BANKS, BANKING LAW, SERVICES, PERFORMANCE THROUGH CAMELS MODEL AND CUSTOMERS OF BANKS IN INDIA

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CHAPTER 1

Banking Scenario of Independent India

1.1 Concept of Bank

Two types of banks are working in the world as well as in India; these banks are “governance and development sector banks” and “commercial banks.”

Governance and development sector banks are those banks that provide governance and some other services to the commercial banks but these banks do not provide financial services directly to the general people. Governance sector banks provide services to the commercial banks and commercial banks provide services to the general public. Five governance sector banks are working in India; these banks are Reserve Bank of India, NABARD, EXIM Bank, National Housing Finance, and SIDBI.

All banks working in India are commercial banks except the five governance and development sector banks in India.

In the context of banks in India, a Commercial bank is an institution accepting deposit and making advance or investment and repayable deposits on-demand or as per terms. Eight types of commercial banks are working in India, these banks are Public sector banks, Private sector Banks, Regional Rural Banks, Co-operative Banks, Foreign Banks, Payments Banks, Local Area Banks, Small Finance Banks. All these provide general banking services (Mentioned in the Banking Regulation Act, 1949) to the general public.

Banking Regulation Act, 1949 section 5(b) defines banking as, "banking" means the accepting, for the purpose of lending or investment, of deposits of money from the public, repayable on demand or otherwise, and withdrawal by cheque, draft, order or otherwise.

According to the above Banking Regulation Act definition, lending (Advance and loan) is not mandatory work of a bank because a bank may accept the deposit for the purpose of lend and invest or only for lend or only for invest money. For example, some payment sector banks (Jio Payments Bank, Paytm Payments Bank) are not providing loan facility (Lending money) but they have banking license because they are accepting limited deposits for investment.

Oxford Dictionary defines a bank as "an establishment for custody of money, which it pays out on customer's order."

Commercial banks are the financial institutions providing financial services directly to the general people and the Reserve Bank of India (RBI) issue the license to operate the commercial banking business in India. The banking system was previously started at the Vedic scenario time and in the time being development and due to the importance and high ethical need of the banking services, the Government have taken over direct or indirect control on all of the banking business and banking services.

The first organized commercial bank in India was the "Bank of Hindustan" established in 1770 and it was a private bank. India’s first commercial government bank is the state bank of India established in 1955 after the acquisition of the Imperial bank of India.

1.2 Constitutional Background of Banking Laws in India

According to Article 246 of the Indian Constitution law can be made by the Parliament of India, legislatures of states and both if such power is given by the constitution of India.

Indian Constitution contains three lists are as follows:

List I Union list: "Parliament has exclusive power to make laws for entries enumerated in List 1 Union List.

List II State list: State government has exclusive power to make laws for entries enumerated in List II.

List III Concurrent List: State government and central government both have powers to make laws for entries enumerated in List III.

Bank Related Entries in Indian Constitution

Indian Constitution gives power to the Central Government through the following entries given in the Union List.

- Entry Number 38: Reserve Bank of India
- Entry Number 39: Post office saving bank
- Entry Number 43: Incorporation, Regulation and Winding Up of Trading Corporations Including Banking, Insurance and Financial Corporation but Not Include Co-operative Societies
- Entry Number 45: Banking
- Entry Number 46: Bills of Exchange, Cheques, Promissory Notes and other like Instruments
- Entry Number 47: Insurance
- Entry Number 48: Stock Exchange and Future Markets

Central Government has made the following banking related laws with the utilization of the above power of Indian Constitution.

1.3 Major Laws Enacted by Central Government Related to Banks

From the Constitutional Power given in the Seventh schedule, Central Government via parliament enact the various laws. Major laws are as follows which are related to the bank:

- Reserve Bank of India Act, 1934
- Banking Regulation Act, 1949

- State Bank of India Act, 1955
- State bank of India Subsidiary Banks Act, 1959
- The Banking Companies (Acquisition and Transfer of Undertakings) Act, 1970
- The Banking Companies (Acquisition and Transfer of Undertakings) Act, 1980
- The Industrial Finance Corporation of India, 1948
- Regional Rural bank, 1976
- The Banking Companies (Acquisition and Transfer of Undertakings) Act, 1970
- Banking Companies Act, 1980
- National Bank for Agriculture and Rural Development Act, 1981
- National Housing Bank Act, 1987
- Small industries Development Bank of India (SIDBI), 1990
- The industrial Finance Corporation Act, 1993

1.4 The Reserve Bank of India Act, 1934

The Reserve Bank of India was established as on April 1, 1935 according to the Provision of the Reserve Bank of India Act, 1934. The Reserve Bank of India Nationalized in 1949. The central office of RBI was established at the time of establishment in Calcutta in 1935, but later on, in 1937 it was transferred to Mumbai.

1.5 Banking Regulation Act, 1949

At the time of coming into force of Banking Regulation Act, 1949, India had Reserve Bank of India and reserve bank of India Act, 1934 and various private sector Banks but not had any major law to regulate this banking system. Parliament enacts The Banking Regulation Act, 1949 it is the Act no. 10 of 1949 in Parliament. Banking Regulation Act has Section 1 to section 56 in eleven Parts and Five Schedules.

Parts of Banking Regulation Act

Banking Regulation Act has vital provision to regulate the Indian Banking system. The eleven parts of The Banking Regulation Act as follows with name of part.

PART I:	Preliminary
PART II:	Business of Banking Companies
PART IIA:	Control over Management
PART IIAB:	Supervision of Board of Directors of banking Company
PART IIB:	Prohibitation of certain activities in relation to banking companies
PART IIC:	Acquisition of the undertaking of banking companies in certain cases
PART III:	Suspension of business and winding-up of banking companies
PART IIIA:	Special provision for speedy disposal of winding up proceedings
PART IIIB:	Provision related to certain operation of banking companies
PART IV:	Miscellaneous
PART V:	Application of the Act to Co-operative banks

Schedules in Banking Regulation Act

Schedule I: Amendments
Schedule II: Repealed
Schedule III: Form of Balance Sheet
Schedule IV: List of Debts
Schedule V: Principals of Compensation

Provision of this Act was made with the view to protect the customers and investors and apply sincerity to provide reasonable banking services to the people of the country and for coming to the fairness and clarity in the Banking sector.

1.6 State Bank of India

State Bank of India is a Government-owned corporate company to provide Banking and financial services.

State Bank of India was established in 1955 by the nationalization of the Imperial Bank of India through passing the State Bank of India Act, 1955 in parliament of India. The Imperial Bank of India was started as on 27 January 1921 by J.M Keynes. Imperial Bank of India established by the amalgamation of three presidency banks named Bank of Bengal, Bank of Bombay, and Bank of Madras of colonial India to form a single banking entity.

1.6.1 Subsidiary Banks of SBI

Central Government indirectly gives more branches to the State Bank of India in 1959 by passing "The State Bank of India (Subsidiary Banks) Act, 1959" and "The Subsidiary Banks General Regulations, 1959" made seven associate banks of State Bank of India (all seven of them currently merged in State Bank of India).

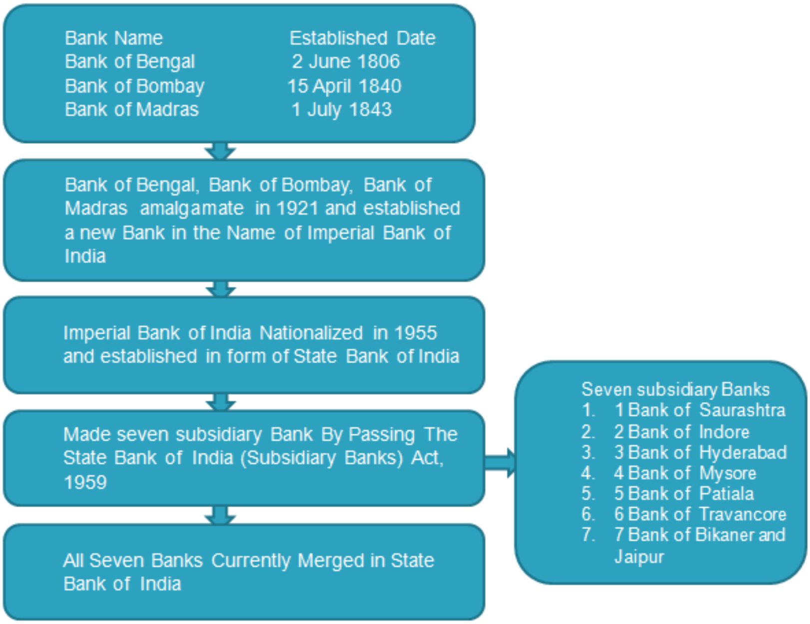
Table 1.1 List of Subsidiary Banks of SBI

Bank Name	Established Year	Became Subsidiary of SBI	Merged with SBI Date
State Bank of Saurashtra	1902	1959	13 August 2008
State Bank of Indore	1920	1959	26 August 2010
State Bank of Hyderabad	1941	1959	1 April 2017
State Bank of Mysore	1913	1959	1 April 2017
State Bank of Patiala	1917	1959	1 April 2017
State Bank of Travancore	1945	1959	1 April 2017
State Bank of Bikaner and Jaipur*	1963	1959	1 April 2017

*As per notification no.F.8/85/62-SB, dated 18th December 1962 by the Ministry of Finance, Government of India under sub-section (1) of Section 3A of the Subsidiary Banks Act, with effect from the 1st January, 1963, the name of the State Bank of Bikaner has been changed to the State Bank of Bikaner and Jaipur.

