CHAPTER 6

CONCULISION

This chapter is devoted to the presentation of broad conclusions regarding the performance of 14 public sector banks and 9 private sector banks on the basis of various criteria of performance. In the first instance these two groups of banks are assessed in terms of ten parameters of performance. Taking the ratio of 'priority sector advances to total advances' as a parameter of performance, state bank of Bikaner with a value of 41.5 percent is found to be best performer and Indian bank with a value of about 25 percent is found to be worst performer among the public sector banks in the year 2000. The performance of these banks over the period 2000 to 2011 is depicted by the average annual growth rate the values of these ratios according to which the Indian bank has recorded fastest (3.15%) rate of improvement while Allahabad bank has shown fastest deterioration (-2.07%) rate of performance. The inter-bank variations in performance as depicted by the coefficients of variations display a trend of convergence.

Regarding the private sector banks, Tamlind Mercantile bank has shown highest performance (44%) followed by Lakshmi Vilas bank (42.55%) and the worst performer is ICICI (13.6%) in the year 2000. In case of temporal behaviour, ICICI Banks shows highest improvement rate (11.16%) followed by HDFC Bank (11.07%). The performance of Lakshmi Vilas Bank has rapidly deteriorated (-1.59%) over time. Of the 9 private banks 7 have improved their performance during the period 2000-2011. However, the inter- bank disparities in performance have decreased with a rate of 9.7percent per annum.

On the basis of the ratio of 'secures advances to total advances', the public sector banks shows a variation between minimum of about 76 percent by Syndicate Bank to maximum of about 96% by State Bank of Bikaner in the year 2000. Over the period 2000-2011, the performance of 11 public sector banks has deteriorated while that of 3 banks slightly improved. The disparities between the banks' performance has also increased as shown by the growth rate (9.9%) value of coefficient of variation.

Similarly, of the 9 private sector banks, 7 report a decrease in the performance and only two banks (Ratnakar Bank and South Indian Bank) show slight improvement in their performance. The inter-bank disparity in performance has declined in contrast to the public sector banks where it has increased.

In term of 'return on assets' as a parameter of performance, the public sector banks display better performance in comparison to the private sector banks. In respect of temporal performance out of 14 public sector banks 11 banks show improvement in their performance and only 3 banks show negative performance. Indian bank followed by Dena Bank show the highest and second highest improvement over the period while State Bank of Patiala shows negative performance. The inter- bank disparities among the public sector banks are on the decline.

Of the 9 private sector banks 4 banks show improvement while 5 banks show a decline in the their performance. The inter-bank differences in performance are decreasing over time but the speed is lower than that of public sector banks.

In terms of 'return on equity', the performance of public sector banks is not uniform. The returns vary between a minimum of (14.7%) by Indian Bank and a maximumof (25.16%) by State Bank of Bikanerin the year 2000. Over the sample period, 6banks have recorded a decline in performance while the rest have shown positive trend of improvement. The Indian Bank which was the worst performer in the year 2000, has recorded the highest rate of improvement in performance over the sample period. The inter-bank differences are also rapidly decreasing.

In case of private sector banks, except two banks i.e. HDFC Bank and Lakshmi Vilas Bank which record positive improvement, the remaining banks have recorded negative improvement.

The ratio of 'net NPA to net advances is' is another important parameter of performance. All the 14 public sector banks and 9 private sector banks have displayed spectacular improvement in their performance over the sample period. The rate of decrease in the ratio which is an indicator of improvement in performance range from a minimum of about 13.6% by SBI to a maximum of about 32% by Indian Bank. Similarly the rate of decline in case of private sector banks varies between a minimum of about 4% and a maximum of about 31%. The inter bank disparities have slightly increased.

In term of the ratio of 'interest income to total assets' as a parameter of performance, most of the 14 public sector banks and 9 private sector banks have performed poorly with a decline in their performance except Indian Bank (public sector bank) and HDFC & ICICI (private banks) which have shown slight increase in their performance. Both types of banks have shown a trend of convergence in their performance.

