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A Study the overview of Banking Financial Performance

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Abstract: A bank is a financial institution that receives deposits from the public and lends those funds to individuals, businesses, and governmental entities. The government owns a sizable stake in the banks that make up the "public sector." To be clear, private sector banks are those that do not have any ownership from the government. In India's early banking history, the industry was controlled by public sector banks. The banking industry has been essential in averting economic downturns, as India commemorates its 65th anniversary and continues to expand at a phenomenal rate second only to China among the world's fastest-growing economies. Since a strong banking system supports a nation's steady industrial and economic progress, the banking sector's success reflects the nation's economic activity. The regulatory and governmental organisations can learn about the efficacy of current policies and the need for possible revisions by investigating the financial health of these banks

Keywords: Bank, financial, reform, private and public sector banks, economy

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INTRODUCTION

Development involves not just economic but also social and industrial revolutions, which are particularly significant in many developing countries and need the acceptance of new political and societal values. Development rarely follows a straight line, and banking is the cornerstone of economic growth. The banking industry has been essential in averting economic downturns, as India commemorates its 65th anniversary and continues to expand at a phenomenal rate second only to China among the world's fastest-growing economies. Since a strong banking system supports a nation's steady industrial and economic progress, the banking sector's success reflects the nation's economic activity (Guru & Mahalik, 2019). In the 65 years since India gained its freedom, the banking industry has changed significantly, moving away from nationalization and privatization and toward something new, especially after 1997. Over the past 20 years, technology has allowed for amazing advancements in the banking sector, including the introduction of credit cards, ATMs, Internet banking, EFTPOS, and now mobile banking. Conventional banking concepts, attitudes, and practices have been replaced with new strategies cantered on viability, need-based financing, and marketing. Banks are now expected to participate in nation-building initiatives and contribute to socioeconomic reforms instead of just focusing on businesses that yield instant profits. In addition to being financial entities that move money from one location to another, banks are also social enterprises that have a duty to engage the community and assist the less fortunate in realizing their goals. Because of this, banks serve as accelerators for national growth, drawing resources and focusing them on worthwhile projects. Both small- and large-scale industries require new approaches to industrial growth.

DEFINITION OF BANK

There are several definitions of "bank" given in a variety of settings and formats, making the term quite inclusive. Here are a few definitions that are grouped appropriately to help you understand the fundamental concept and meaning of a bank: "A bank is a facility used to hold money that is received from or on behalf of its clients. Paying their drafts on it is its primary responsibility. It makes money by utilizing the money that they leave jobless." This concept places a strong emphasis on banks' roles as money custodians, storing funds for clients and handling payments on their behalf all the while making money off of the money that isn't being used. It essentially emphasizes the three main roles of revenue generation from unused money, payment facilitation, and safeguarding (Kumar & Gulati, 2008). It essentially emphasizes the three main roles of revenue generation from unused money, payment facilitation, and safeguarding. An institution that trades in money and its equivalents & provides a range of monetary services is another way to define a bank. Banks receive deposits, make loans, and make money by charging interest at a rate that differs from what they are paid. Some banks are also able to generate currency." Here, the focus is on the broader range of financial services provided by banks, including deposit taking, loan disbursement, and interest rate difference revenue generation (Chavati et al., 2015).

The importance of banks in the financial system as mediators and entities with the ability to influence the money supply is highlighted by this definition, which also acknowledges that some banks have a unique capacity to create money. In the past, "banks" meant a table or bench where money was exchanged. According to this description, the process of money changing is where banking first began, with early bankers working off of benches or tables in public spaces (Chavati et al., 2015). Understanding the development of banks from basic money changers to intricate financial entities requires an awareness of this historical background. Moreover, a bank is described as "an establishment that deals in money, establishes for money, as well as for lending and discounting and enabling the transfer of remittances from one location to another." This definition demonstrates the variety of banking activities by emphasizing the bank's function in money exchange, lending, discounts, and remittance transfer facilitation (Karri & Mishra, 2015). It draws attention to the bank's participation in a range of financial initiatives that promote trade and business. A more complete description reads: "Accepting for the purpose of the lending or investment of deposits of money from the public, repayable on demand or otherwise, and withdraw able by cheques, draft, order, or otherwise." This term highlights banks' principal function, which is to accept deposits from the general public for lending or investment purposes. It further emphasizes that these deposits are repayable and that they may be taken out via a variety of methods, including drafts and checks.

