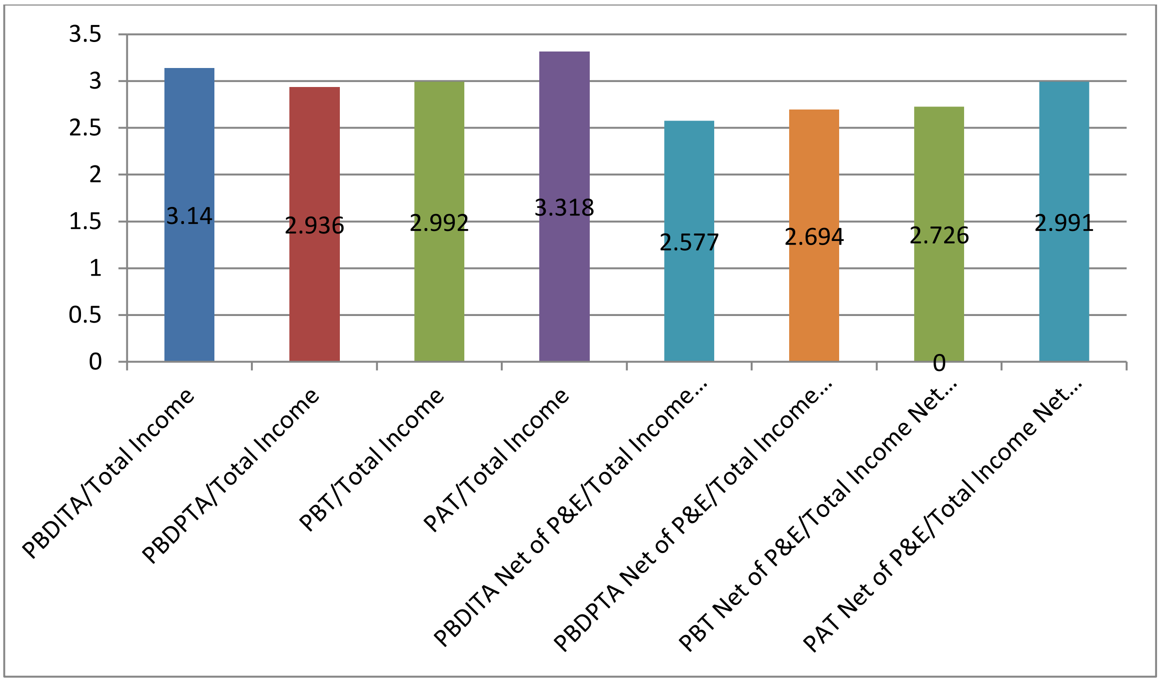
Profitability:

Table 7 shows the negative relationship between profitability and return, assets,liquidity, capital adequacy. The reason for the negative relationship is due to the risein NPAs during the 1998-99 and 2001-02. There has been almost an increasing trendin recoveries, except in 1998-99 and 2001-02. The recoveries during the four yearsbeginning from 1996-97 were Rs 930 crore, Rs 1,113 crore, Rs 830 crore and Rs1,154 crore, respectively . SBI was inspected during 1996-97 by the RBI almost after a gap of two years. As in March 1994, the bank had calculated its NPAs at Rs 11,596crore while the RBI had estimated it at Rs 12,064.13 crore. In 1994, the RBI had also asked the bank to hike its provisioning by Rs 369.84 crore i.e. from Rs 4,837.69 croreto Rs 5,207.53 crore during the year.Another challenge which the bank is tackling is the headcounts. The bank plans to upits headcount by 13,000 this fiscal,. The bank has 2,05,000 employees and around8,000 personnel retire every year.. India's largest lender, State Bank of India, hasidentified its key challenges to be meeting capital requirements, bringing the cost-to income ratio under control, and absorbing new recruits. Meeting capital requirements is a challenge for the bank. SBI needs to raise additional capital for funding balance sheet growth, subsidiaries and acquisitions. Further, it can be seen from the analysis that the value of coefficient of multiple determination ( ) is quite high.