All these banks were worked as the subsidiary of the State Bank of India but at present, all branches of these banks are working as the branch of the State Bank of India.

Figure 1.1. Journey of State Bank of India



1.7 Banks Nationalization Scheme in 1969

In 1969, 14 major Banks nationalized by the central government through passing “The Banking Companies (Acquisition and Transfer of Undertaking) Act, 1970” in the Indian Parliament and the Indian Government took ownership of these banks by making payment to the owners of these banks.

Before the nationalization of these banks only the State Bank of India (SBI), seven associate banks of SBI and Reserve Bank of India was working as Government banks.

These banks were nationalized to provide for improved resources, coverage and organization, in order to control and develop the economy and serve better services and the needs of the development of the economy in conformity with national policy.

According to Section 1(2) of The Banking Companies (Acquisition And Transfer of Undertaking) Act, 1970 The provisions of this Act (except section 21) was deemed to have come into force on the 19th day of July 1969.

14 Major Private Banks Nationalized in 1969 to established high control in the banking sector of Government. The government of India had various goals and aims to develop the country but private Bank continuously fails to perform as per these goals afterwards government took hard action to nationalized mostly banks which were 14 banks in the name of “The Central Bank of India Ltd”, “The Bank of India Limited”,” The Punjab National Bank Limited”, “ The Bank of Baroda Limited”, “The United Commercial Bank Limited”, “Canara Bank Limited”, “United Bank of India Limited”,” Dena Bank Limited”, “Syndicate Bank Limited”, “The Union Bank of India Limited”, “Allahabad Bank Limited”.

Table 1.2 List of Banks Nationalized in 1969

Name of Bank before Nationalization	**Name of Bank After Nationalization**	**Incorporated Year**	**Nationalized Year**	**Purchase Consideration of Bank** (In Lakhs of Repees)
The Central Bank of India Ltd	Central Bank of India	1911	1969	1750
The Bank of India Ltd	Bank of India	1906	1969	1470
The Punjab National Bank	Punjab National Bank	1895	1969	1020
The Bank of Baroda Ltd	Bank of Baroda	1908	1969	840
The United Commercial Bank Ltd	United Commercial Bank (UCO Bank)	1943	1969	830
Canara Bank Ltd	Canara Bank	1906	1969	360
United Bank of	United Bank Of	1950	1969	420

Name of Bank before Nationalization	**Name of Bank After Nationalization**	**Incorporated Year**	**Nationalized Year**	**Purchase Consideration of Bank** (In Lakhs of Repees)
India Ltd	India			
Dena Bank Ltd	Dena Bank	1938	1969	360
Syndicate Bank Ltd	Syndicate Bank	1925	1969	360
The Union Bank of India Ltd	Union bank of India	1919	1969	310
Allahabad Bank Ltd	Allahabad Bank	1865	1969	310
The Indian Bank Ltd	Indian Bank	1907	1969	230
The Bank of Maharashtra Ltd	Bank of Maharashtra	1935	1969	230
The India Overseas Bank	Indian Overseas Bank	1937	1969	250

1.8 Banks Nationalization Scheme in 1980

In 1980, 6 major Banks was nationalized by central government through passing an Act in Parliament and Government of India took ownership of these 6 big banks by paying the purchase consideration to owners.

1.8.1 List of Banks Nationalized in 1980

Table 1.3 List of Banks Nationalized in 1980

Name of Bank before Nationalization	**Name of Bank After Nationalization**	**Incorporated Year**	**Nationalized Year**	**Purchase Consideration of Bank** (In Lakhs of Repees)
The Andhra Bank Limited	Andhra bank	1923	1980	610
Corporation Bank Limited	Corporation Bank	1906	1980	180
The New Bank of India Limited	New Bank of India	1936	1980	510

Name of Bank before Nationalization	**Name of Bank After Nationalization**	**Incorporated Year**	**Nationalized Year**	**Purchase Consideration of Bank** (In Lakhs of Repees)
The Oriental Bank of Commerce Limited	Oriental Bank of Commerce	1943	1980	100
The Punjab and Sind Bank Limited	The Punjab and Sind Bank Limited	1908	1980	210
Vijaya Bank Limited	Vijaya Bank	1931	1980	240

1.9 Acquisition of New Bank of India in 1993

PNB acquired New Bank of India in 1993. New Bank of India was established in 1936, nationalized in 1980 and later on it was acquired by PNB in 1993.

1.10 Old Private Sector Banks

Government of India nationalized 14 big private banks in 1969 and 6 big private banks in 1980 and remaining small size private banks was continuo as private banks in India out of which some banks are working till now. These banks are as follows:

Table 1.4 List of Old Private Sector Banks

Number	Bank Name	Incorporated Year
1.	Catholic Syrian Bank Ltd.	1920
2.	City Union Bank Ltd.	1904
3.	DCB Bank Ltd.	1955
4.	Dhanlaxmi Bank Ltd.	1927
5.	Federal Bank Ltd.	1931
6.	Jammu & Kashmir Bank Ltd.	1938
7.	Karnataka Bank Ltd.	1924

Number	Bank Name	Incorporated Year
8.	Karur Vysya Bank Ltd.	1916
9.	Lakshmi Vilas Bank Ltd.	1926
10.	Nainital bank Ltd.	1922
11.	RBL Bank Ltd.	1943
12.	South Indian Bank Ltd.	1929
13.	Tamilnad Mercantile Bank Ltd.	1921

1.11 Entry of New Private Sector Banks from 1993

Due to the Liberalization, Privatization, Globalization policy of India and according to the Narsimbha Committee, RBI issued guidelines for issue new license to open new private sector banks. After that 14 private sector banks came into existence for do banking business in India.

Table 1.5 List of New Private Sector Banks

Number	***Bank Name***	***Position as on 01/04/2021***
1	Global Trust Bank	*Merged` with Oriental Bank of Commerce in August 2004 (Presently is Not in Working)*
2	ICICI Bank Ltd.	*Presently is in Working*
3	HDFC Bank Ltd	*Presently is in Working*
4	Axis Bank Ltd. (Old name UTI)	*Presently is in Working*
5	Bank of Punjab	Acquired by Centurion Bank of Punjab in June 2005 and This bank was acquired by HDFC in May 2008 (Presently is Not in Working)
6	IndusInd Bank Ltd	*Presently is in Working*
7	Centurion Bank (Letter on Centurion Bank of Punjab)	Acquired by HDFC in May 2008 *(Presently is Not in Working)*
8	IDBI Bank	*Presently is in Working*
9	Times Bank	*Merged with HDFC in Feb 2000*

Number	*Bank Name*	*Position as on 01/04/2021*
		(Presently is Not in Working)
10	Development Credit Bank (DCB Bank)	*Presently is in Working*
11	Kotak Mahindra Bank Ltd	*Presently is in Working*
12	YES Bank Ltd	*Presently is in Working*
13	IDFC Bank Ltd.	*Presently is in Working*
14	Bandhan Bank Ltd.	*Presently is in Working*

1.12 Re-categorization of IDBI Bank Ltd

According to IDBI Bank, IDBI Bank was a public sector bank before 21 January 2019 and LIC of India completed acquisition of 51% controlling stake in IDBI Bank on January 21, 2019 making it the majority shareholder of the bank. Subsequent to enhancement of equity stake by LIC of India on January 21, 2019, Reserve Bank Of India has clarified vide a Press Release dated March 14, 2019, that IDBI Bank stands re-categorized as a Private Sector Bank, with retrospective effect from January 21, 2019.
https://www.idbibank.in/idbi-bank-history.asp

1.13 Merger between Public Sector Banks in 2019 and 2020

20 public sector banks was working before 1 April 2019 and RBI issue 5 press releases for merged these banks. 1 press releases was issue for merger of Dena bank and Vijaya Bank into BOB with effect from 31 April 2019. 4 further Press release was issued by RBI for 6 public banks (Andhra Bank, Corporation Bank, Syndicate Bank, Allahabad Bank, Oriental Bank of Commerce and Union Bank of India) merged into 4 public banks (Union Bank, Canara Bank, Indian Bank and PNB) with effect from 1 April 2020 and 7 banks (BOI, BOM, SBI, IOB, PSB, SBI and UCO Bank) are still remain as its old position. After this merger 12 public sector banks are working in India. Photo of these RBI press releases are as follows;

Figure 1.2 Press Releases of RBI for Merger of Public Banks of 2019 and 2020

PRESS RELEASES

(285 kb)

Date : Mar 28, 2020

Branches of Oriental Bank of Commerce and United Bank of India to operate as branches of Punjab National Bank from April 1, 2020

The Amalgamation of Oriental Bank of Commerce and United Bank of India into Punjab National Bank Scheme, 2020 dated March 4, 2020, issued by the Government of India was published under Extraordinary Part II-Section 3-Sub-section (i) in the Gazette of India sanctioning the Amalgamation of Oriental Bank of Commerce and United Bank of India into Punjab National Bank in terms of section 9 of the Banking Companies (Acquisition and Transfer of Undertakings) Act, 1970 (5 of 1970) and section 9 of the Banking Companies (Acquisition and Transfer of Undertakings) Act, 1980 (40 of 1980). The scheme comes into force on the 1st day of April 2020.

Consequently, all branches of Oriental Bank of Commerce and United Bank of India will function as branches of Punjab National Bank from April 1, 2020. Customers, including depositors of Oriental Bank of Commerce and United Bank of India, will be treated as customers of Punjab National Bank with effect from April 1, 2020.