FINANCIAL PERFORMANCE IN TERMS OF PROFITABILITY & LIQUIDITY

Among the most important measures of a bank's soundness and efficiency are its profitability & liquidity ratios. The ability of a bank to turn a profit over a given time period is measured by its profitability in relation to its expenses and other pertinent charges. The difference between the interest banks get from their interest-earning assets & interest they pay to lenders is known as the net interest margin (NIM), and it is one of the most significant indicators of profitability. A bank's profitability can also be ascertained by dividing its net income by ROA and by dividing its net income by its shareholders' equity (ROE), which calculates the bank's profitability in relation to shareholders' equity.

Profitability is higher when the ratio is smaller. The cost-to-income ratio, or the ratio of operating expenses to operating income, is another crucial profitability indicator. The bank's ability to meet short-term obligations without seeking outside capital is known as liquidity. Essential measures of liquidity include the LDR, which determines the number of outstanding loans; the Quick Ratio, which is similar to the current ratio & compared current assets to current liabilities; & LCR, which is a Basel III requirement that ensures banks have enough HQLA to cover short-term obligations. Enough liquidity is indicated by an LCR greater than 100%. For a banking organization to thrive and maintain overall financial stability, profitability and liquidity are both essential. A bank has to strike a good balance between these two factors in order to continue operating and control risks associated with profitability and liquidity. It must also ensure that it earns enough income and controls expenses while still being able to satisfy short-term commitments.

CREDIT AND DEPOSIT RATIO

Two essential measures that are used to assess the operational effectiveness and financial stability of banks are the Deposit to Credit Ratio (DCR) and the CDR. The percentage of a bank's deposits that are used to create loans is measured by the Credit to Deposit Ratio, sometimes called the LDR. It is determined by dividing the total amount of loans and deposits made by the bank. A high CDR means that a bank is lending a significant amount of its deposits, which raises risk in the event that the loans are not repaid but can also boost profitability through interest revenue. On the other hand, a low CDR implies that a bank is not lending out its whole deposit base, which can point to a cautious stance but could also imply lower profitability. That the bank maximizes its revenue potential. DCR, on the other hand, is essentially the reverse of the CDR & shows the percentage of a bank's loans to its deposits. Divide the total quantity of deposits by the total quantity of loans to determine it. A bank with a greater DCR is likely to have a bigger deposit base than loans, which suggests robust liquidity and a reliable source of capital. It can also imply that the bank is not actively seeking for loan prospects, which could impede its expansion and financial success. A lower DCR means that the bank has more loans than deposits, which might increase profitability but increase the risk to liquidity in the event of an unexpected withdrawal of deposits.

When evaluating a bank's operational strategy and financial soundness, both numbers are essential. They shed light on how successfully a bank is allocating its resources and striking a balance between risk and profit. In order to make sure banks have sufficient liquidity while engaging in profitable lending operations, regulators frequently keep an eye on these ratios. In conclusion, the CDR and DCR are crucial indicators of a bank's capacity to responsibly distribute loans, manage its deposit base, and strike a healthy balance between profitability and liquidity.