Table 7: Data Warehouse Analysis of STATE BANK OF INDIA

Dependent variables	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin Watson
PBDITA/Total Income	.999	.998	.979	.81374	3.140
PBDPTA/Total Income	.999	.997	.997	.66524	2.936
PBT/Total Income	1.000	1.000	.997	.34086	2.992
PAT/Total Income	1.000	1.000	1.000	.03947	3.318
PBDITA Net of P&E/Total Income Net of P&E	.998	.995	.995	1.19238	2.577
PBDPTA Net of P&E/Total Income net of P&E	.998	.996	.960	.84250	2.694
PBT Net of P&E/Total Income Net of P&E	1.000	.999	.993	.50107	2.726
PAT Net of P&E/Total Income Net of P&E	1.000	1.000	.997	.19114	2.667

Fig. 7: Data Warehouse values of STATE BANK OF INDIA



The analysis revealed that about 99%- 100% of variation in profitability is explained by the combined effect of independent variables. It may be seen from the analyses 98 that the required coefficients of variables are significant at 1% level of significance. It may also be seen that coefficient of determination is very high. The DW values in the study are not significant at 1% level of significance, signifying that it is rather reasonable to assume the absence of multicollinearity.

II. COMPARATIVE ANALYSIS OF PRIVATE SECTOR AND PUBLIC SECTOR BANKS

Introduction:

India's public sector enterprises, in general, tend to be unfavourably compared with their private sector counterparts. Apart from ideological and theoretical considerations, it is such comparisons that provide much of the impetus for the current privatization drive in India. While public sector banks (PSBs) are not yet candidates for privatization- the objective at present is merely to lower the government's holdings to 33 per cent, there is a section that would favour a push towards privatization at PSBs as well, based on their perceived inefficiency relative to the private sector. At least in the popular debate, such perceptions rest on conventional financial indicators of performance. Therefore in this study, an attempt has been made to compare the performance of private sector and public sector banks. The comparative analysis of private sector and public sector banks is done on the basis of profitability, liquidity, returns, capital adequacy, and asset utilization. This chapter also covers the trend of ratios.

Comparison on the Basis of Profitability:

The profitability is a measure of efficiency and control. Profitability expresses that efficiency and effectiveness of business with which the business has been operated. It strengthens the long term solvency of the business of the bank. The various profitability ratios used in the comparison are:

1. PBDITA/Total Incomes
2. PBDPTA/Total Incomes
3. PBT/Total Income
4. PAT/Total Income
5. PBDITA Net of P&E/Total Income Net of P&E

6. PBDPTA Net of P&E/Total Income Net of P&E

7. PBT Net of P&E/Total Income Net of P&E

8. PAT Net of P&E/Total Income Net of P&E

The independent samples't' test analysis shown indicates that mean, standard deviation for the private sector and public sector banks. The values of 't' shown in the case of PBDITA/Total incomes(0.380), PBDPTA/Total incomes(6.035), PBT/ Total Income (7.208), PAT/ Total Income(6.610), PBDPTA net of P&E/Total Income net of P&E(6.932) shows that the significance level of 5% of confidence. However the variables PBDITA net of P&E/ Total income net of P&E(-.649), PBT net of P&E/Total Income Net of P&E (7.858) and PAT Net of P&E/ Total Income net of P&E (7.314) does not show the 5% of significance level.

The reasons for not being on significant level for the variables PBDITA net of P&E/ Total income net of P&E, PBT net of P&E/Total Income Net of P&E and PAT Net of P&E/ Total Income net of P&E is due to the negative results in the period 1993-1997 in the public sector banks like UCO Bank, United Bank of India, Punjab and Sind Bank, Bank of India. This was basically due to change in the reforms introduced and increasing level of NPAs in these banks which has lead to the difference in the profitability of the public sector and private sector banks. The other factor which also affected the profitability was due to overstaffing in these banks. The other factor which played the important role in effecting the profitability is the global economic environment. Further, the other factor is the market fluctuations during the year 2008, giving a bad impact on the overall economy and affecting the profitability of the bank.

