

Studies on Growth and Performance of Indian Commercial Banks during Global Economic Recession

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Abstract

The economic development of a nation is closely related to the efficient performance of the commercial banks. India witnesses the operation of various types of commercial banks with different conditions of managements and common goal of profit making. During the period 2009 to 2012 the world economy has encountered a drastic change due to global crisis. The economic situation in developed countries such as U.S.A and U.K, etc, have significant influence on banking performance of developing countries. The differential growth and performance of Indian commercial banks reflect the stability of Indian economy during this period. The purpose of the study is to understand the performance and growth of different categories of Indian commercial banks during the period 2009 to 2012. This period includes during the global economic crisis and after the crisis. Through a comparison of banking parameters' and their performance measures stability and robustness of various categories of Indian commercial banks is studied. This study found that during the global economic crisis the Indian commercial banks have shown a positive trend for development. It is observed that, during this period the SBI performed much better than the other public sector banks. With respect to the banking performance measures the 7 new private sector banks have shown an increasing trend. The study concludes that the SBI and the 7 new private sector banks have better managerial efficiencies than the other Indian commercial banks.

Keywords: Indian Commercial Banks, Global Economic Crisis, performance parameters, Comparative Study

Introduction

The banking sector in India was totally traditional prior to 1991. The banks were usually risk averse and they thought banking is an activity of collecting deposits and lending against them. Until 1991 the word profitability was seldom considered by Indian banking business. Up to that period the banks were established only to serve social objectives and their performance was just task oriented but not goal oriented.

In 1991 when government of India initialized the deregulatory policies, the Indian banking sector has gained momentum in diversified areas of development. In spite of several developments in Indian banking sector, there is a significant impact of factors like governance and risk management, financial control, effective cost management, and technological intensity of banking etc. After the globalization of

Indian economy the Indian banking sector has made a tremendous progress in extending its functional reach. The twin principle of operational flexibility and functional autonomy provided to the banks to improve their productivity, efficiency and profitability are the major intermediates in Indian banking system. (Kajal Chaudhary and Monika Sharma (2011), Ramesh Babu (2012)).

The specific reforms were the development of efficient and transparent money markets, promotion of professional competition through free entry or exist in financial sector, recapitalizing the financial health of banks, restructuring poor performing banks, improvement and institutionalization of proper quality improvement systems through development of human resources, information technology etc (Aruna kumari (2002)).

Indian economies have been significantly influenced by banking sector over the years with the present day continuous financial depression of the world. The banking sectors become an important segment of Indian economy for money market dynamics. Financial sector controlled and managed by banking industry works as a source for generating money supply. The commercial banks play a dominant role in the economic development of the country. It is well known that the rapid growth in the various sectors of the economy can be brought through efficient, effective, disciplined banking system (RBI report (2010)). Now in Indian economy the banking sector is considered to be the nerve system with the modern technological advancements (Shanmugan and Das (2004), Srinivasan (2002)).

The banks improved their quality of service and narrow-down the margins. As a result of it they increased volume of customers and profitability, the corporate governance adopted by the Indian banking sector has avoided wastage and concentrated ownership and quality of management. The professional approach with the modern technology adopted by banks improved their efficiency. The global financial crisis of 2007-08 has not influenced the Indian banking sector, even though there was a slowdown in the growth due to weak trade and world financial conditions. However, after the crisis the Indian banking sector again gained its growth compared with the other banking institutions of the world. In spite of several challenges in domestic and international conditions, performance of Indian banks remind robust during 2011-2012.

REVIEW OF LITERATURE:

Much work has been reported in literature regarding performance of Indian commercial banks. Prithwiraj Nadh et.al

(2003) have studied the relationship between Indian banking system and strategic grouping. Shanmugam and Das (2004) studied the performance of Indian scheduled commercial banks with different categories during the period 1992-1999. They also established that the state bank group and foreign banks are performing effectively than the other banks. Sharad kumar and Sreeramulu (2007) have compared the Foreign and new sector banks with respect to their performance during the period 1997-2008. Usum et.al (2008) have studied the efficiency of nationalized banks, SBI and Foreign banks. According to their index foreign banks were performing more efficiently than nationalized banks. Uppal (2009) analyzed change in performance parameters and indicators of different categories of Indian commercial banks. They studied the factors influencing the banks relative share during 2003-2008. They concluded that period the public sector banks are having a significant share with respect to the total assets in all commercial banks.

Rakhe (2010) studied the financial performance of foreign banks in India during the period 2002-2008. He compared the foreign banks with other types of Indian commercial banks. Puneet Varma and Sonali Adki (2012) studied the banking performance during 2006 to 2010 using credit deposit ratio and non-performing assets. They concluded that during this period the SBI group, nationalized banks and private sector banks were performing similarly with respect to C.D ratio and NPA. Aurag B Singh and Priyanka Tandoon (2012) have compared the performance of SBI and ICICI bank during 2007 to 2011. In all these papers they have studied the banks performance with respect to few parameters such as CDR, Deposits, Net NPA, etc, and made comparison only between individual banks. But no serious attempt is made to study the overall performance measures and compare the different categories of Indian commercial banks.

The performances of commercial banks are dynamic in nature having lot of influence by several economic, environmental, sociological and regulatory factors. These factors are influenced by global economic conditions. During the period 2009 - 12 has witnessed the global economic crisis. The understanding of the differential performance of Indian commercial banks during the recent global economic crisis (2009 - 12) is needed for policy makers, economists, corporates and general public for proper financial planning of the country. Hence, this paper addresses the study related to the performance of different categories of Indian commercial banks and their differentials. The present study focuses on the performance, evaluation and comparison of various categories of commercial banks.

DATA AND RESEARCH METHODOLOGY:

The present study focuses on the performance evaluation and comparison of various categories of commercial banks. The study based on secondary data that has been collected from annual reports of various banks Indian banking yearbooks 2009, 2010, 2011, 2012 and other public information. For this purpose the parameters such as deposits, investments, advances, total assets, gross NPA, Net NPA, interest income, other income, Interest expanded, operating expenses, total expenditure, operating profit, Net profit, credit deposit ratio, and investment deposit ratio are considered.