CAPITAL ADEQUACY AND ASSET QUALITY RATIOS

The LDR, which calculates the total number of outstanding loans; the Quick Ratio, which is comparable to the current ratio or contrasts current assets to current liabilities; & LCR, a Basel III requirement that guarantees banks have adequate HQLA to cover short-term obligations, are all significant measures of liquidity. Sufficient liquidity is indicated by an LCR greater than 100%. To make sure banks have enough capital to cover their risk exposures, regulatory bodies like the Basel Committee on Banking Supervision establish minimum CAR levels. This contributes to the preservation of depositor protection & stability of the financial system. On the other hand, asset quality ratios assess a bank's holdings, particularly its loan book, for soundness. The Loan Loss Provisions ratio and the Non-Performing Assets (NPA) ratio are important ratios. The percentage of loans that are in default or on the verge of default is measured by the NPA ratio. Greater problem loan levels are indicated by a greater net present asset (NPA) ratio, which can reduce a bank's capital and profitability. Additionally, it indicates possible problems with loan underwriting guidelines and credit risk management. The amount of reserves a bank has set aside to cover future loan losses is shown by the Loan Loss Provisions ratio. A conservative approach to risk management and the recognition of possible loan impairments are suggested by higher provisions, which may have an impact on current profitability but strengthen future financial stability.

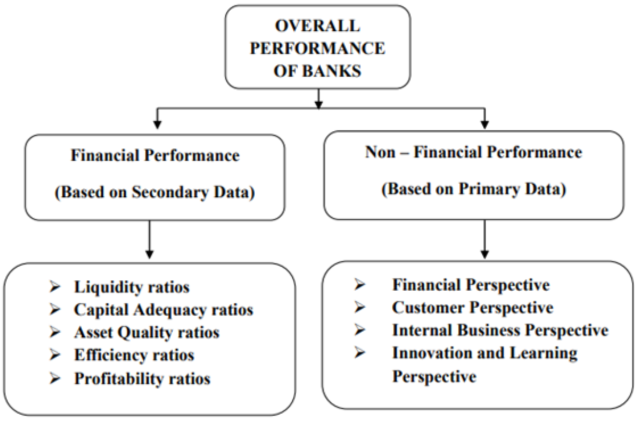

Figure 1: Conceptual model

Source: https://thecodehub.in/the-formal-financial-system/

A conceptual model of banks provides a summary of the main elements & procedures of banking operations. These components include labor, funds, client deposits, loans, and technology. Among the critical functions that are powered by these inputs are lending, deposit management, investment, risk management, compliance, and financial reporting. These procedures result in loans and advances, revenue from interest and fees, financial statements, market share, and customer satisfaction. Continuous improvement and adaptability are ensured in large part by feedback systems such market trends, customer, regulatory, and performance monitoring. This model emphasizes how different components interact to sustain financial stability and growth, offering a simpler framework for comprehending the complex inner workings of banks.

THE ROLE OF BANKS IN COMMERCE

A commercial function of banks encompasses a wide range of services & activities designed to satisfy the diverse financial demands of individuals, corporations, & governments, and goes much beyond basic banking operations. The creation and circulation of banknotes is a critical function of banks, which guarantees the availability of real currency for transactions. Additionally, banks provide currency exchange services, enabling clients to convert one currency to another for travel, commerce, or investment needs. This is essential for foreign travel and business as it gives access to many currencies as needed. Additionally, banks facilitate the transfer of funds via a range of electronic means, such as electronic funds transfers and mobile banking for swift and secure payment processing for personal and business needs, internet banking for online financial transactions, and telegraphic transfers for international transactions (Mutuku et. al 2019). Furthermore, consumers can deposit money with banks on term deposits, which offer a secure investment alternative for depositors and allow banks to use the funds for lending and other investment operations. consumers deposit money on these terms at a predefined interest rate for a set length of time.

In addition, banks offer bank drafts and bank checks, two safe and dependable ways to make payments. Bank drafts are pre-paid, negotiable instruments that the bank guarantees, while bank checks, also known as cashier's checks, are drawn directly from the bank's own reserves and serve as a reliable means of payment for large-scale transactions. In addition, banks provide a range of lending services, such as installment loans with set payback plans for purposes like financing a home or buying a car, overdrafts that let users withdraw more money than is available in their account up to a predetermined limit, and other loan products like personal, business, and credit lines to accommodate a range of borrowing requirements. Additionally, banks offer guarantees and performance bonds to cover clients' financial obligations in the event that they fail to fulfill a contract, as well as standby and documentary letters of credit, which are payments guarantees used in international trade to ensure exporters receive payment. Additionally, banks offer securities underwriting commitments, which involve them guaranteeing the sale of new securities while taking on the risk of unsold shares. These “off-balance sheet” assets are hypothetical financial obligations that are essential to sustaining trade and investment activity but does not show up on the bank's balance sheet (Niepmann & Schmidt-Eisenlohr, 2017).