Table 8: Comparison on the basis of Profitability

Dependent variables	Banks	N	Mean	Std. Deviation	t	Sig.
PBDITA/Total Income	Private Public	150 169	64.5978 63.8087	24.12717 11.41318	.381	.000
PBDPTA/Total Income	Private Public	150 169	23.3960 16.0627	12.07814 9.59208	6.036	.555
PBT/Total Income	Private Public	150 169	15.0947 4.2389	11.01096 15.25215	7.218	.432
PAT/Total Income	Private Public	150 169	11.1813 2.2719	9.02118 14.14918	6.612	.152
PBDITA Net of P&E/Total Income Net of P&E	Private Public	150 169	62.1027 63.6322	28.14908 11.42256	.648	.000
PBDPTA Net of P&E/Total Income net of P&E	Private Public	150 169	22.8158 15.5575	9.03406 9.59217	6.934	305
PBT Net of P&E/Total Income Net of P&E	Private Public	150 169	16.4538 3.6647	13.70264 15.18902	7.859	.719
PAT Net of P&E/Total Income Net of P&E	Private Public	150 169	11.8797 1.6807	10.24913 14.08544	7.316	.479

Fig.8: MEAN AND STANDARD DEVIATION of PRIVATE BANKS

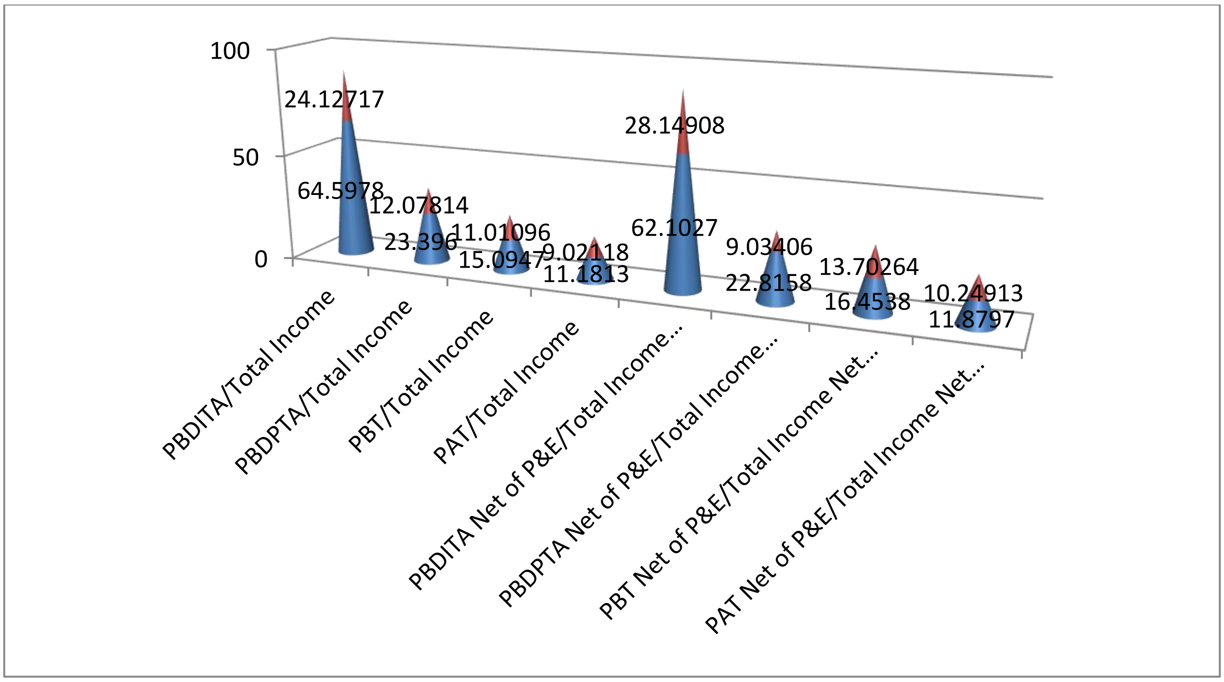


Fig.9: MEAN AND STANDARD DEVIATION of PUBLIC BANKS

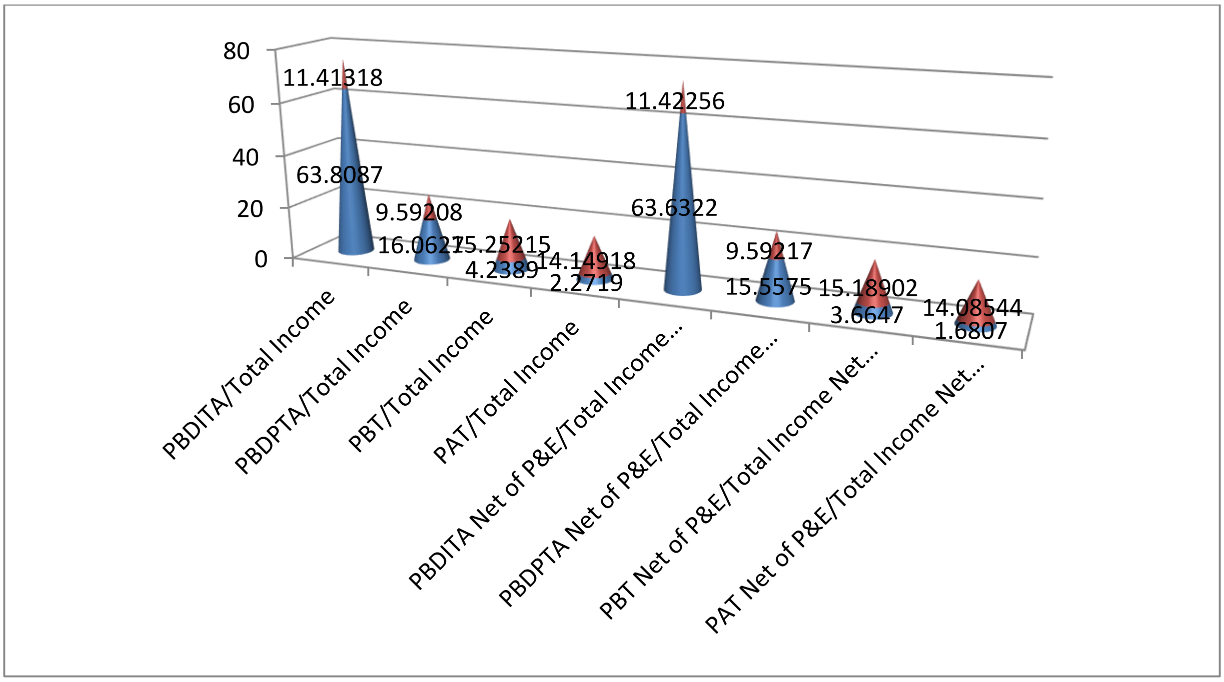
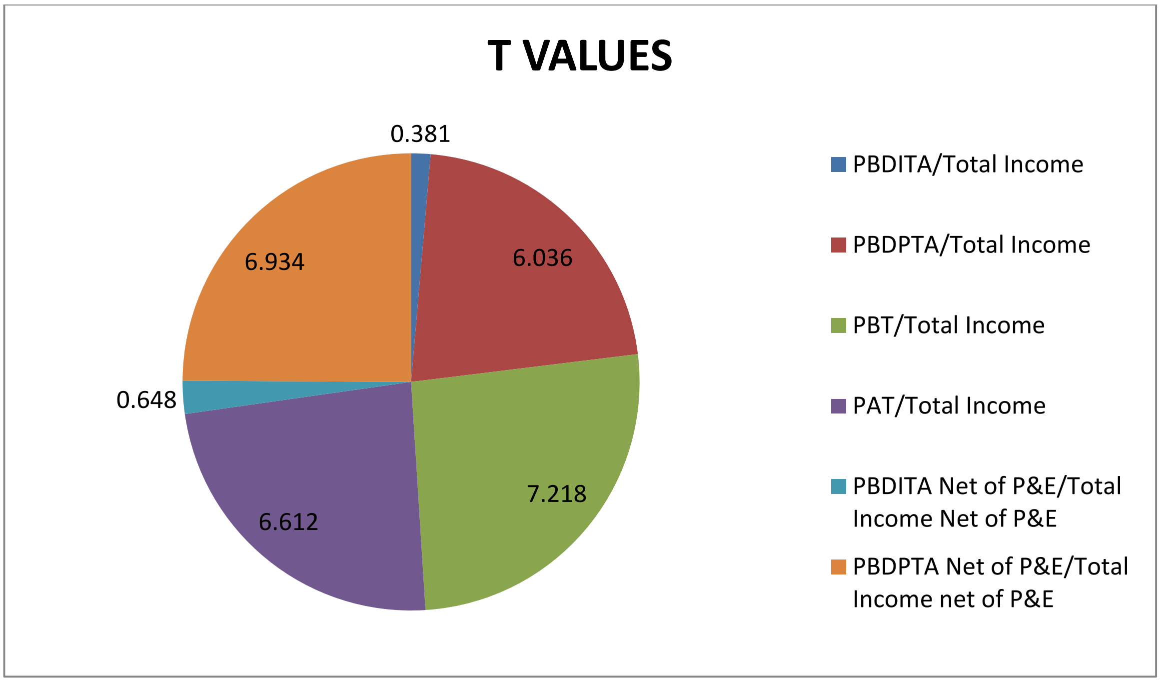