The commercial banks in India can be categorized into two categories, namely, public sector banks and private sector banks. In public sector banks the government of India will have a major holding. These public sector banks can be further divided into four types, namely: 1) Nationalized banks, 2) State bank of India (SBI), 3) Associate banks of SBI and, 4) Other public sector banks. The public sector banks play a vital role in Indian economy. The private sector banks are categorized into old private sector banks and new private sector banks.

The cross tabulation over different categories of banks and years for all parameters are prepared and analyzed. The trends of these parameters are obtained by using trend curves drawn with SPSS 21. The comparative performance of various categories of Indian commercial banks is carried by computing the compound growth rates of various parameters.

GROWTH AND PERFORMANCE OF INDIAN COMMERCIAL BANKS:

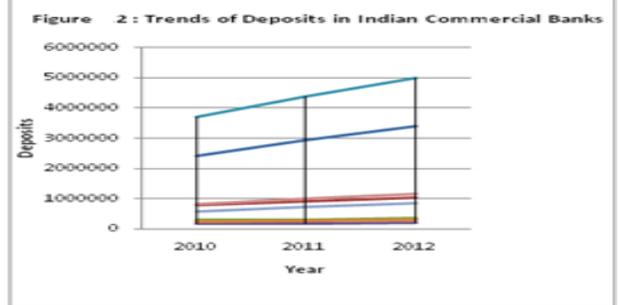
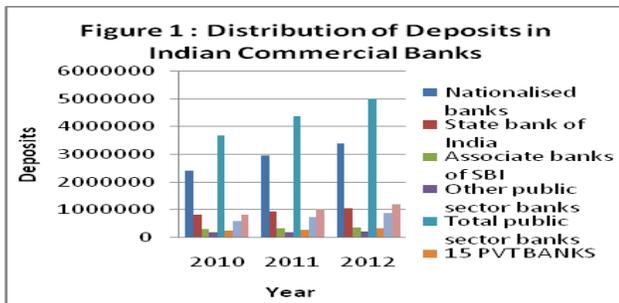
During the period 2009 to 2012 the financial conditions of international and national have significantly shown deeper of stress on the banking sector with the loss of growth momentum in U.S market and detrainning economic situation , the global challenges have potentially influenced the growth of Indian banking sector. The Indian banking sector has manifested capital base improvement and profit maintenance with respect to the parameters such as credit, liquidity and interest rate remain at respectable levels even under extreme shocks of global economy. This healthy phenomenon of Indian banking is due to the economic reforms made by Indian government during post liberalization era (RBI Report on trend and progress of banking in India).

DEPOSITS:

One of the important performance parameters of commercial banks is deposits. The banks accept money as deposits from public and lend it to public. In commercial banks the deposits are of two types. They are: time deposits and demand deposits. The time deposits can be further classified into 3 categories namely, saving bank deposits, current deposits – short term and long term deposits which are known as term deposits. Since deposits indicate the growth and development of a bank. There has been significant increase in the deposit mobilization of commercial banks during 2010 to 2013. Table 1 shows the growth of deposits in various types of Indian commercial banks with their compound growth rates. Figures 1 & 2 present the distribution of deposits among various types of commercial banks.

Table 1: Growth of Deposits in Various Types of Indian Commercial Banks

Category of bank	2010	2011	2012	CGR (10-11)	CGR (11-12)
Nationalized banks	2416267	2946100	3386497	21.93	14.95
State bank of India	804116	933933	1043647	16.14	11.75
Associate banks of SBI	303969	311930	361107	.62	15.77
Other public sector banks	167667	180486	210493	7.65	16.63
Total public sector banks	3692019	4372449	5001743	18.43	14.39
15 private sector banks	229897	264157	315891	14.90	19.58
7 New private sector banks	592904	738602	858696	24.57	16.26
Total 22 private Banks	822801	1002759	1174587	21.87	17.14



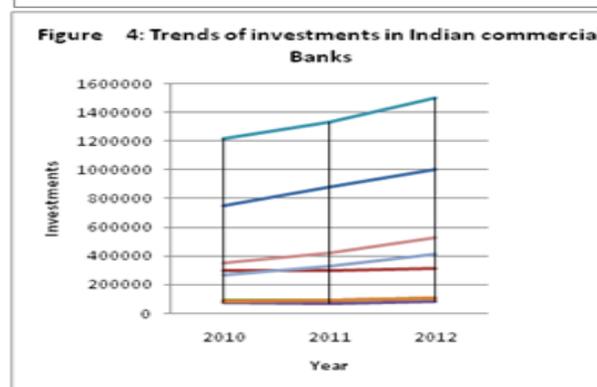
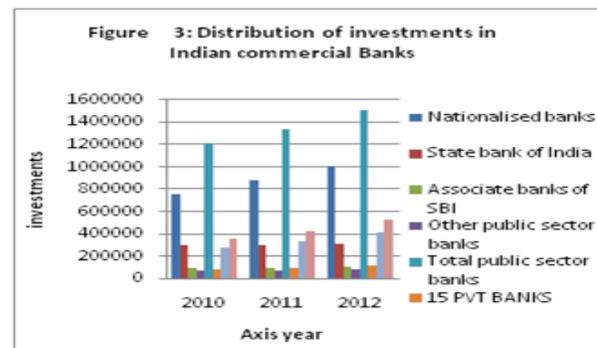
From graphs and table 1 it is observed that there is an increase in deposit mobilization in all types of Indian commercial banks. The deposits in all banks have shown an increasing trend. The public sector banks have increased their deposits from INR 36,92,019 crores to INR 50,01,743 crores from 2010 to 2012. Similarly the private sector banks have increased their deposits from INR 8,22,801 crores to INR 11,74,587 crores during the period 2010 to 2012. The compound growth rates of deposits in all types of Indian commercial banks, the new private sector banks have shown highest compound growth rates from 2010 to 2012. Among all types of banks, the associate banks of SBI have shown the lowest compound growth rate during 2010 to 2012. The further study reveals that the associate banks of SBI, other public sector banks, 15 old private sector banks have increased their compound growth rates from 2009-2010 and 2011-2012 where as the other banks have declined compound growth rates during 2009-2010, 2011-2012. This indicates the private sector banks have performed efficiently than the public sector banks.