(Yogesh Dayal)
Chief General Manager

Press Release: 2019-2020/2138

(154 kb)

Date : Mar 30, 2019

Branches of Vijaya Bank and Dena Bank to operate as branches of Bank of Baroda from April 1, 2019

The Amalgamation of Vijaya Bank and Dena Bank with Bank of Baroda Scheme, 2019 dated January 2, 2019, issued by the Government of India was published under Extraordinary Part II-Section 3-Sub-section (i) in the Gazette of India sanctioning the Amalgamation of Vijaya Bank and Dena Bank with Bank of Baroda in terms of section 9 of the Banking Companies (Acquisition and Transfer of Undertakings) Act, 1970 (5 of 1970) and section 9 of the Banking Companies (Acquisition and Transfer of Undertakings) Act, 1980 (40 of 1980). The scheme comes into force on the 1st day of April 2019.

Consequently, all branches of Vijaya Bank and Dena Bank will function as branches of Bank of Baroda from April 1, 2019. Customers, including depositors of Vijaya Bank and Dena Bank will be treated as customers of Bank of Baroda with effect from April 1, 2019.

Ajit Prasad
Assistant Adviser

Press Release : 2018-2019/2329

(279 kb)

Date : Mar 28, 2020

Branches of Syndicate Bank to operate as branches of Canara Bank from April 1, 2020

The Amalgamation of Syndicate Bank into Canara Bank Scheme, 2020 dated March 4, 2020, issued by the Government of India was published under Extraordinary Part II-Section 3-Sub-section (i) in the Gazette of India sanctioning the Amalgamation of Syndicate Bank into Canara Bank in terms of section 9 of the Banking Companies (Acquisition and Transfer of Undertakings) Act, 1970 (5 of 1970). The scheme comes into force on the 1st day of April 2020.

Consequently, all branches of Syndicate Bank will function as branches of Canara Bank from April 1, 2020. Customers, including depositors of Syndicate Bank, will be treated as customers of Canara Bank with effect from April 1, 2020.

(Yogesh Dayal)
Chief General Manager

Press Release: 2019-2020/2139

(281 kb)

Date : Mar 28, 2020

Branches of Allahabad Bank to operate as branches of Indian Bank from April 1, 2020

The Amalgamation of Allahabad Bank into Indian Bank Scheme, 2020 dated March 4, 2020, issued by the Government of India was published under Extraordinary Part II-Section 3-Sub-section (i) in the Gazette of India sanctioning the Amalgamation of Allahabad Bank into Indian Bank in terms of section 9 of the Banking Companies (Acquisition and Transfer of Undertakings) Act, 1970 (5 of 1970). The scheme comes into force on the 1st day of April 2020.

Consequently, all branches of Allahabad Bank will function as branches of Indian Bank from April 1, 2020. Customers, including depositors of Allahabad Bank, will be treated as customers of Indian Bank with effect from April 1, 2020.

(Yogesh Dayal)
Chief General Manager

Press Release: 2019-2020/2136

(282 kb)

Date : Mar 28, 2020

Branches of Andhra Bank and Corporation Bank to operate as branches of Union Bank of India from April 1, 2020

The Amalgamation of Andhra Bank and Corporation Bank into Union Bank of India Scheme, 2020 dated March 4, 2020, issued by the Government of India was published under Extraordinary Part II-Section 3-Sub-section (i) in the Gazette of India sanctioning the Amalgamation of Andhra Bank and Corporation Bank into Union Bank of India in terms of section 9 of the Banking Companies (Acquisition and Transfer of Undertakings) Act, 1970 (5 of 1970) and section 9 of the Banking Companies (Acquisition and Transfer of Undertakings) Act, 1980 (40 of 1980). The scheme comes into force on the 1st day of April 2020.

Consequently, all branches of Andhra Bank and Corporation Bank will function as branches of Union Bank of India from April 1, 2020. Customers, including depositors of Andhra Bank and Corporation Bank, will be treated as customers of Union Bank of India with effect from April 1, 2020.

(Yogesh Dayal)
Chief General Manager

Press Release: 2019-2020/2137

Table 1.6 List of Public Sector Banks Before and After Merger of 2020

No.	Name Before Merger	New Name After Merger
1	Andhra Bank	Union Bank
2	Corporation Bank	
3	Union Bank of India	
4	Bank of Baroda	Bank of Baroda
5	Dena Bank	
6	Vijaya Bank	
7	Bank of India	Bank of India
8	Bank of Maharashtra	Bank of Maharashtra
9	Canara Bank	Canara Bank
10	Syndicate Bank	
11	Central Bank of India	Central Bank of India
12	Indian Bank	Indian Bank
13	Allahabad Bank	
14	Indian Overseas Bank	Indian Overseas Bank
15	Punjab & Sind Bank	Punjab & Sind Bank
16	Punjab National Bank	Punjab National Bank
17	Oriental Bank of Commerce	
18	United Bank of India	
19	State Bank of India	State Bank of India
20	UCO Bank	UCO Bank

Source: RBI

20 public banks management were centralized in 12 public banks by the 8 public banks merged in 12 public banks shows as in above table. The government wants to centralize the public banking system by merger and the major impact of the merger is the all branches of merged banks converted into the branches of the principal bank and works as the branches of the principal bank.

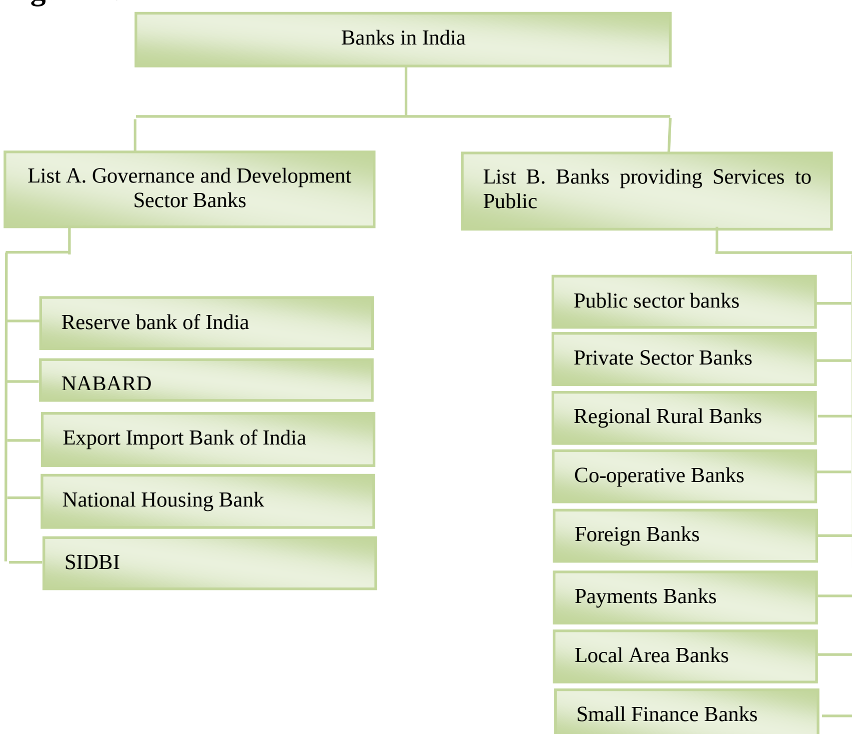
CHAPTER 2

Banks in India as on 01/04/2021

2.1 Current Banking Structure in India

To better understand banks have divided into two segments. These two segments are "Governance and Development Sector Banks" and Commercial Banks.

Figure 2.1 Classification of Banks in India



2.2 Governance and Development Sector Banks

Governance and development sector banks provide supervising, control, and funding facilities to the commercial banks and commercial banks provides banking services directly to the public. Supervising and development banks provide their financial services to the general public. Supervising and development banks are RBI, NABARD, EXIM Bank, National Housing Bank, and SIDBI.

2.2.1 Reserve Bank of India (RBI)

RBI is the apex bank of India and controls the banking system of India. The Indian currency is only issued by RBI.

According to RBI "The Reserve Bank of India was established on April 1 1935, in accordance with the provisions of the Reserve Bank of India Act, 1934.

The Central Office of the Reserve Bank was initially established in Kolkata but was permanently moved to Mumbai in 1937. The Central Office is where the Governor sits and where policies are formulated.

RBI though originally was privately owned but since nationalization in 1949, the Reserve Bank is fully owned by the Government of India.

Preamble of RBI: The Preamble of the Reserve Bank of India describes the basic functions of the Reserve Bank as to regulate the issue of Bank notes and keeping of reserves with a view to securing monetary stability in India and generally to operate the currency and credit system of the country to its advantage; to have a modern monetary policy framework to meet the challenge of an increasingly complex economy, to maintain price stability while keeping in mind the objective of growth.

Board for Financial Supervision of RBI: The Reserve Bank of India performs the supervisory function under the guidance of the Board for Financial Supervision (BFS). The Board was constituted in November 1994 as a committee of the Central Board of Directors of the Reserve Bank of India under the Reserve Bank of India (Board for Financial Supervision) Regulations, 1994.

The primary objective of BFS is to undertake consolidated supervision of the financial sector comprising Scheduled Commercial and Co-operative Banks, All India Financial Institutions, Local Area Banks, Small Finance Banks, Payments Banks, Credit Information Companies, Non-Banking Finance Companies and Primary Dealers.

Subsidiaries of RBI: Deposit Insurance and Credit Guarantee Corporation of India (DICGC), Bharatiya Reserve Bank Note Mudran Private Limited (BRBNMPL), Reserve Bank Information Technology Private Limited (ReBIT), Indian Financial Technology and Allied Services (IFTAS). *(About us at the RBI website available at https://www.rbi.org.in/Scripts/AboutusDisplay.aspx)*

2.2.2 National Bank of Agriculture and Rural Development (NABARD)

NABARD is the apex bank in the development of the agricultural and development of village industries. It provides its services through the co-operative banks and RRBs to the general public. NABARD is responsible for regulating and supervising co-operative banks and RRBs. Jointly co-operative banks and RRBs complete the 50% need of rural credit.