PRIVATE SECTOR BANKS

Private sector banks play a crucial role in the financial system, particularly in developing countries like India. Rather than the government, private organizations or people own, run, and oversee these banks. They are distinguished from their colleagues in the public sector by their reputation for effectiveness, creativity, and customer-focused services. The growth of private sector banks in India can be attributed to economic liberalization policies implemented in the early 1990s. RBI allowed new private banks to open as part of a broader strategy to increase competition and improve the efficiency of the banking sector. This move was made in an effort to address the shortcomings of public sector banks, specifically their bureaucratic sluggishness, inefficiency, & lack of innovation.

Private sector banks are essential for fostering economic growth & development. They mobilize savings from corporations and people and direct them toward profitable ventures. These banks serve the varied demands of their clientele, which includes both small and large businesses, by providing a variety of financial goods and services such loans, deposits, insurance, and investment opportunities. They have become important actors in the banking sector because to their capacity to swiftly adjust to shifting client demands and market conditions. The focus placed by private sector banks on innovation and technology is one of their distinguishing features. They have led the way in implementing state-of-the-art technology to boost customer satisfaction and operational effectiveness. Customers now have more access to and convenience with banking thanks to the standardization of digital services like as ATMs, mobile banking, and internet banking in private sector banks. These banks have also made significant investments in cybersecurity to safeguard the information and transactions of their clients. A safe banking environment is ensured via the use of artificial intelligence and sophisticated analytics, which aid in risk management and fraud detection. Furthermore, private sector banks have launched a range of digital payment options, which has greatly aided the government's efforts to promote a digital economy (Garg et al., 2018).

Banks in the private sector are well known for putting their customers first. By providing individualized services, prompt grievance resolution, and a large selection of financial solutions catered to specific requirements, they put the needs of their clients first. Private sector banks' customer-focused strategy has allowed them to build long-lasting relationships & loyal clients. In order to guarantee a high degree of professionalism and competency, they also place a strong emphasis on staff training and development. These banks encourage workers to do their best work because of their performance-driven incentives and accountability culture, which improves the entire client experience (Paul et al., 2016).

Financial inclusion has benefited greatly from the expansion of private sector banks' services to underserved and unbanked people. To encourage more individuals to use the official banking system, they have introduced innovative programs like as microfinance, small and medium enterprise (SME) loans, and others. This adds to the nation's overall economic growth in addition to raising the standard of living for these groups (Singh, 2016). Additionally, banks in the private sector are essential to the growth of innovation and entrepreneurship. Their provision of investment services, financial consulting, and credit facilities facilitates the expansion and prosperity of small and fledgling enterprises. The development of jobs, economic dynamism, and general economic resilience all depend on this assistance (Pandya, 2015).

HDFC Bank

Mumbai-based HDFC Bank is a prominent player in the Indian banking industry. As of June 30, 2013, the bank had expanded its distribution network significantly, with 11,088 ATMs & 3,119 branches located throughout 1,891 cities and villages. The bank's ambitious development plan was evident in the fact that there were 555 branches and 1,379 ATMs more than the year before. HDFC was among the first to obtain "in-principle" license to form a private sector bank in India after the RBI liberalized the country's banking system in 1994. The bank began operating as "HDFC Bank Limited" in August 1994, and in January 1995 it commenced its scheduled commercial banking operations. On August 30, 1994, HDFC Bank was founded under the direction of Home Development Financing Corporation Limited (HDFC), the largest home financing company in India. It was the first time the RBI has given its approval for the idea of a private bank. On October 10, 1994, the RBI issued a Certificate of Commencement of Business to the bank. The subscribers to the Memorandum & Articles of Association received 70 equity shares in the first year of the company, while the HDFC promoters earned 500,000,000 equity shares. On December 22, 1994, 509,200,000 shares were transferred to the HDFC Bank Workers Welfare Trust & HDFC Employees Welfare Trust. HDFC Bank became a member of the banking consortiums of more than fifty corporate customers in 1996. Prominent multinational firms, strong public sector institutions, and flagship businesses of local business families were among these clients. By 1997, the bank had twenty branches and a 53.8% credit-to-deposits ratio, making it a major mobilizer of retail deposits. In order to serve as its clearing bank, HDFC Bank partnered with the Ahmedabad Stock Exchange (ASE) in 1998. The bank also announced that in the first quarter of the upcoming fiscal year, it will open two more branches in Kolkata.