INVESTMENTS

Investment of a commercial bank is one of the most important parameters for analyzing the performance of the bank. The bank gets fund through deposits from public, paid-up capital and reserves. Banks have to pay interest to the public at the contract rate at the end of the period. They have to pay dividends to their share holders and they have to meet their staff expenses and other expenses. Only getting mobilization of deposits does not serve the objectives of the banking. The banks have to get income to meet their expenses. So they have to invest their funds for the schemes with good ROI. The basic purpose of investment of a bank is to get better income to their funds. Hence, to understand the trend in investments of various categories of banks the data on investments is presented in Table 2 and distribution of investments among various types of commercial banks is shown in figure 3. The trend of investments in different types of banks is shown in figure 4.

Table 2: Growth of Investments in various Types of Indian Commercial Banks

Category of bank	2010	2011	CGR (10-11)	2012	CGR (11-12)
Nationalized banks	754779	882111	16.87	1003579	13.77
State bank of India	295785	295601	-0.06	312198	5.61
Associate banks of SBI	91688	90096	-1.74	105125	16.68
Other public sector banks	73345	68269	-6.92	83175	21.83
Total public sector banks	1215598	1336076	9.91	1504077	12.57
15 PVT Banks	83499	92617	10.92	109333	18.05
7 New PVT Banks	270618	329403	21.72	416649	26.49
Total 22 PVT Banks	354117	422020	19.18	525982	24.63



From Table 2 the investments in all commercial banks has increased from INR 12,15,598 crores in 2009-2010 to INR 15,04,077 crores in 2011-2012, where as in 22 private sector banks the investments have raised from INR 3,54,117 crores in 2009-2010 to INR 5,25,982 crores in 2011-2012. Among all public sector banks, the nationalized banks have increased their investments during 2009 to 2012 with a compound growth rate of 13.77%, where as in state bank of India the compound growth rate has increased from - 0.06% to 5.61% during the periods 2009-2010 and 2011-2012 respectively. The compound growth rate of investments in private sector banks is much higher than public sector banks. There was a decline in investments for associate bank of SBI during the periods 2009-2010 to 2010-2011. However, the investments in associate banks of SBI have increased during 2011-2012.

ADVANCES:

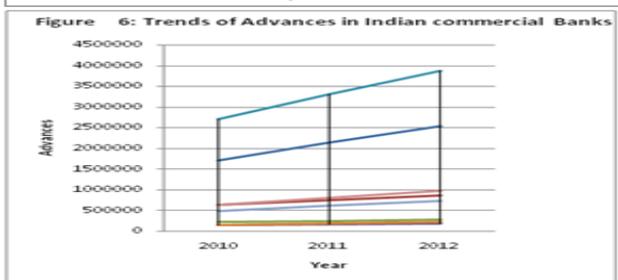
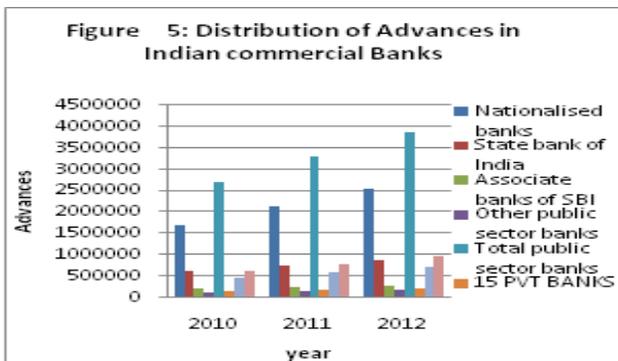
Advances in banks are also known as loans. The advances carry interest rates depending on the risk involved. The income earned through advances is the main sources of

income to banks. The advances can be categorized into two types namely, 1) short term loans and 2) long term loans. The short term loans are working capital loans and long term loans purchase of house hold articles for setting up small scale units, agricultural capital needs etc,. Usually banks provide the advances depending on purpose ability and other strategy requirement. The advances can also be classified into two groups. They are: 1.Fund based loans and 2. Non fund based loans.

Table 3 shows the advances of various Indian commercial banks during 2009-12. Figure 5 and 6 show the distribution of advances in Indian commercial banks and trends of advances in banks over the three financial years.

Table 3: Growth of Advances in Various Types of Indian Commercial Banks

Category of bank	2010	2011	CGR (10-11)	2012	CGR (11-12)
Nationalised banks	1704880	2153181	26.30	2545163	18.20
State bank of India	631914	756719	19.75	867579	14.65
Associate banks of SBI	226023	237434	5.05	284412	19.79
Other public sector banks	138202	157098	13.67	181158	15.32
Total public sector banks	2701019	3304433	22.34	3878312	17.37
15 PVT Banks	154085	185047	20.09	230095	24.34
7 NEW PVT Banks	478356	612897	28.13	736323	20.14
Total 22 PVT Banks	632441	797944	26.17	966418	21.11



From Table 3 it is observed that the public sector banks have increased their advances from INR 2701019 crores in 2010 to INR 3878312 crores in 2012 with a compound growth rate of 43.59%. Among these public sector banks the nationalized banks are having highest percentage of advances in 2012. The nationalized banks have marked a significant growth in advances from 2010 to 2012 with a compound growth of 49.29%. In private sector banks the advances increased from INR 632441 crores in 2010 to INR 966418 crores in 2012 with the compound growth of 52.81%. Among all private sector banks the seven new private banks have increased their advances significantly with a compound growth rate of 28.13% in the

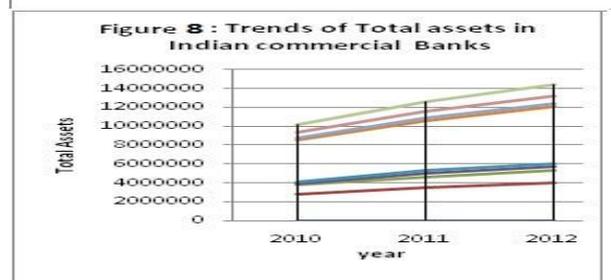
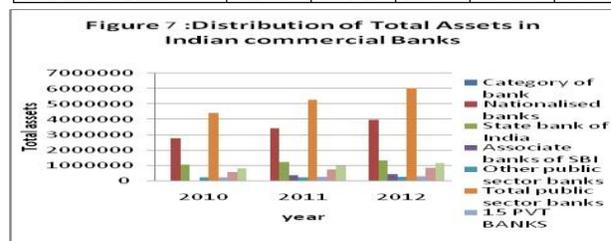
year 2010-11 to 20.14% in the year 2011- 12. In all types of Indian commercial banks the SBI is having a low increase in its CGR of advances, where as the private sector banks have increased their CGR during the period 2010-2012.