"NABARD, with its Head office at Mumbai, has 31 Regional Offices located in States and Union Territory, a cell at Srinagar, 03 Training Establishments in the Northern, Eastern & Southern parts of India and 418 District Development Managers functioning at the district level. NABARD has 2386 professionals supported by 1193 other staff. (Data pertains to 31 March 2020)."

(https://www.nabard.org/ftrcontent.aspx?id=492#:~:text=The%20major%20functions%20of%20NABARD,Non%2Dcredit%20related%3A&text=Credit%20Planning%20and%20Monitoring%2C%20Coordination%20with%20various%20agencies%20and%20institutions)

2.2.3 Export-Import Bank of India (EXIM Bank)

EXIM bank is a specialized financial institution wholly owned by the Government of India with a presence in Indian and foreign cities around the world. It was set up in 1982, for financing, facilitating, and promoting India's international trade. **(https://www.eximbankindia.in/)**

2.2.4 National Housing Bank

National housing bank was established to operate as a principal agency to promote housing finance institutions both at local and regional levels and to provide financial and other support to such institutions and for matters connected therewith or incidental thereto (**The National Housing Bank Act, 1987)**. It was established in 1988 and it is directly controlled by RBI.

2.2.5 Small Industries Development Bank of India (SIDBI)

It was established in 1990 with the main objective to promote the small industries. Presently it has been working to establish a positive ecosystem for Micro & Small Enterprises. RBI works as a higher authority of SIDBI. SIDBI provides finance to other banks for promoting their objective and also provides work training to general people.

2.3 Commercial Banks

These banks provide banking services to the general public and the supervisor and bankers of banks are works on behind these banks. At present many types of banks are providing banking services in India.

At present (01/04/2021) in India 12 banks in public sector bank and 22 private sector banks 43 Regional rural banks, 1939 co-operative banks, 44 foreign banks, 6 payment sector banks, 3 local area banks, and 10 small finance banks are working.

2.3.1 Public Sector Banks

Public sector banks are those banks which are owned and operated by the Government. All public sector banks are commercial banks providing general banking services to the general people. At present (01/04/2021) 12 public sector banks are working in India and approx over 80% paid-up capital of all public sector banks have subscribed by the central government in the name of the President of India.

Table 2.1 List of Public Sector Banks as on 01 April 2021

Number	Bank Name	Number	Bank Name
1	Union Bank	7	Indian Bank
2	Bank of Baroda	8	Indian Overseas Bank
3	Bank of India	9	Punjab & Sind Bank
4	Bank of Maharashtra	1	Punjab National Bank
5	Canara Bank	11	State Bank of India
6	Central Bank of India	12	UCO Bank

Source: RBI

2.3.2 Private Sector Banks

Private sector banks are those banks which owned and operated by the general people, Non-Government group and/or groups of persons. All private sector banks are commercial banks providing general banking services to the general people. At present (01/04/2021) 22 private sector banks are working in India and more than 50% of paid-up capital holds by general people, Non-Government groups, and groups of persons. At present private banks doing work in India are as follows.

Table 2.2 List of Private Sector Banks in India as on 1 April 2021

No.	Bank Name	No.	Bank Name
1	Axis Bank Ltd.	12	Jammu & Kashmir Bank Ltd.
2	Bandhan Bank Ltd.	13	Karnataka Bank Ltd.
3	Catholic Syrian Bank Ltd.	14	Karur Vysya Bank Ltd.
4	City Union Bank Ltd.	15	Kotak Mahindra Bank Ltd
5	DCB Bank Ltd.	16	Lakshmi Vilas Bank Ltd.
6	Dhanlaxmi Bank Ltd.	17	Nainital bank Ltd.
7	Federal Bank Ltd.	18	RBL Bank Ltd.
8	HDFC Bank Ltd	19	South Indian Bank Ltd.
9	ICICI Bank Ltd.	20	Tamilnad Mercantile Bank Ltd.
10	IndusInd Bank Ltd	21	YES Bank Ltd
11	IDFC Bank Ltd.	22	IDBI Bank Ltd

Source: RBI

2.2.3 Regional Rural Banks (RRB)

Regional Rural Banks (RRBs) mainly established to fulfil rural people banking facilities with governmental capital help. RRBs was established under the Regional Rural Banks Act, 1976. RRBs are the commercial bank incorporated as a company and 50% of paid-up capital is subscribed by the central government and 15% subscribed by the state government and 35% subscribed by the sponsor bank. At present (01/04/2021) 43 RRBs working in India.

The establishment and incorporation of an RRBs can be only as a body corporate. If the central government requested the bank (that is called the sponsored bank) to establish one or more RRBs within the specified local limit. Then sponsored banks will open RRB in the specified local limit. The first RRB was established on 2 October 1975 on Gandhi Jayanti with the name Prathama bank with 5 crores authorized capital. At present 43 RRBs are providing banking services to Indian people.

As per Regional rural banks act, 1976 “An Act to provide for the incorporation, regulation and winding up of regional rural banks to develop the rural economy by providing, for development of agriculture, trade, commerce, industry and other productive activities in the rural areas, credit, and other facilities, particularly to the small and marginal farmers, agricultural laborers, artisans, and small entrepreneurs, and for matters connected therewith and incidental thereto.”

Table 2.3 List of Regional Rural Banks as on 1 April 2021

No.	**Name of RRB**	**No.**	**Name of RRB**
1	Assam Gramin Vikash Bank	22	Maharashtra Gramin Bank
2	Andhra Pradesh Grameena Vikas Bank	23	Manipur Rural Bank
3	Andhra Pragathi Grameena Bank	24	Meghalaya Rural Bank
4	Arunachal Pradesh Rural Bank	25	Mizoram Rural Bank
5	Aryavart Bank	26	Nagaland Rural Bank
6	Bangiya Gramin Vikash Bank	27	Odisha Gramya Bank
7	Baroda Gujarat Gramin Bank	28	Paschim Banga Gramin Bank
8	Baroda Rajasthan Kshetriya Gramin Bank	29	Prathama U.P. Gramin Bank
9	Baroda UP Bank	30	Puduvai Bharathiar Grama Bank
10	Chaitanya Godavari GB	31	Punjab Gramin Bank
11	Chhattisgarh Rajya Gramin Bank	32	Rajasthan Marudhara Gramin Bank
12	Dakshin Bihar Gramin Bank	33	Saptagiri Grameena Bank
13	Ellaquai Dehati Bank	34	Sarva Haryana Gramin Bank
14	Himachal Pradesh Gramin Bank	35	Saurashtra Gramin Bank
15	J&K Grameen Bank	36	Tamil Nadu Grama Bank
16	Jharkhand Rajya Gramin Bank	37	Telangana Grameena Bank
17	Karnataka Gramin Bank	38	Tripura Gramin Bank
18	Karnataka Vikas Gramin Bank	39	Uttar Bihar Gramin Bank
19	Kerala Gramin Bank	40	Utkal Grameen Bank
20	Madhya Pradesh Gramin Bank	41	Uttarbanga Kshetriya Gramin Bank
21	Madhyanchal Gramin Bank	42	Vidharbha Konkan Gramin Bank
		43	Uttarakhand Gramin Bank

Source: RBI, https://rbi.org.in/scripts/banklinks.aspx

2.2.4 Co-operative Banks

All co-operative banks are providing general banking services to the general people. Two types of co-operative banks are working in India. Rural co-operative banks work mostly in rural areas and urban co-operative banks are working in urban area. Rural co-operative banks are further sub-divided into state co-operative banks and district co-operative banks. All co-operative banks are registered under the state co-operative societies act. At present (01/04/2021) 1920 co-operative banks are working in India.

Rural Co-operative Bank: State co-operative banks and district co-operative banks are the rural co-operative banks in India. In India 94% State and Union Territory have a state level co-operative bank and 48% districts have a district co-operative bank. State co-operative bank works as the bankers of the bank for district co-operative banks of their state.

Urban Co-operative Banks: Urban co-operative banks can operate their activities in rural areas and the urban areas also. After 1997 these banks can provide the non-agricultural sector and agricultural sector both. These banks mostly provide loans to small traders and medium traders. We can say that urban co-operative banks established for the people who have not reached yet now to the private and public sector banks. It operates in a limited area. It is observed that in the survey, small businessmen who are not feeling well from the private and public sector banks prefer urban co-operative banks. Some urban co-operative banks are scheduled banks and some non-scheduled. Some urban co-operative banks operate their activities within the state, known as single state urban co-operative banks and some urban co-operative banks operate their activities within more than one state know as the multy state co-operative banks.