'Ratio of wage bill to total income' is another performance parameter according to which lower the ratio, better the performance of the bank. In this respect both sets of banks have shown improvement in their performance as depicted by the negative growth rates over the sample period.

In term of the 'ratio of burden to total assets' as a parameter of performance which signifies that higher the ratio less satisfactory is the performance, the public sector banks seem to be better performers. All the public sector banks exhibit negative growth rate of the ratio during the sample period. The performance is however, is not uniform across banks. The decline varies from a minimum of about 2% in the state bank of Travancore to a maximum of about 17% in Allahabad bank.

Private sector banks, on the other hand, show mixed trend. Of the 9 private sector banks, 6 banks have recorded a decline in the burden while 3 have shown an increase in burden and hence have performed poorly during the sample period. Lakshmi Vilas Bank has shown the poorest performance with a growth rate of 11.4 percent in the ratio over the sample period.

Another important measure of banks' performance is the productivity of employees. In the present work productivity has been measured as profit per employee and business per employee. Regarding profit per employee, the public sector banks have improved their profitability over the sample period. The rate of improvement varies between a minimum of 9.34 percent per annum of state bank of Bikaner and a maximum of about 45% per annum. Which had zero profitability in the initial year of the sample period.The inter- bank difference also tend to decrease over time. Similarly, the private sector banks also have shown improvement in profitability per employee. The extent of improvement across banks is not uniform and range between 0.86% per annum by Lakshmi Vilas Bank and about 26 percent per annum by Federal Bank. HDFC is an exception and surprising by recorded a decline in profitability to the term of about 6% per annum during the sample period. This is due to the base effect as HDFC has the highest (Rs. 10 lakh) level of profitability per employee in the base year (2000).

Taking business per employee as a measure of productivity, the results show that in the year 2000, the bank of Baroda has realized highest business per employee (Rs 143 lakh) in the year 2000 while minimum of (Rs 86 lakh) business per employee is realized by state bank of Bikaner. Temporally, all the public sector banks have shown positive growth in productivity ranging from a minimum of about 17 percent per annum by SBI to a maximum of about 24% by Allahabad Bank. Similarly, the private sector banks have also improvement in productivity over time except HDFC Bank which has shown a declining trend in productivity over the overall sample period. But this is due to base year effect again as HDFC Bank had highest (Rs942 lakh) level of business per employee in the year 2000. The disparities in business per employee across banks has a decline (-13%) trend.

As far as the performance of banks on the basis of composite performance index (CPI) is concerned, the study shows that the performance varies across time and across banks. In the year 2000, State Bank of Bikaner is best performer followed by State Bank of Mysore. Indian Bank is found to be the worst performance and second worst performance is given by the Bank of India. In the year 2006, however State Bank of Mysore occupies the place of best performance while Punjab National Bank which was at third position in the year 2000, occupies the position of second best performer. However the bank of Baroda slip the position of worst performer, and Dena Bank becomes the second worst performer. In the year 2011, However the State Bank of Bikaneragain the position of best performance followed by State Bank of Hyderabad as second best performer Bank of India occupies the last position among the public sector banks and is the worst performer followed by state bank of India as second worst performer.

Regarding the performance of private sector banks, TamlindMercantilre Bank is the best performer followed by Ratnakar Bank as the second best performer in the year 2000. In the year 2006 and 2011, also the Ratnaker Bank remains to be the best performer private sector bank. The position of second best performer has been captured by Federal Bank of India and Jammu& Kashmir bank respectively in 2006 and 2011.

Worst performance is shown by the two largest private sector banks. The ICICI remained the worst performer in the year 2000 and 2011 on the basis of CPI while, HDFC was worst performer in the year 2006. The comparison of public and private sector banks as two groups reveals that the group of Public Sector Banks, performance dominates the performance of private sector banks which CPI is the criterion of performance in all the three years, namely, 2000, 2006 and 2011. However, in terms of productivity measured as profit per employee and business per employee, the private sector banks perform better than the public sector banks in the year 2000 and 2006, however in the year 2011, even in terms of productivity public sector banks are found to performer efficiently than the group of private sector banks