TOTAL ASSETS:

The commercial bank is also characterized by its cash on hand, bank balance with other banks, with SBI and RBI and advances given to the public and other banks. The advances include loans, overdrafts, etc. Bank assets include all its investments, other non- banking assets like building, furniture, fixtures etc. The total of all these assets of a bank is one of the important performance measures for the stability and growth of a bank. All types of Indian commercial banks reported an increasing trend in total assets during the periods 2009-2010 and 2011-2012 in spite of global financial distability and challenges. Table 4 shows the total assets of different categories of Indian commercial banks. Figures 7 and 8 present the distribution of total assets of Indian commercial banks and their trend during 2010 to 2012.

Table 4: Growth of Total Assets In Various Types of Indian Commercial Banks

Category of bank	2010	2011	CGR (10-11)	2012	CGR (11-12)
Nationalised banks	2795001	3442945	23.18	3975930	15.48
State bank of India	1053414	1223736	16.17	1335519	9.13
Associate banks of SBI	35886	373948	942.04	435695	16.51
Other public sector banks	233572	253377	8.48	290837	14.78
Total public sector banks	4440872	5294006	19.21	6037982	14.05
15 PVT BANKS	229897	264157	14.90	315891	19.58
7 NEW PVT BANKS	592904	738602	24.57	858696	16.26
Total 22 PVT Banks	822801	1002759	21.87	1174587	17.14



From Table 4 it is observed that the nationalized banks have contributed 66% distribution of total assets. The associated banks of SBI contributed 22% total assets in public sector banks. The all other public sector banks have contributed 12% of total assets. The nationalized banks have recorded compound growth rates 23.18% in 2009-10 and 15.48% in 2011-12. The seven new private sector banks have increased their total assets with a compound growth rate of 24.57% in 2010-11. In Indian commercial banks the total assets during 2011-12 amounts to 16% in private sector banks and 84% in

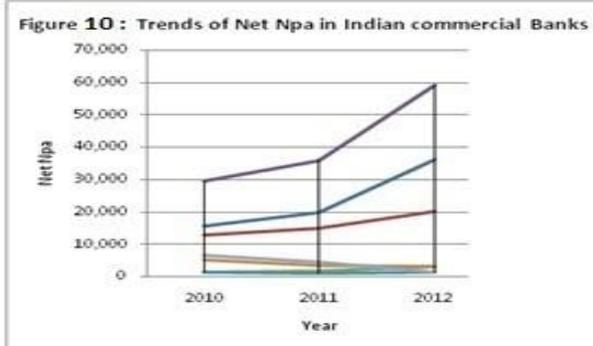
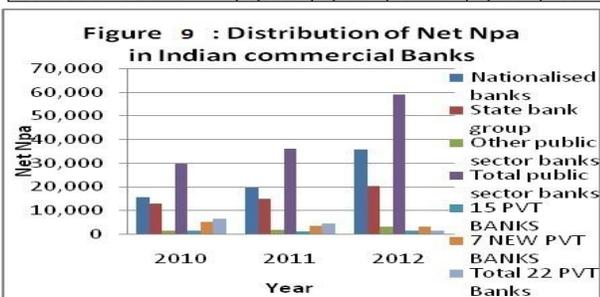
public sector banks. This distribution was stable over all the three years during 2009 - 12.

NET NPA:

In Indian commercial banks the net non performing assets (NPA) is calculated to understand the performance. Every bank prepares its asset classification as on 31st march of every financial year. The assets are classified in to four categories namely, (1) standard assets (2) sub standard assets (3) doubtful assets and (4) loss assets. As per the accounting standards bank has to provide on all it advances the provision for standard assets is 0.25 percent, on sub standard assets bank has to provide for 10% . The difference between nonperforming assets and the provision made on NPA is called the net NPA of the bank. Table 5 indicates the net NPA of various types of Indian commercial banks during 2010-2012. Figures 9 and 10 show the distribution and trends of net NPA in Indian commercial banks during the period 2009-12.

Table 5: Growth of Net NPA in Various Types of Indian Commercial Banks

Category of bank	2010	2011	CGR (10-11)	2012	CGR (11-12)
Nationalised banks	15,407	19,586	27.12	36,014	83.87
State bank group	12,830	14,791	15.28	20,237	36.81
Other public sector banks	1406	1678	19.34	2911	73.48
Total public sector banks	29,644	36,055	21.62	59,162	64.08
15 PVT BANKS	1,271	984	-22.58	1,336	35.772
7 NEW PVT BANKS	5,235	3,448	-34.13	3,065	-11.10
Total 22 PVT Banks	6,506	4,432	-31.87	1,401	-68.38



In public sector banks the net NPA is increased from INR 29644 crores in 2010 to INR 59162 crores in 2012 with a compound growth of 21.62%. Among all banks the net NPA of all public sector banks, the nationalized banks have highest CGR . In public sector banks the net NPA is almost doubled from 2010 to 2012. However, the net NPA in total 22private sector banks is decreased from INR 6506 crores in 2010 to INR 1401 crores in 2012 with a compound growth rate of -31.87%. The net NPA with respect to the 15 old private sector banks is declined during 2010 - 11 and increased during 2011 - 12. This indicates there is

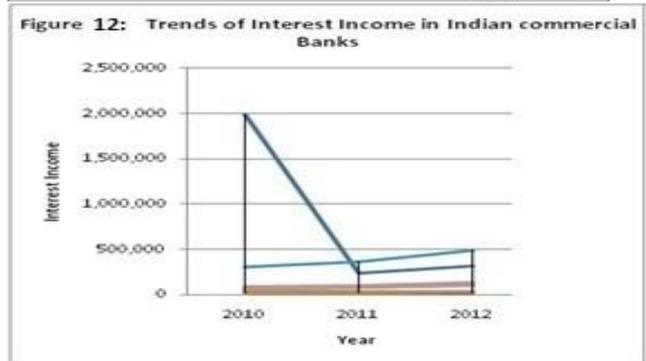
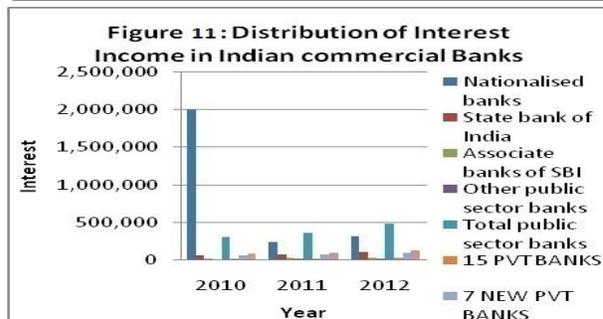
a significant difference between public sector banks and private sector banks with respect to monitoring the net NPA in Indian commercial banks during 2010 - 12.