Table 2.4 Co-operative Banks in India as on 31 Jan 2021

No.	State / UT Name	Name of State Co-operative Banks	Number of Districts	Number of District Co-operative Banks	Number of Urban Co-operative Banks
1.	**Andhra Pradesh**	The **Andhra Pradesh State** Co-operative Bank Ltd.	13	22	0
2.	**Arunachal Pradesh**	The **Arunachal Pradesh State** co-operative Apex Bank Ltd.	22	0	0
3.	**Assam**	The **Assam** Co-operative Apex Bank Ltd.	33	0	0
4.	**Bihar**	The **Bihar State** Co-operative Bank Ltd.	38	23	3
5.	**Chhattisgarh**	The **Chhattisgarh Rajya Sahakari** Bank	27	6	12
6.	**Goa**	The **Goa State** Co-operative Bank Ltd.	2	0	5
7.	**Gujarat**	**Gujarat State** Co-operative Bank Ltd.	33	18	218
8.	**Haryana**	The **Haryana State** Co-operative Apex Bank Ltd.	22	19	11
9.	**Himachal Pradesh**	The **Himachal Pradesh State** Co-operative Bank Ltd.	12	2	5
10.	**Jharkhand**	**Jharkhand State** Co-operative Bank Ltd.	24	1 (Dhanbad DCB Ltd.)	2
11.	**Karnataka**	The **Karnataka State** Co-operative Apex Bank Ltd.	27	21	262
12.	**Kerala**	The **Kerala State** Co-operative Bank Ltd.	14	1 (Malappuram DCB Ltd.)	60
13.	**Madhya Pradesh**	The **Madhya Pradesh** Rajya Sahakari Bank	52	38	49
14.	**Maharashtra**	The **Maharashtra State** Co-operative Bank Ltd.	36	31	490
15.	**Manipur**	The **Manipur State** Co-operative Bank	16	0	0

No.	State / UT Name	Name of State Co-operative Banks	Number of Districts	Number of District Co-operative Banks	Number of Urban Co-operative Banks
		Ltd.			
16.	**Meghalaya**	The **Meghalaya** Co-operative Apex Bank Ltd.	11	0	0
17.	**Mizoram**	The **Mizoram** Co-operative Apex Bank Ltd.	11	0	0
18.	**Nagaland**	The **Nagaland State** Co-operative Bank Ltd.	12	0	0
19.	**Odisha**	The **Odisha State** Co-operative Bank Ltd.	30	17	9
20.	**Punjab**	The **Punjab State** Co-operative Bank Ltd.	22	20	0
21.	**Rajasthan**	The **Rajasthan State** Co-operative Bank Ltd.	33	29	35
22.	**Sikkim**	The **Sikkim State** Co-operative Bank Ltd.	4	0	1
23.	**Tamil Nadu**	The **Tamil Nadu State** Apex Co-operative Bank Ltd.	38	24	130
24.	**Telangana**	The **Telangana State** Cooperative Apex Bank Ltd.	33	0	97
25.	**Tripura**	**Tripura State** Co-operative Bank Ltd.	8		16
26.	**Uttar Pradesh**	The **Uttar Pradesh** Co-operative Bank Ltd	75	50	62
27.	**Uttarakhand**	The **Uttarakhand State** Co-operative Bank Ltd.	13	10	5
28.	**West Bengal**	The **West Bengal** State Co-operative Bank Ltd.	23	17	43
29.	**Andaman and Nicobar**	The **Andaman and Nicobar State** Co-operative Bank Ltd.	3	0	0
30.	**Chandigarh**	The **Chandigarh State** Co-operative	1	0	0

No.	State / UT Name	Name of State Co-operative Banks	Number of Districts	Number of District Co-operative Banks	Number of Urban Co-operative Banks
		Bank Ltd.			
31.	**Delhi**	The **Delhi State** Co-operative Bank Ltd.	11	0	15
32.	**Jammu and Kashmir**	The **Jammu and Kashmir** State Co-operative Bank Ltd.	20	3	4
33.	**Puducherry**	The **Puducherry State** Co-operative Bank Ltd.	4	0	0
34.	**Daman and Diu and** Dadra and Nagar Haveli and Daman and Diu	The **Daman and Diu State** Co-operative Bank Ltd.	3	0	0
35.	**Lakshadeep**	No	1	0	0
36.	**Ladakh**	No	2	0	0
Total	**36**	34		352	1534

Source: RBI

2.2.5 Foreign Banks

Foreign banks are established outside India but these banks also have branches in India. These banks provide banking facilities in India within the specification limit of RBI. At present (01/04/2021) 44 foreign banks are working in India. E.g. National Australia Bank, Bank of America.

Table 2.5 List of Foreign Banks in India as on 01 April 2021

No.	Name of the bank	No.	Name of the bank
1	Australia and New Zealand Banking Group Ltd.	23	DBS Bank Ltd.
2	National Australia Bank	24	United Overseas Bank Ltd.
3	Westpac Banking Corporation	25	FirstRand Bank Ltd.
4	Bank of Bahrain & Kuwait	26	Shinhan Bank

No.	Name of the bank	No.	Name of the bank
	BSC		
5	AB Bank Ltd.	27	Woori Bank
6	Sonali Bank Ltd. %	28	KEB Hana Bank
7	Bank of Nova Scotia	29	Industrial Bank of Korea #
8	Industrial & Commercial Bank of China Ltd. #	30	Bank of Ceylon
9	BNP Paribas	31	Credit Suisse A.G
10	Credit Agricole Corporate & Investment Bank	32	CTBC Bank Co., Ltd.
11	Societe Generale	33	Krung Thai Bank Public Co. Ltd.
12	Deutsche Bank	34	Abu Dhabi Commercial Bank Ltd.
13	HSBC Ltd	35	Mashreq Bank PSC
14	PT Bank Maybank Indonesia TBK	36	First Abu Dhabi Bank PJSC
15	Mizuho Bank Ltd.	37	Emirates NBD Bank PJSC
16	Sumitomo Mitsui Banking Corporation	38	Barclays Bank Plc.
17	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	39	Standard Chartered Bank
18	Cooperatieve Rabobank U.A.	40	The Royal Bank of Scotland plc
19	Doha Bank	41	American Express Banking Corp.
20	Qatar National Bank SAQ	42	Bank of America
21	JSC VTB Bank	43	Citibank N.A.
22	Sberbank	44	J.P. Morgan Chase Bank N.A.

Source: RBI

2.2.6 Payment Sector Banks

Day to day we are very familiar with Paytm, Airtel Payment, Jio Payments. Payment sector banks do not provide many general banking services to the peoples. It is not accepted high amount deposits, does not provide loans, and does not provide ATM. It only provides easy payment services from one account to another account and holds some deposits for future payment and the phone number of the user is just to use the account number of the user. At present 6 payments sector banks are working in India.

According to RBI, There is a need for transactions and savings accounts for the underserved in the population. Also remittances have both macro-economic benefits for the region receiving them as well as micro-economic benefits to the recipients. Higher transaction costs of making remittances diminish these benefits. Therefore, the primary objective of setting up of payments banks will be to further financial inclusion by providing (i) small savings accounts and (ii) payments / remittance services to migrant labour workforce, low income households, small businesses, other unorganised sector entities and other users, by enabling high volume-low value transactions in deposits and payments / remittance services in a secured technology-driven environment. (*Reserve Bank of India Guidelines for Licensing of "Payments Banks" November 27, 2014)*

Table 2.6 List of Payment Sector Banks as on 01 April 2021

No.	**Name of Banks**	**No.**	**Name of Banks**
1	Airtel Payments Bank Ltd	4	Paytm Payments Bank Ltd
2	India Post Payments Bank Ltd	5	Jio Payments Bank Ltd
3	FINO Payments Bank Ltd	6	NSDL Payments Bank Limited

Source: RBI

2.2.7 Local Area Banks

Only 3 banks are registered in India as the local area bank. These are Coastal Local Area Bank Ltd, Krishna Bhima Samruddhi Lab Ltd, and Subhadra Local Bank Ltd. All these banks are providing general banking services to the people. These are small private banks and works with a small number of branches within the local area limit as per the license received by the RBI.

Table 2.7 List of Local Area Banks (LAB) as on 01 April 2021

No.	Name of Banks
1	Coastal Local Area Bank Ltd
2	Krishna Bhima Samruddhi LAB Ltd
3	Subhadra Local Bank Ltd

Source: RBI

2.2.8 Small Finance Banks

Small finance banks are the special sector banks that are specially established to provide funds to the "propriety sector". These banks provide general banking services with the preference of the "priority sector" described by RBI. It's mandatory for these banks to provide 75% credit of "Adjusted Net Bank Credit" to the "priority sector".

According to RBI, “The objectives of setting up of small finance banks will be for furthering financial inclusion by (i) provision of savings vehicles primarily to unserved and underserved sections of the population, and (ii) supply of credit to small business units; small and marginal farmers; micro and small industries; and other unorganised sector entities, through high technology-low cost operations.”

(Guidelines for ‘on tap’ Licensing of Small Finance Banks in the Private Sector, December 5, 2019)

Table 2.8 List of Small Finance Banks (SFB) as on 01 April 2021

No.	Name of Bank	No.	Name of Bank
1	Au Small Finance Bank Ltd.	6	Suryoday Small Finance Bank Ltd.
2	Capital Small Finance Bank Ltd	7	Ujjivan Small Finance Bank Ltd.
3	Fincare Small Finance Bank Ltd.	8	Utkarsh Small Finance Bank Ltd.
4	Equitas Small Finance Bank Ltd	9	North East Small finance Bank Ltd
5	ESAF Small Finance Bank Ltd.	10	Jana Small Finance Bank Ltd

Source: RBI

Table 2.9 Total Number of Banks in India as on 01 April 2021

Total 2060 banks are working in India out of these 34 banks are public and private sector banks but these public and private banks have the largest number of branches across the India.