The 2000 merger of Times Bank Limited, a part of The Times Group (Bennett, Coleman & Co.), with HDFC Bank Ltd. marked a significant turning point for HDFC Bank. Investors in Times Bank received one HDFC Bank share for every 5.75 Times Bank shares in this historic merger, which was the first to occur between two private banks in India. In addition to opening its ninth branch in Karnataka in 2002, HDFC Bank also introduced "One View," an online account aggregation tool. The bank also opened a store in Mangalore and introduced the Silver card in Hyderabad. In an effort to broaden its reach into global markets, HDFC Bank opened its first representative office abroad in 2002 (Rajendran & Sudha, 2019).

ICICI Bank

With its cutting-edge products and customer-focused philosophy, ICICI Bank stands out as a pillar in the colorful tapestry of India's banking industry. Having an after-tax profit of Rs. 40.25 billion (US$ 896 million) & total assets of Rs. 3,634.00 billion (US$ 81 billion) as of March 31, 2010, ICICI Bank has solidified its position as the nation's second-largest bank. ICICI Bank is a great example of financial empowerment, with a global presence covering 19 countries and an extensive network of 2,529 branches and 6,102 ATMs inside of India. ICICI Bank has established subsidiaries in the UK, Russia, and Canada, giving it a significant global footprint outside the Indian subcontinent. The bank's global footprint is reinforced via representative offices in important areas and branches in major financial hubs including the United States, Singapore, Bahrain, and Hong Kong. By means of partnerships with prestigious organizations such as Lloyds TSB and the creation of offshore banking divisions, ICICI Bank is positioned to provide services to clients worldwide, promoting financial inclusion beyond national boundaries (Prabu & Chandrasekaran, 2015).

PUBLIC SECTOR BANKS

The backbone of India's banking system, PSBs are essential to promoting financial inclusion, accelerating economic growth, and advancing the country's development agenda. These banks, which are mostly controlled by the government, provide banking services to even the most remote areas of the nation and meet the varied demands of its citizens, acting as catalysts for socioeconomic advancement. The Imperial Bank of India, founded in 1921 & renamed the SBI upon independence, was the pioneer of the Indian public sector banking industry. Subsequently, the government took control of several banks in two phases, first in 1969 and then again in 1980, with the aim of democratizing financial services accessibility and directing loans towards priority industries. The characteristic features that distinguish public sector banks unique are their government ownership, social responsibility, and necessary role in promoting socioeconomic growth. The objectives, organizational structure, and operational framework of these banks are outlined in the Banking Corporations (Acquisition & Transfer of Undertakings) Acts, which regulate their operations. Public sector banks' primary objective is to provide the financial needs of all society groups, with a particular focus on the marginalized and underprivileged. This strategy encourages equitable development and inclusive growth. PSBs integrate their strategies with national goals for decreasing poverty, creating employment, and empowering rural communities. They are mandated to adhere to government rules for lending to the priority sector, financial inclusion initiatives, and outreach activities for rural areas (Ghosh et al., 2014).

Bank of India

Established on September 7, 1906, in Mumbai by a group of forward-thinking merchants, Bank of India (BOI) has had a spectacular journey of development and expansion throughout the years. An important turning point in the bank's history occurred when it was first founded under private ownership and, along with 13 other banks, underwent nationalization in July 1969. Since then, BOI has grown into a powerful financial organization that represents tenacity, creativity, and customer focusedness. It has a strong national footprint in addition to significant foreign activities. Bank of India began with a single office in Mumbai with a minimum capital of Rs. 50 lakh. Since then, it has rapidly increased its reach. At the moment, BOI has 4,828 branches spread throughout all Indian states and union territories, including specialist branches that meet a wide range of consumer demands. Additionally, the bank has increased its worldwide footprint, operating 56 branches and offices, 5 subsidiaries, and 1 joint venture in 22 foreign nations on five continents (Iqbal & Sami, 2017).