INTEREST INCOME:

One of the most important performance measures of commercial bank is interest income. The main source of income to the commercial banks is interest earned on advances. The banks sanction, loans, advances, overdrafts to the customers on the interest rates depending on RBI guidelines. The amount earned on all these sanctions by way of interest is called interest income. Table 6 indicates the interest income of various Indian commercial banks from 2010 to 2012. Figures 11 and 12 show the distribution and trends of interest income in various types of Indian commercial banks during 2010 to 2012.

Table 6: Growth of Interest Income in Various Types of Indian Commercial Banks

Category of bank	2010	2011	CGR (10-11)	2012	CGR (11-12)
Nationalised banks	1,992,768	237,765	-88.07	317,882	33.70
State bank of India	70,994	81,394	14.65	106,521	30.87
Associate banks of SBI	26,960	28434	5.47	34,966	22.97
Other public sector banks	15,261	18,541	21.49	23,370	26.04
Total public sector banks	305,983	366,135	19.66	484,740	32.39
15 PVT BANKS	20,497	23,299	13.67	32,592	39.89
7 NEW PVT BANKS	62,310	73,414	17.82	101,387	38.10
Total 22 PVT Banks	82,807	96,713	16.79	133,979	38.53



All public sector banks put together have increased their interest income from INR 305983 crores in 2010 to INR 484740 crores in 2012 with a compound growth rate of 58.42%. The nationalized banks contribute 66% in interest income of all public sector banks where as the state bank contributes 22%. In nationalized banks the compound growth rate of interest income during the period 2010-11 is -88.67% and it has increased to 33.70% in 2011-12. The total income in 22 private sector banks also increased with a significant compound growth rate from 2010 to 2011. In all private sector banks the compound growth

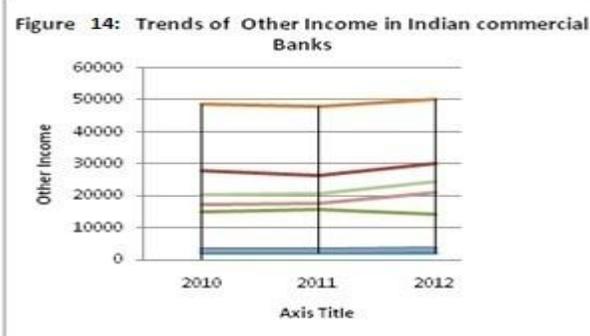
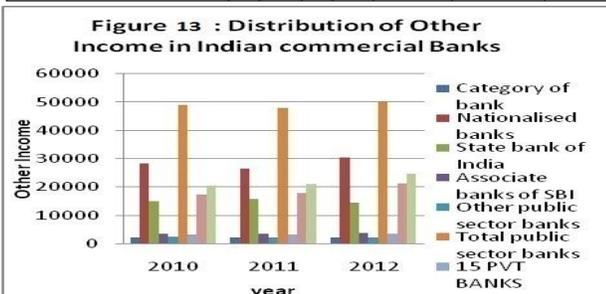
rate during 2010-11 is 16.79%. It has increased to 38.55% during 2011-12. Among all private sector banks the 7 new private sector banks have increased their interest income from INR 62310 crores in 2010 to INR 101387 crores in 2012 with a compound growth rate of 61.80%.

OTHER INCOME

Indian commercial banks generate income not only by interest earned on advances, loans, over drafts, etc, but also by giving other services. The other ancillary services through which banks earn other income are remittance services, commission, acting as corporate agents for insurance agencies, selling precious metals, earning rental income and other services. The income is earned by the bank by all other services except interest earned on advances and loans is called other income. Other income is also a measure of evaluating bank performance. The data on other income earned by various types of Indian commercial banks is collected and presented in Table 7. Figures 13 and 14 show the distribution and trends of other income in various types of Indian commercial banks from 2010 to 2011.

Table 7: Growth of other Income in Various Types of Indian Commercial Banks

Category of bank	2010	2011	CGR (10-11)	2012	CGR (11-12)
Nationalised banks	28,198	26,582	-5.73	30348.00	14.17
State bank of India	14,968	15,825	5.73	14351.00	-9.31
Associate banks of SBI	3425	3,415	-0.29	3539.00	3.63
Other public sector banks	2,302	2,143	-6.91	2119.00	-1.12
Total public sector banks	48,893	47,965	-1.90	50358.00	4.99
15 PVT Banks	3,152	3,029	-3.90	3383.00	11.69
7 NEW PVT Banks	17,271	17,845	3.32	21116.00	18.33
Total 22 PVT Banks	20,422	20,873	2.21	24499.00	17.37



From table 7 it is observed that the nationalized banks have recorded an increasing trend in generating other income from INR 28198 crores in 2010 to INR 30348 crores in 2012. Except SBI, all other public sector banks have marked a declining trend during 2010 - 11 and there is an increase trend