Number	Bank Type	Number of Banks
1.	Public Banks	12
2.	Private Banks	22
3.	Regional Rural Banks	43
4.	Rural Co-operative Banks	386
5.	Urban Co-operative Banks	1534
6.	Foreign Banks	44
7.	Payment Banks	6
8.	Local Area Banks	3
9.	Small Finance Banks	10
	Total	2060

Source: RBI

CHAPTER 3

Scheduled and Non-Scheduled Bank

3.1 Scheduled Banks

Governance and commercial banks two types of banks that are working in India and every commercial bank must be a scheduled bank or non-scheduled bank. Reserve Bank of India (RBI) gives the license to the commercial banks in India. Scheduled banks are banks listed in the 2nd schedule of the Reserve Bank of India and able to take low-interest loans from the Reserve Bank of India and membership in clearinghouses but some extra requirements must follow by every scheduled bank. Section 42 of Reserve Bank of India Act, 1934 says every scheduled bank shall maintain Cash Reserve with the Reserve bank of India and Banking Regulation Act, 1949, section 18 and read with section 5 (c) says every non-scheduled Bank shall maintain Cash Reserve with itself or with RBI, it means Non-scheduled may maintain cash reserve with itself but scheduled bank shall maintain cash reserve with RBI. RBI gives many benefits to scheduled banks, e.g. RBI gives loan at bank rate to the scheduled banks, give the financial support and etc. According to RBI at present (22/05/2021) 23 state co-operative banks, 53 urban co-operative banks, 12 public sector banks, 22 private banks, 46 foreign banks, and 45 regional rural banks are scheduled banks in India and took loan directly or through RBI at bank Rate.

According to section 2 (e) of the RBI Act, 1934, "scheduled bank" means a bank included in the Second Schedule.

3.2 Non-Scheduled Banks

Non-scheduled banks are banks that are not scheduled banks and not included in the second schedule of RBI are the non-scheduled banks and these banks have not mandate to maintain Cash Reserve with themselves or with RBI. Some banks of some classes are working as a non-scheduled bank in India and they are not listed in the second schedule of the Reserve Bank of India. These banks are as follows.

Table 3.1 Scheduled and Non-scheduled Banks in India as on 31/03/2021

<table>
<tr><th>No.</th><th colspan="2">Type of Bank</th><th>Number of Scheduled Banks</th><th>Number of Non-Scheduled Banks</th><th>Total</th></tr>
<tr><td>1.</td><td colspan="2">Public Banks</td><td>12</td><td>0</td><td>12</td></tr>
<tr><td>2.</td><td colspan="2">Private Banks</td><td>22</td><td>0</td><td>22</td></tr>
<tr><td>3.</td><td colspan="2">Regional Rural Banks</td><td>45</td><td>0</td><td>45</td></tr>
<tr><td rowspan="2">4.</td><td rowspan="2">Rural Co-operative Banks</td><td>State Co-operative Banks</td><td>23</td><td>11</td><td>34</td></tr>
<tr><td>District Co-operative Banks</td><td>0</td><td>352</td><td>352</td></tr>
<tr><td>5.</td><td colspan="2">Urban Co-operative Banks as on (31/01/21)</td><td>53</td><td>1481</td><td>1534</td></tr>
<tr><td>6.</td><td colspan="2">Foreign Banks</td><td>46</td><td>0</td><td>46</td></tr>
<tr><td>7.</td><td colspan="2">Payment Banks</td><td>2</td><td>4</td><td>6</td></tr>
<tr><td>8.</td><td colspan="2">Local Area Banks</td><td>0</td><td>3</td><td>3</td></tr>
<tr><td>9.</td><td colspan="2">Small Finance Banks</td><td>10</td><td>0</td><td>10</td></tr>
<tr><td></td><td colspan="2">Total</td><td>213</td><td>1863</td><td>2076</td></tr>
</table>

Source: RBI

3.3 Advantages to Scheduled Banks

The scheduled banks enjoy several privileges as compared to non-scheduled banks. Scheduled banks are entitled to receive refinance facilities from the Reserve Bank of India. They are also entitled to currency chest facilities. They are automatic also become members of the Clearing House.

The scheduled banks can enjoy several benefits as compared to non- scheduled banks.

1) Schedule banks are able to take refinance (loan) from RBI at bank rate.
2) Scheduled banks entitled for currency chest facilities.
3) Membership of the clearinghouse.

In other words, scheduled banks have more opportunities for business as take refinance (loan) from RBI at bank rates and it is the basic need of banks and biggest benefit to any bank because these banks can get lower interest rate loan from RBI.

3.4 Process of Non-scheduled Banks conversion into Scheduled Banks

RBI gives license to every commercial bank for operating the banking business in India and scheduled banks are such banks which are listed in the second scheduled list of RBI and section 42 (6) (a) of Banking Regulation Act, 1949, specifies the requirements of becoming a scheduled bank from the non-scheduled bank. These provisions include the minimum capital of Rs 5,00,000, the bank should work in the favour of depositors and it should be a company or State co-operative bank or institution notified by the central Government. But this section is not applied to the co-operative banks other than state co-operative banks and RBI gives special provision for urban co-operative banks to become a scheduled bank but RBI not gives any provision for district co-operative banks to become a scheduled bank and section 42 (6) (a) is also not applied on these banks, so as district co-operative banks can't become scheduled banks.

Table 3.2 List of Non-scheduled Banks

Classes of Banks	Number of Non-Scheduled Bank	Conversion into Scheduled bank possible
State Co-operative Banks	11	Yes
District Co-operative Banks	352	No
Urban Co-operative Banks	1481	Yes
Payment Banks	4	Yes
Local Area Banks	3	Yes

According to Reserve Bank of India Act, 1934, If any non-scheduled bank, which is not a district co-operative bank or urban co-operative bank, fulfills the following provisions RBI may include this bank into the scheduled banks list.

Section 42 (6) (a) of Reserve Bank of India Act, 1934 are as follows

(a) direct the inclusion in the Second Schedule of any bank not already so included which carries on the business of banking in India and which–

(i) has a paid-up capital and reserves of an aggregate value of not less than five lakhs of rupees, and

(ii) satisfies the Bank that its affairs are not being conducted in a manner detrimental to the interests of its depositors, and

(iii) is a **State co-operative bank or a company** as defined in [section 3 of the Companies Act, 1956, or an institution notified by the Central Government in this behalf] or a corporation or a company incorporated by or under any law in force in any place outside India;

Further provided that, According to RBI any non-scheduled payments bank will be given scheduled bank status once it commences operations, and is found suitable as per Section 42 (6) (a) of the Reserve Bank of India Act, 1934. Guidelines for

Licensing of Payments Banks Available at https://rbi.org.in/scripts/bs_viewcontent.aspx%3FId%3D2900

In the above table, state co-operative bank is state co-operative banks, payment banks and local area banks are in form of company But ***District Co-operative Banks*** *and* ***urban co-operative bank*** *are neither a state co-operative bank nor a company, so as these banks are not covered in this section. The process of these banks conversion to a scheduled bank is as follows.*

3.5 Process of Non-scheduled District Co-operative Banks conversion into Scheduled Banks

All district co-operative banks in India are a co-operative society and can work only as of the non-scheduled banks and RBI not issues any guidelines for district co-operative banks to become a scheduled bank and these banks are not covered under section 42 (6) (a) because these banks are registered as the co-operative societies and not registered as a company and nor a state co-operative bank. Thus, District co-operative banks in India can operate only as of the non-scheduled title of the bank.

3.6 Process of Non-scheduled Urban Co-operative Banks conversion into Scheduled Banks

Over 95% of urban co-operative banks are working as non-scheduled banks in India but RBI gives chance to become a scheduled bank to every urban co-operative bank.

According to RBI, UCBs desirous of seeking inclusion in the Second Schedule to the RBI Act, 1934 and fulfilling the following financial criteria based on the assessed financials as per inspection reports, viz.

a. Demand and Time Liabilities (DTL) are not less than `750 crore on a continuous basis for one year;
b. CRAR of minimum 12%;
c. Continuous net profit for the previous three years;

d. Gross NPAs of 5% or less;
e. Compliance with CRR / SLR requirements and
f. No major regulatory and supervisory concerns

If any non-listed urban co-operative bank fulfils the above conditions, that may submit their application along with relevant documents (two sets) as detailed in the Annex, to the Regional Office concerned of the Urban Banks Department.

3.7 Documents to be submitted by Non-scheduled Urban Co-operative Bank to RBI while for application of becoming a Scheduled Bank

1. Copy of resolution passed by the Annual General Body / Board of Directors to make an application to RBI for inclusion in the Second Schedule to the Reserve Bank of India Act, 1934 and containing the name(s) of one / two officials authorized to correspond with RBI in this regard;
2. Major financial details of the bank together with copies of the published balance sheet for the last three years and
3. Fortnightly balance of Demand and Time Liabilities as on each reporting Friday for the last financial year, duly certified by a Chartered Accountant.

Second Schedule to the Reserve Bank of India Act, 1934 – Norms for inclusion available at (https://rbi.org.in/Scripts/BS_CircularIndexDisplay.aspx?Id=8471#A)

CHAPTER 4

Functions of Governance and Development Sector Banks

4.1 Governance and Development Sector Banks

Governance Sector Banks or bankers of bank provide services to the banks, government and they do not provide services directly to the general public. These banks work as supervise, control, and funding activities to the bank which provides banking services directly to the public. Supervising and bankers of banks provide their financial services to the general public through the bank which provides banking services directly to the public or other organizations. These banks are:

- ***Reserve Bank of India***
- ***NABARD***
- ***Import – Export Bank of India***
- ***National Housing Bank***
- ***SIDBI***

4.2.1 Monetary Authority: RBI Formulates, implements and monitors the monetary policy with the objectives of maintaining price stability while keeping in mind the objective of growth.