Punjab National Bank

The Indian Companies Act allowed Punjab National Bank (PNB) to be founded on May 19, 1894, and it had its first location at Anarkali Bazaar, Lahore. The founders of the bank were leaders from diverse parts of India, with varying histories and beliefs, who shared the goal of creating a truly national bank that would serve the nation's economic interests. Bakshi Jaishi Ram, Lala Dholan Dass, Shri Kali Prosanna Roy, Shri E.C. Jessawala, Shri Prabhu Dayal, Lala Harkishan Lal, Lala Lalchand, and Dyal Singh Majithia were among the notable individuals who founded the Swadeshi movement. Another important player in the bank's early administration was Lala Lajpat Rai. After the board convened for the first time on May 23, 1894, the bank began operations in Lahore on April 12, 1895. Because it was the first Indian bank to be established fully using domestic resources and has remained in operation to this day, PNB is distinctive. Notable national leaders having accounts at the bank include the Jalianwala Bagh Committee, Lal Bahadur Shastri, Jawahar Lal Nehru, Indira Gandhi, and Mahatma Gandhi (Mustafa & Taqi, 2017).

PRIVATE SECTOR BANKS VS PUBLIC SECTOR BANKS

The primary factor in identifying a bank as either private or public sector is who holds the majority of its shares. Private sector banks are owned by a diverse range of investors, in contrast to public banks, which only have the government as a stakeholder. The banking sector is a fantastic area to start a successful career because of its recent tremendous expansion. When it comes to the amount of hours worked each week, the level of competition, and the rate of professional advancement, there could be variations between working for a private bank and a public sector bank.

The degree of financial reward and employment security might differ greatly. It is advisable to consider these considerations before choosing a bank with which to launch a prosperous career. It is important to understand what sets public banks apart from commercial banks before moving on.

Table 1: Private Sector Banks vs. Public Sector Banks

S. No.	Basis	Public Sector Banks	Private Sector Banks
1.	Meaning	Banks with majority state or central Gov. ownership.	Banks with private companies or individual ownership.
2.	Governing Act or Law	Constituted by an Act of Parliament.	Indian Company Act-Registered.
3.	Controlling Authority	Government control.	Controlled by companies or an Individual.
4.	Shareholding Pattern	>50% government shareholding	Majority shareholding with private companies or individuals
5.	No. of Banks	12 public sector banks	21 private sector banks
6.	Regulatory Body	RBI issues rules under RBI Act, 1934.	RBI issues rules for private sector banks.
7.	Customer Base	High customer base	Comparatively lower customer base
8.	Interest Rate	Lower savings rate, higher loan rate	Higher savings rate, lower loan rate
9.	Job Security	High job security	Lower job security
10.	Trustworthiness	More trustworthy due to govt. control	Less trustworthy
11.	Share in Banking Industry	72.9% of market share in India	19.7% of market share in India's banking system
12.	Foreign Direct Investment	Allow 20% FDI	Allow 74% FDI if control and management unchanged; max 10% stake for individual/org
13.	Pension	Provide pension to employees	No concept of pension for employees
14.	Example	SBI, UBI, Indian Bank, PNB	ICICI, HDFC, Axis, Karnataka

THE BANKING SECTOR'S REFORMS

The goal of the changes initiated in India's banking sector was to improve the banks' operational standards, overall health, & financial stability. The Indian government established the Narasimham Committee in 1991 to look into the structure, operations, & makeup of the nation's banking industry. The proposals made by the committee aimed to establish an efficient and competitive banking industry. Deregulating interest rates letting banks determine their own rates instead of having the government set them was the committee's principal recommendation. By doing this, banks will be better equipped to react to market signals and increase in efficiency and profitability. Reducing pre-emptive reserves the necessary reserves banks must maintain with the RBI was another important proposal. By reducing these reserves, banks were able to increase the amount of money they could lend, which might boost their profitability and promote economic expansion. Another significant change was the relaxation of the branch extension policy, which gave banks greater latitude to construct branches without needing strict regulatory permission. This increased their reach and improved their capacity to serve customers (Schäfer et al., 2016).