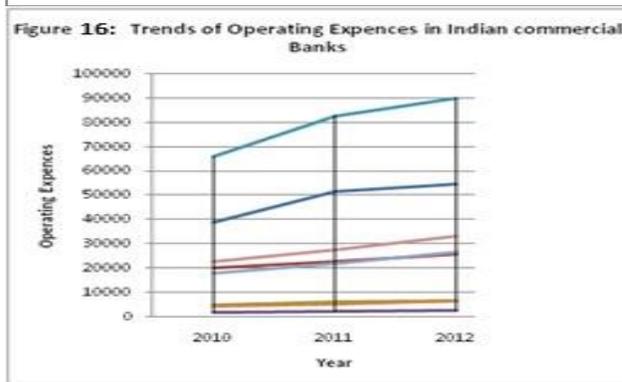
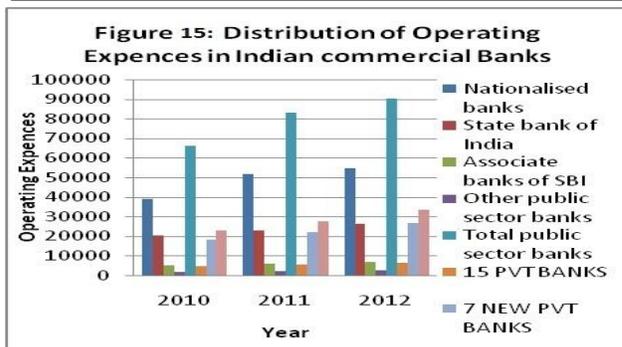
in the next year in 2012. But in SBI there is an increasing trend during the period of 2010 – 11 and a declining trend during the period 2011 – 12. However, in 7 new private sector banks there is continuous increase during the period 2010 – 12 with compound growth rates 3.32% and 18.33% respectively. The generation of other income in new private sector banks is having higher compound growth rate in comparison to other private sector and public sector banks.

OPERATING EXPENSES:

Operating expenses are expenses of a bank incurred in its maintenance and sustainability. The usual expenses of bank are staff expenses, building rent, electricity charges, depreciation on bank furniture and fixtures etc. The operating expenses are measured through summing up all expenses incurred for bank operations. The data on operating expenses of various types of Indian commercial banks are collected and presented in Table 8. The distribution of operating expenses and its trends in various commercial banks are shown in figures 15 and 16.

Table 8: Growth of Operating Expenses in Various Types of Indian Commercial Banks

Category of bank	2010	2011	CGR (10-11)	2012	CGR (11-12)
Nationalized banks	38961	51565	32.35	54867.00	6.40
State bank of India	20319	23015	13.27	26069.00	13.27
Associate banks of SBI	4964	6130	23.49	6671.00	8.83
Other public sector banks	1831	2255	23.16	2607.00	15.61
Total public sector banks	66075	82965	25.56	90214.00	8.74
15 PVT BANKS	4715	5600	18.77	6540.00	16.79
7 NEW PVT BANKS	18135	22006	21.35	26805.00	21.81
Total 22 PVT Banks	22851	27606	20.81	33345.00	20.79



It is observed that in all types of Indian commercial banks the operating expenses are increasing during 2010-12. The increase in operating expenses in private sector banks is high compared to that of public sector banks. The compound growth rate of operating expenses in public sector banks has

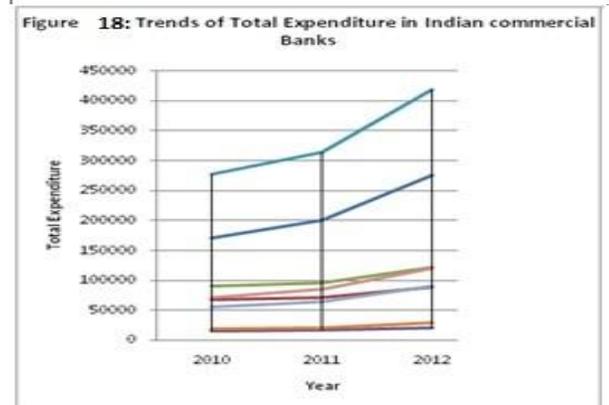
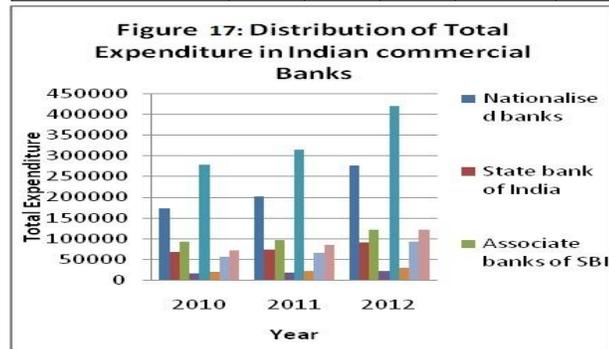
decreased from 25.56% in 2010-11 to 8.74% in 2011-12. In private sector banks the increase in compound growth rate in operating expenses is stable with CGR 20.8% during the years 2010 – 11 and 2011- 12.

TOTAL EXPENDITURE:

The total amount paid to the customers on their various deposits is called interest expenditure. The total expenditure incurred in bank is the sum of interest expanded and operating expenses. To have a comparative study of various types of Indian commercial banks, the information on total expenditure is collected and shown in Table 9 and figures 17 and 18.

Table 9: Growth of total Expenditure in Various Types of Indian Commercial Banks

Category of bank	2010	2011	CGR (10-11)	2012	CGR (11-12)
Nationalized banks	171667	201428	17.34	275730.00	36.89
State bank of India	67641	71883	6.27	89299.00	24.23
Associate banks of SBI	91511	96164	5.08	121591.00	26.44
Other public sector banks	14837	16527	11.39	21433.00	29.68
Total public sector banks	278015	314118	12.99	418754.00	33.31
15 PVT BANKS	18791	20368	8.39	29046.00	42.61
7 NEW PVT BANKS	55265	64387	16.51	91083.00	41.46
Total 22 PVT Banks	71056	84755	19.28	120130.00	41.74



From Table 9 it is observed that in all types of Indian commercial banks the total expenditure has increased from INR 278015 crores in 2009-10 to INR 418754 crores in 2011-12. This shows an increase of INR 18299 crores with compound annual growth rates 11.39% and 29.68% during the years 2010 – 11 and 2011 – 12 respectively. Among all public sector banks the nationalized banks have contributed 54% of total expenditure in total expenditure. The contribution are 18%, 24% and 4% form State bank of India, associate banks of SBI