4.2.2 Regulator and Supervisor of the Financial System: RBI Prescribes broad parameters of banking operations within which the country's banking and financial system functions with the objective to maintain public confidence in the system, protect depositors' interest and provide cost-effective banking services to the public.

4.2.3 Manager of Foreign Exchange: RBI Manages the Foreign Exchange Management Act, 1999 with the objective to facilitate external trade and payment and promote orderly development and maintenance of foreign exchange market in India.

4.2.4 Issuer of Currency: RBI Issues and exchanges or destroys currency and coins not fit for circulation with the objective to give the public adequate quantity of supplies of currency notes and coins and in good quality.

4.2.5 Developmental Role: RBI performs a wide range of promotional functions to support national objectives.

4.2.6 Regulator and Supervisor of Payment and Settlement Systems: RBI Introduces and upgrades safe and efficient modes of payment systems in the country to meet the requirements of the public at large with the objective to maintain public confidence in payment and settlement system

4.2.7 Banker to the Government: RBI performs merchant banking function for the central and the state governments; also acts as their banker.

4.2.8 Banker to Banks: RBI maintains banking accounts of all scheduled banks. (Scheduled banks have discussed in chapter 2)

4.2.9 Offices of RBI: RBI has 27 regional offices, most of them in state capitals and 04 Sub-offices.

4.2.10 Training Establishments: RBI has six training establishments out of which three, namely, RBI Academy, College of Agricultural Banking and Reserve Bank of India Staff College are part of the Reserve Bank. Others are autonomous, such as, National Institute for Bank Management, Indira Gandhi Institute for Development Research (IGIDR), Institute for Development and Research in Banking Technology (IDRBT)

4.2.11 Subsidiaries of RBI (Fully owned by RBI): Deposit Insurance and Credit Guarantee Corporation of India (DICGC), Bharatiya Reserve Bank Note Mudran Private Limited (BRBNMPL), Reserve Bank Information Technology Private Limited (ReBIT), Indian Financial Technology and Allied Services (IFTAS)

4.2.12 Functions of Board of Financial Supervision of RBI: Some of the initiatives taken by the BFS include, the primary objective of BFS is to undertake consolidated supervision of the financial sector comprising Scheduled Commercial and Co-operative Banks, All India Financial Institutions, Local Area Banks, Small Finance Banks, Payments Banks, Credit Information Companies, Non-Banking Finance Companies and Primary Dealers.

i. Fine-tuning the supervisory processes adopted by the Bank for regulated entities;
ii. Introduction of off-site surveillance system to complement the on-site supervision of regulated entities;
iii. Strengthening the statutory audit processes of banks and enlarging the role of auditors in the supervisory process;
iv. Strengthening the internal defences within supervised institutions such as corporate governance, internal control and audit functions, management information and risk control systems, review of housekeeping in banks;
v. Introduction of supervisory rating system for banks and financial institutions;

vi. Supervision of overseas operations of Indian banks, consolidated supervision of banks;

vii. Technical assistance programme for cooperative banks;

viii. Introduction of scheme of Prompt Corrective Action Framework for weak banks;

ix. Guidance regarding fraud risk management framework in banks;

x. Introduction of risk based supervision of banks;

xi. Introduction of an enforcement framework in respect of banks;

xii. Establishment of a credit registry in respect of large borrowers of supervised institutions; and

xiii. Setting up a subsidiary of RBI to take care of the IT requirements, including the cyber security needs of the Reserve Bank and its regulated entities, etc.

(Functions of RBI Available at "https://www.rbi.org.in/Scripts/AboutusDisplay.aspx")

4.2.1 Grievance Redressal Services of RBI

Any person can make a complaint to RBI against any bank, Non-banking financial institutions, system participants and against RBI by follow the following procedure.

Figure 4.1 Photo of RBI Website of Grievance Redressal

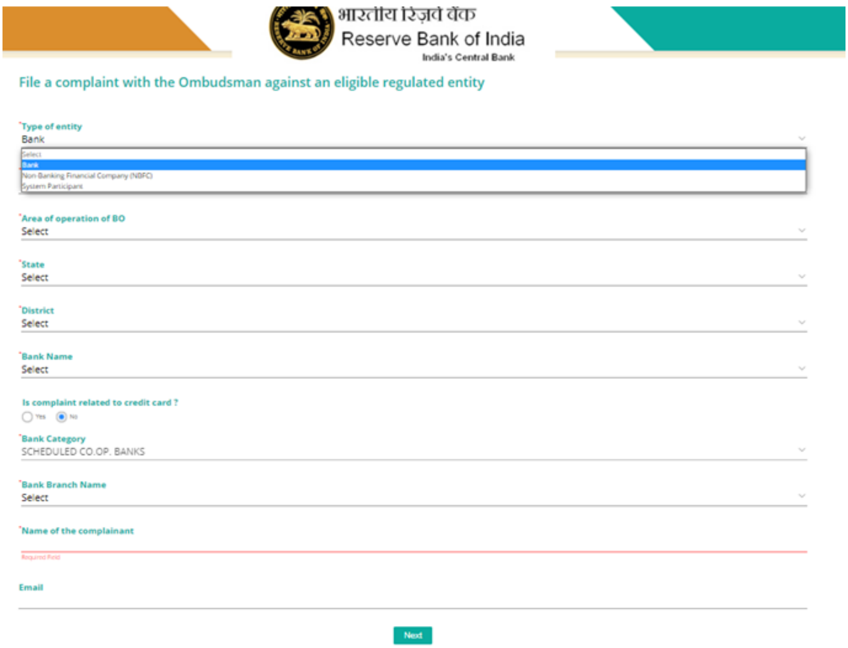
COMPLAINTS

Grievance Redressal		
Ombudsman Schemes	Others	Complaints Against RBI
Click here to file a complaint	Company Law Board-NBFCs	Against RBI
Banking Ombudsman Scheme	Nodal Agencies-NBFCs	
Ombudsman Scheme for NBFCs	Protected Disclosure Scheme	
Ombudsman Scheme for Digital Transactions		

Source: https://rbi.org.in/Scripts/Complaints.aspx

Any complaint of banks or against RBI can be filled to RBI and RBI generally takes action in very short time. After the click on "click here to file a complaint" any person may load a complaint against any commercial Banks, None banking financial institutions or in the against of any system participants. If any person wants to do complaint against RBI, he needs to click on the “Against RBI” and with the follow of requirements may load a complaint against RBI.

Figure 4.2 Complaints to RBI against Any Commercial Banks, NBFC and Financial Participants


भारतीय रिज़र्व बैंक
Reserve Bank of India
India's Central Bank
File a complaint with the Ombudsman against an eligible regulated entity
*Type of entity
Bank
Select
Bank
Non-Banking Financial Company (NBFC)
System Participant
*Area of operation of BO
Select
*State
Select
*District
Select
*Bank Name
Select
Is complaint related to credit card ?
Yes No
*Bank Category
SCHEDULED CO.OP. BANKS
*Bank Branch Name
Select
*Name of the complainant
Required Field
Email
Next

Source: https://cms.rbi.org.in/rbi/VividFlow/run/rbi#RbiNewLayout

It is the full form of complaint against any commercial bank, Non-banking financial institution (NBFC) or system participants. At the complaint portal RBI shows 802 banks name, 855 NBFC name and 58 system participants. System participants includes (like. Prepaid payment instruments) Aircel Smart Money Limited, Delhi Metro Rail Corporation Limited, Card Pre Solutions Private Limited, Flytech Aviation Limited and 54 others available at the above mentioned web address.

4.3 Functions of NABARD

4.3.1 Non-credit related Functions of NABARD

- Credit Planning and Monitoring, Coordination with various agencies and institutions.
- Assist in policy formulation of GoI, RBI and State Governments on matters related to agricultural credit and rural development
- Institutional development and capacity building of Cooperatives and Regional Rural Banks (RRBs) to strengthen the rural credit delivery system. Statutory inspection of Regional Rural Banks (RRBs), State Cooperative Banks and District Central Cooperative Banks (DCCBs), voluntary inspection of State Cooperative Agriculture and Rural Development Banks (SCARDBs) and their off-site surveillance
- Promotional and developmental initiatives in the areas of farm, off-farm, micro finance, financial inclusion, Convergence with Govt sponsored programmes.
- Supporting the financial inclusion efforts of Regional Rural Banks and Cooperative Banks
- Thrust on promotion of livelihood opportunities and Micro Enterprises
- Capacity Building of Personnel and Board Members of Credit Cooperatives and Staff of Rural Financial Institutions.
- Support to research and development, rural innovations, etc.

4.3.2 Credit related Functions of NABARD

- Refinance to Rural Financial Institutions for investment credit (long term loan) and production and marketing credit (short term loan) purposes for farm and off-farm activities in rural areas.
- Loans to State Governments for developing rural infrastructure and strengthening of the Cooperative Credit Structure

- Loans for warehousing infrastructure to State Governments, State/ Central government Owned/ assisted entities, Cooperatives, Federation of cooperatives, Farmers' Producers Organizations, (FPOs), Federations of Farmers' Collectives, Primary Agricultural Credit Societies (PACS) / Cooperative Marketing Societies (CMS) or similar institutions, Corporates/ Companies, Individual entrepreneurs, etc.,
- Direct lending to Cooperatives and Producers' Organization, support to State owned institutions /corporations under NABARD Infrastructure Development Assistance and direct lending to individuals, partnership firms, corporates, NGOs, MFIs, Farmers' collectives etc. under Umbrella Programme for Natural Resource Management (UPNRM)
- Pass through agency of select Government of India Capital Investment Subsidy Schemes.