Prudent rules, comprising recommendations for asset categorization, revenue recognition, and bad debt provisions, were also introduced by the committee. By requiring banks to keep sufficient capital and provide accurate assessments of their asset quality, these standards strived to enhance the banks' transparency and overall financial health. The goal was to make the credit system more market-oriented and lessen the strain on banks by emphasizing the reduction of directed credit, which is credit that is directed by the government to certain industries at discounted rates. Another historic change was granting access to capital markets to banks in both the public & private sectors. By raising money from the general people, banks were able to lessen their need on government support, grow their businesses, and fortify their capital foundation. The goal of the establishment of special debt recovery courts and asset reconstruction funds was to enhance the recovery of NPAs, which had been a major problem for the banking industry. In order to enhance governance, the reforms also gave banks greater discretion in selecting their chief executive officers and other officials. They also changed the structure of the board. The goal of including NBFCs in the regulatory framework was to guarantee fair competition and increase the general stability of the financial system (Nouaılı et al., 2015).

The RBI formed the Khan Committee in December 1997 to examine how development finance organizations and banks aligned their operations and procedures. A gradual transition to universal banking was one of the committee's main recommendations in its 1998 report. This would have allowed banks to provide a wider range of financial services & increased their efficiency and competitiveness. The committee also looked into how beneficial bank and financial institution mergers could create stronger, more resilient organizations. The Varma Committee, that was later established, advocated for more use of IT, including in public sector institutions that are weaker. It was suggested that weak banks be reorganized rather than merged with stronger ones in order to lower the risk of contagion. The committee recommended that at least 25% of the workforce use VRS in order to solve the overstaffing problem & boost productivity.

Two stages of implementation were used for the banking sector reforms. The Narasimham Committee I (1991) oversaw the first phase, which was centered on enhancing institutional infrastructure, financial stability, and policy frameworks. Deregulating interest rates, cutting back on preemptive reserves, loosening restrictions on branch development, and enacting prudential standards were among the major initiatives. Additionally, the phase focused on decreasing directed credit, eliminating concessional interest rates for key industries, loosening restrictions on private and foreign banks' access to capital markets, establishing asset reconstruction funds and special debt collection courts, and deregulating entrance criteria for banks. Reforms also altered board compositions, gave banks greater discretion in selecting executives and officers, and placed NBFCs under regulatory control. In the second phase, which was led by the Narasimham Committee II (April 1998), more enhancements were made. The proposals included increasing the minimum capital to risk asset ratio (CRAR) from 8% to 10% by 2002, marking 100% of the fixed-income portfolio to market by 2001, and allocating 5% of the portfolio's risk to the market for fixed income securities and foreign currency holdings. The committee suggested assigning a commercial risk weight to government-insured assets. The panel suggested reducing gross NPAs to 3% & eliminating net NPAs by 2002. It recommended reducing directed loan commitments from 40% to 10%, establishing 90-day overdue standards for cash-based revenue recognition, and classifying irregular, government-guaranteed accounts as non-performing assets (NPAs).

CONCLUSION

With its rapid economic growth, India has surpassed China to become the world's second-largest economy. Every nation's economic progress is ultimately dependent on the efficiency of its banking system. With its rapid economic growth, India has surpassed China to become the world's second-largest economy. Every nation's economic progress is ultimately dependent on the efficiency of its banking system. Regarding this study work, only public and private sector banks have been included for the purpose of examining & determining the factors that are responsible for differences in financial performance. However, it is feasible to include international banks, as well as urban & rural co-operative banks, in the analysis. Banks in developed countries and those in emerging nations like India may be compared in terms of their financial performance.

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