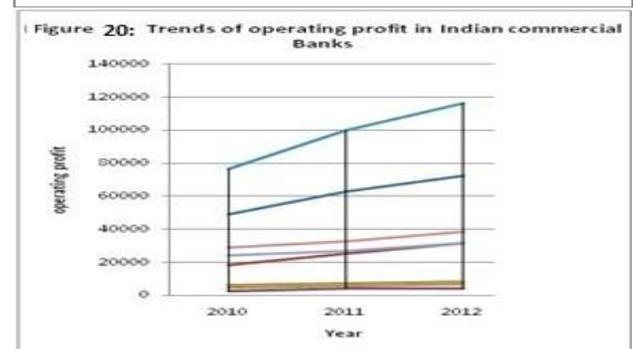
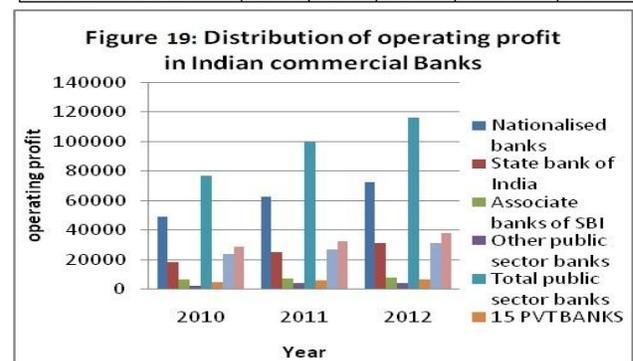
and other public sector banks respectively. With respect to the private sector banks there is an increasing trend in total expenditure. The new private sector banks have recorded an increase in annual compound growth rate from 16.5% in 2010 to 41.46% in 2012.

OPERATING PROFIT:

Operating profit is also known as gross profit. The operating profit can be computed as the total income earned by bank minus total expenditure. The total income is obtained through interest earned on advances, loans, commission on over drafts and other services and the interest earned on their assets etc. Usually the total income is calculated as interest earned plus other income. Similarly the total expenditure is the sum of interest expanded and other expenditure. The total profit is one of the most important parameters for Indian commercial banks. The gross profit will characterize the financial health of the bank. This operating profit is also an important factor for banks sustainability in the market. Hence, the data on operating profit of all types of Indian commercial banks is collected and presented in Table 10. The distribution of operating profit in various types of Indian commercial banks is shown in figure 19. The trends in of operating profit in different categories of Indian commercial bank are shown in figure 20.

Table 10: Growth of Operating profit in Various Types of Indian Commercial Banks

Category of bank	2010	2011	CGR (10-11)	2012	CGR (11-12)
Nationalised banks	49298	62919	27.63	72501.00	15.23
State bank of India	18321	25336	38.29	31574.00	24.62
Associate banks of SBI	6515	7569	16.18	8214.00	8.52
Other public sector banks	2726	4158	52.53	4056.00	-2.45
Total public sector banks	76861	99981	30.08	116344.00	16.37
15 PVT BANKS	4858	5960	22.68	6929.00	16.26
7 NEW PVT BANKS	24316	26872	10.51	31419.00	16.92
Total 22 PVT Banks	29173	32831	12.54	38348.00	16.80



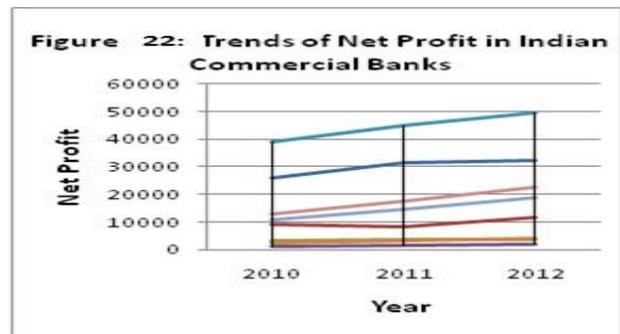
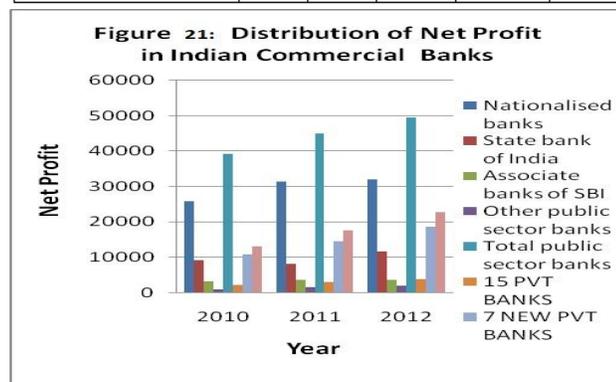
From Table 10 it is observed that there is an increasing trend in all types of commercial banks with respect to the operating profit from 2010 to 2012. In all public sector banks the operating profit is increased from INR 76861crores in 2010 to INR 116344 crores in 2012. Among all public sector banks the nationalized banks have contributed 62 % of the total operating profit, where as the other public sector banks have contributed 27%, 7%, and 3% by SBI, associate banks of SBI and other public sector banks respectively. The 22 private sector banks have also increased their operating profit from INR 29173 crores in 2010 to INR 38348 crores in 2012 which accounts to a compound growth rate of 12.54% in 2010 to 16.80% in 2012. Among all types of Indian commercial banks, the SBI is having highest of annual compound growth rate in operating profit during 2011-12.

NET PROFIT:

Net profit is the one of the most important performance measures for any Indian commercial bank. Some people argue that the performance of a commercial bank should be judged in terms of profitability alone. The net profitability is the gross profit minus provisions made on NPA and other contingencies. The net profit is usually influenced by the fulfillment of social objectives and spreading the bank services. In spite of world economic crisis during 2009 to 2012 all types of Indian commercial banks have recorded an increasing trend in net profit. The data on net profit of different types of Indian commercial banks over the periods 2010 to 2012 is shown in Table 11. Figures 21 and 22 represent the distribution of net profit in various types of commercial banks and their trends respectively.

Table 11: Growth of Net Profit in Various Types of Indian Commercial Banks

Category of bank	2010	2011	CGR (10-11)	2012	CGR (11-12)
Nationalized banks	25793	31388	21.69	32149.00	2.42
State bank of India	9166	8265	-9.83	11707.00	41.65
Associate banks of SBI	3267	3598	10.13	3626.00	0.78
Other public sector banks	1031	1650	60.04	2032.00	23.15
Total public sector banks	39257	44901	14.38	49514.00	10.27
15 PVT BANKS	2312	3101	34.13	3924.00	26.54
7 NEW PVT BANKS	10799	14611	35.30	18794.00	28.63
Total 22 PVT Banks	13112	17712	35.08	22718.00	28.26