Fig.10 T VALUE of PRIVAE AND PUBLIC BANKS



It shows the profitability ratio- PBDITA/Total Income of private sector banks from 1992-2012 to 2012-22. The chart reveals Axis Bank's fluctuating trendfrom 66.03%, March 1995 to 73.29%, March 2009. The fluctuations were due to thesharp increase in the percentage of Non Performing Assets (NPAs).Further, HDFC bank reveals more stable trend in maintaining this ratio from 92.46%,March 1991 to 94.09%, March 2022. This stability is maintained because of its conservative approach in operations. It is seen from the chart ICICI Bank'sfluctuating trend from 57.24%, March 1993 to 73.16%, March 2022. The variations were due to global meltdown. Jammu & Kashmir Bank Ltd. has indicated improvement from 57.37%, March 1993 to 81.33%, March 2022.It is due to increase in capital and reserves of the bank. South Indian Bank Ltd. has exposed optimistic trend from 69.55%, March 1993 to 79.14%, March 2022. It is due to high deposit growth rates. Yes Bank Ltd. has shown tremendous performance from15.65%, March 2005 to 80.95%, March 2022.Chart indicates public sector banks profitability ratio PBDITA/Total Income.Bank of Baroda has shown the fluctuating trend from 71.39%, March 1993 to75.75%, March 2022. The fluctuations have been due to change in policy reforms which lead to less return in 1993, 1996 and 2001. Further, Bank of India indicates the positive performance from 73.41%, March 1993 to 77.75% March 2022, this was due to high deposits rate in the bank.

III. CONCLUSION

A retrospect of the proceedings clearly indicates that the Indian banking sector has come far from the days of nationalization. The Narasimham Committee (1991) laid the foundation for the reformation of the Indian banking sector. The Committee submitted two reports, in 1992 and 1998, which emphasized significant thrust on enhancing the efficiency and viability of the banking sector. As the international standards became prevalent, banks had to unlearn their traditional operational methods of directed credit, directed investments and fixed interest rates, all of which led to deterioration in the quality of loan portfolios, inadequacy of capital and the erosion of profitability. The recent international consensus on preserving the soundness of the banking system has veered around certain core themes. These are: effective risk management systems, adequate capital provision, sound practices of supervision and regulation, transparency of operation, conducive public policy intervention and maintenance of macroeconomic stability in the economy. Until recently, the lack of competitiveness vis-à-vis global standards, low technological level in operations, over staffing, high Non Performing Assets (NPAs) and low levels of motivation had shackled the performance of the banking industry. However, the banking sector reforms have provided the necessary platform for the Indian banks to operate on the basis of operational flexibility and functional autonomy, thereby enhancing efficiency, productivity and profitability. The reforms also brought about structural changes in the financial sector and succeeded in easing external constraints on its operations, i.e. reduction in CRR and SLR reserves, capital adequacy norms, restructuring and recapitulating banks and enhancing the competitive element in the market through the entry of new banks.

IV. SUGGESTIONS

The major suggestions and recommendations emerging out on the basis of above

findings of the study are laid down as under:

- The public sector banks need to effectively use technology to counter the challenges posed by the new private sector banks, especially in the retail business.Better customer services backed by superior technology and the lack of legacy systems have enabled the new private sector banks to gain market share from thepublic sector banks.
- Banks should initiate efforts on adopting the new technologies in order to improve their customer service levels and provide new delivery platforms to them,especially in the metros and other urban centers. The success of these initiative swill have a bearing on their banks market position.
- The Centralised Banking Solution (CBS) on the Flexcube Platform should be offered by the banks in all of their branches, as it allows the clients to reap the benefits of Anywhere/Anytime banking, through multiple delivery channels.

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