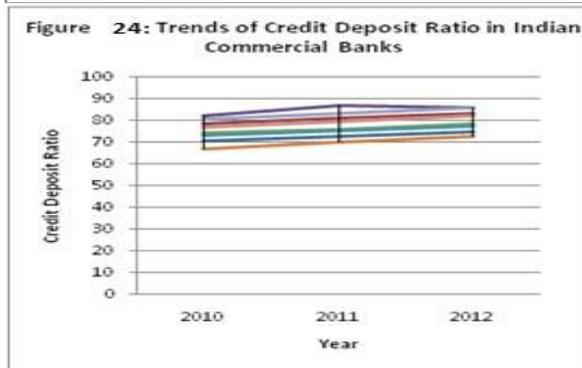
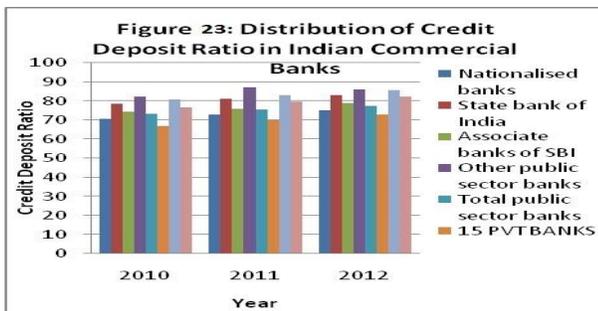
All public sector banks put together have increased their net profit from INR 39257 crores in 2010 to INR 49514 crores in 2012. The nationalized banks have also increased their net profit. They contributed 65% of total net profit in all public sector banks. The SBI has contributed 24% and its allied banks have contributed 7% of net profit in all public sector banks during the year 2012. Among all public sector banks SBI has recorded highest CGR in 2011-12 with a compound growth rate of 41.65%. The same phenomenon is observed with respect to 22 private sector commercial banks operating in India. Among the private sector banks the 7 new private sector banks have contributed 83% in the net profit. The net profit of all the private sector banks have increased from INR 13112 crores in 2010 to INR 22718crores in 2012 with CGR 28.26% in 2012.

CREDIT DEPOSIT RATIO:

The credit deposit ratio is one of the most important barometers considered by financial experts for analyzing the performance of commercial banks. The credit deposit ratio is computed as the total credit divided by total deposits. If this ratio is 1 then the bank deposits and advances are same then we conclude the bank liquidity is good. If the CDR is less than 1 then we infer that the bank deposit is less than the advances and if CDR is more than 1 then the advances are more than the deposits. This ratio indicates how much of the advances lent by banks are done through deposits. It is the proportion of loan assets created by banks from deposits received. This ratio reflects the ability of the bank to make optimal use of the available resources. Hence, the data on credit deposit ratio of various types of Indian commercial banks is collected and shown in Table 12. The trends of credit deposit ratio from 2010 to 2012 in various types of Indian commercial banks are shown in figures 23 and 24.

Table 12: Growth of CDR in Various Types of Indian Commercial Banks

Category of bank	2010	2011	CGR (10-11)	2012	CGR (11-12)
Nationalized banks	70.56	73.09	3.59	75.16	2.83
State bank of India	78.58	81.03	3.12	83.13	2.59
Associate banks of SBI	74.36	76.12	2.37	78.76	3.47
Other public sector banks	82.43	87.04	5.59	86.06	-1.13
Total public sector banks	73.16	75.57	3.29	77.54	2.61
15 PVT BANKS	67.02	70.05	4.52	72.84	3.98
7 NEW PVT BANKS	80.68	82.98	2.85	85.75	3.34
Total 22 PVT Banks	76.86	79.57	3.53	82.28	3.41



CDR of all public sector banks is increased from 73.16% to 77.54% FROM 2009-10 TO 2011-12. Among all public sector banks, the nationalized banks have reported low CDR. They also increased their CDR from 70.56% in 2010 to 75.16% in 2012. The SBI has increased its credit deposit ratio from 78.58% to 83.12% during 2010 to 2012. Among all public sector banks, the other public sector bank namely, IDBI Ltd has recorded highest CDR of 86.06% in 2012. However, there is a decline even in this bank from 2011 to 2012. All private sector banks also increased their credit deposit ratio during 2010 to 2012. Among all private sector banks the 7 new private sector banks have increased their CDR from 80.68% in 2010 to 85.75% in 2012. The new private sector banks have shown better CDR than the total public sector banks. This is because of the aggressive marketing nature of private sector banks, such as ICICI, HDFC etc. It is noticed that in all types of Indian commercial banks the credit deposit ratio is less than 1 (100%). This indicates in all types of banks the deposits are more than their advances. Hence, the banks have to develop an optimal strategy for utilizing their resources.

19. CONCLUSIONS:

Indian banking sector is one of the most attractive and biggest market of Asia for the investment. The banking sector is mainly concentrating on providing customer service more effectively and efficiently the success of any financial institution especially, banks depends upon the service providing and satisfaction of the customer. In the present day competitive market environment retaining the customer and their goodwill is a major challenge. The need of bank is making the customer happier by providing qualitative services that there is one to one correspondence between development of the economy and occupational structure.

Even though the performance of Indian banking sector during the period 2009 - 12 is under challenges due to stressed

financial conditions, the balance sheet and expansion of banks remains stable and recorded steady growth in several performance matrices, such as deposits, advances, investments, total assets, gross NPA, net NPA, interest income, other incomes, total income, interest expanded operating expenses, operating profits, provisions and contingencies, net profit, credit deposit ratio, investment deposit ratio, return on assets, net NPA as percentage to net advances, etc.,. These parameters have a vital role in increasing the profitability and productivity of Indian banks.

The technological investment and innovations in information technology during the recent part has provided dividend of efficiency gain for scheduled commercial banks. The effect of information technology initiatives in Indian banks have reduced operational costs and improved the profit through cost efficiencies during the period 2009 to 2012. This coincides with similar studies made by Berger (2003) and Eyadat and Kozak (2005) in US bank industry during the development of new technologies. The innovative thinking of banks through productive analytics using information technology has fully leveraged the Indian banking sector in business perspectives. The strategy of deviation from product centric to customer centric operations also significantly influenced the positive growth of commercial banks. The banks are reducing their operational cost and increasing quality of services. Many banks are focusing their operations towards customer centric services. In the present competitive business environment the banks are searching for new ways and means to provide an excellent banking experience to their customers for a cheaper cost. This study emphasizes the positive growth and stability of Indian commercial banks during global economic crisis.

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