4.3.3 Partner Institutions/Clients of NABARD

- Scheduled Commercial Banks
- State Governments
- State Owned Bodies and Corporations
- Regional Rural Banks
- State Cooperative Banks
- District Central Cooperative Banks
- State Cooperative Agriculture & Rural Development Banks
- Scheduled Urban Cooperative Banks
- Non-Banking Finance Companies
- Farmers' Collectives and Producers' Organisation
- Corporates/ Companies, individual entrepreneurs, SPV under PPP mode, etc, for projects under Warehouse Infrastructure Fund.

4.3.4 Development Oriented Functions of NABARD

- Rural Financial Institutions
- NGOs and Voluntary Agencies

- Development and Self Employment Training Institutions
- Self-Help Groups
- Rural Innovators
- Joint Liability Groups
- Farmers’ Clubs
- Research Organisations

4.3.5 Grievance Redressal Mechanism of NABARD

General Grievances from public are attended to by the Corporate Planning Department at Head Office, Mumbai. (Tel No. 022- 26530106).

The grievances pertaining to Customer Services of Cooperative Banks (other than Urban Cooperative Banks) and Regional Rural Banks (RRBs) are being attended to by the Department of Supervision, Corporate Office, Head Office, Mumbai (022-25639474)

NABARD receives VIP references directly from various ministries of GoI. VIP references are replied on priority. All other complaints received directly or through Public Grievance Portal are to be disposed within 60 days as per GoI guidelines. https://www.nabard.org/ftrcontent.aspx?id=492#:~:text=The%20major%20functions%20of%20NABARD,Non%2Dcredit%20related%3A&text=Credit%20Planning%20and%20Monitoring%2C%20Coordination%20with%20various%20agencies%20and%20institutions.

4.4 Functions of Import – Export Bank of India

The Export-Import Bank of India was established for providing financial assistance to exporters and importers, and for functioning as the principal institution for coordinating the working of institutions engaged in financing export and import of goods and services with a view to promoting the country's international trade. (Annual Report of EXIM Bank 2019-20)

4.4.1. EXIM Bank as a Financier of Exports

Exim Bank provides a wide range of export credit products to facilitate export of projects and consultancy services such as buyer's credit, supplier's credit, capital equipment finance, export project cash flow deficit finance, guarantees and letters of credit. The Bank offers a comprehensive financing package to Indian project exporters, which includes both funded support as well as non-fund based support by way of project related guarantees.

4.4.2. EXIM Bank as a Facilitator of Exports

The Bank, through its grassroots initiatives, envisages supporting globalization of small and micro-enterprises, generally based out of rural India. The main objective of the programme is to address the socio-economic needs of the disadvantaged sections of the society by creating expanded opportunities for traditional craftsmen, artisans and rural entrepreneurs of the country. To facilitate the same, the Bank provides financial support, both in the form of loans and grants, for capacity building exercises.

4.4.3. EXIM Bank as a Promoter of Exports

The Bank's Research and Analysis Group offers a range of insights on aspects of international economics, trade and investments through qualitative and quantitative research techniques. The research work carried out in the Group under the broad classification of regional, sectoral and policy related studies, are published in the form of Occasional Papers, Working Papers, books, etc. Twenty research studies were published during the year. These include the following: 1. India-Africa Partnership in Agriculture and Farm Mechanisation 2. India-Myanmar Trade and Investment: Prospects and Way Forward 3. A Bridge Between India and Latin America: Policy Options for Deeper Economic

Cooperation 4. Manufacturing in SADC: Moving Up the Value Chain 5. North Africa: Unlocking India's Trade and Investment Potential 6. AfCFTA: Opportunities for India in Africa's Economic Integration 7. India-CLMV: Building Supply Chains in Asia 8. India's Bilateral Relations with the GCC Countries: Trends in Trade, Migration and Remittances 9. Realizing India's Trade and Investment Potential with South Korea 10. India and Central Asia: Revitalizing Trade and Investment Relations 11. Indian Automotive Industry: At the Crossroads 12. Indian Chemical Industry: New Directions 13. Indian Packaging Industry: Challenges and Prospects 14. GVC Integration: Enhancing India's Exports 15. Intensifying Trade Protectionism: Implications for India 16. Project Exports From India: Strategy for Reenergizing and Reorienting 17. Domestic Policy Constraints for Exports in Select Sectors 18. Relooking India's Tariff Policy Framework 19. Liberalisation, Wages and Sector Growth: General Equilibrium Analysis for India 20. Essays on Education and Institutions in Developing Countries

4.4.4. EXIM Bank's Institutional Infrastructure

The Bank's staff, comprising management graduates, chartered accountants, bankers, economists, legal, library and documentation experts, engineers, linguists, human resources, marketing and IT specialists, numbered 354 as on March 31, 2020. The Bank organises various group training programmes, facilitating continuous upgradation of skills of its staff. Officers are also nominated for customised training programmes and seminars including e-learning, aimed at enhancing skill sets for handling highly-specialised portfolios. During FY 2019-20, 245 officers attended training programmes and seminars on various subjects relevant to the Bank's operations ranging from Cloud Security and Audit, Anti-Money Laundering, Resolution of Distressed Assets, Procurement Policy Framework, Credit Rating, Operational Risk Management, Bond Mathematics, Indian Treasury Market. Training in Stress management, Worklife balance, Time Management and Personal Effectiveness, was provided to staff members.

Annual Report of EXIM Bank of 2019-20 Available at https://www.eximbank.co.tz/images/Brochure/Exim%20Bank%20Tanzania%20Ltd%20Audited%20Financial%20Statment%20for%20 2020_.pdf

4.5 Functions of National Housing Bank

4.5.1 Resource Mobilisation

National Housing Bank has been mobilizing funds from many sources to operate its financial functions and during 2019-20, the Bank raised net incremental resources aggregating `34,116 crore through instruments such as Taxable Bonds, Commercial Papers (CPs), Short Term Loans, Affordable Housing Fund and Special Liquidity Facility (SLF) from RBI.

4.5.2 Refinance

Refinance business of NHB intends to serve a widely diverse market, both in terms of geography as well as socio-economic segments. NHB has encouraged and incentivized the PLIs to improve and strengthen the grass root credit delivery network for housing finance across the country, particularly for the low and middle income group segments. These measures have facilitated the PLIs, especially HFCs in their long term resources. In order to infuse liquidity into the Housing Finance System and also to cater the demand of HFCs to address the housing finance requirements in the affordable housing finance sector, a new scheme, viz. Liquidity Infusion Facility (LIFt) Scheme for Housing Finance Companies was launched in August, 2019. The objective of this refinance scheme was to support HFCs in creating individual housing loan portfolio that falls under the priority sector, as defined by RBI and thereby to create confidence of the market in HFCs.

4.5.3 Project Finance

National Housing Bank extends loans and advances to eligible entities for residential housing projects under Section 14(ba) of the National Housing Bank Act, 1987. Since inception, the Bank has taken various initiatives under the project finance window with an endeavour to facilitate the increase in overall housing stock in the country with special emphasis on the housing needs of the economically weaker sections (EWS) and low income group (LIG) segments. Initially, NHB had extended financial assistance for Land Development and Shelter Projects (LDSP) and housing infrastructure undertaken by Housing Boards, Development Agencies and Co-operative Housing Societies under its refinance window. Subsequently, the Slum Improvement and Low Cost Housing Fund was established in NHB for project finance under the Voluntary Deposits (Immunities and Exemptions) Act, 1991. The said Fund has been used for financing slum clearance projects, low cost housing projects for the poor, construction houses for people affected by natural calamities etc. along with project finance through general fund. The financial assistance under the project finance window is extended to various public agencies like State Housing Boards, State Slum Clearance Boards/Authorities, Development Authorities, Municipal Corporations and Urban Local Bodies etc. for undertaking residential housing projects. The financial assistance has been extended to commercially viable projects in accordance with the Bank's policy and the RBI guidelines.

4.5.4 Regulation & Supervision

HFCs shall continue to comply with the directions and instructions issued by the National Housing Bank (NHB) till the RBI issues a revised framework. NHB will continue to carry out supervision of HFCs and HFCs will continue to submit various returns to NHB as hitherto. The grievance redressal mechanism with regard to HFCs will also continue to be with the NHB. A housing finance institution, which is a company, desirous of making an application for registration under sub-section 2 of Section 29A of the National Housing Bank Act, 1987 (as amended by Act 23 of 2019) may approach the Department of Non-Banking Regulation, Reserve Bank of India.

NHB’s supervision is aimed at preventing the affairs of any HFC being conducted in a manner detrimental to the interest of the public and shall not be prejudicial to the operations and the growth of the housing finance sector of the country. To ensure safety and soundness of HFCs, NHB has a robust monitoring system which includes on-site inspections and offsite surveillance of HFCs both through periodic returns submitted by HFCs and also by way of market intelligence.

4.5.5 Promotion & Development

The principal mandate of the NHB is to promote housing finance institutions to improve/strengthen the credit delivery network for housing finance in the country. The NHB under its promotion and developmental role undertakes activities to encourage sound housing and housing finance system in the country. The activities include implementing the Government Schemes as Central Nodal Agency (CNA), participation in new institutions promoted by GoI, equity support to Housing Finance Institutions and other institutions in the mortgage market, trainings programmes for employees of HFCs etc.

4.5.6 Risk Management

The Financing Institutions (FIs) are exposed to a variety of risks associated with financial intermediation, and their success critically depend on their ability to manage the various risks.NHB’s business operations bears varied types of risks such as Credit, Liquidity, Interest Rate, Foreign Exchange, Operational and other risks.

Risk Management is the process by which a bank identifies, measures, monitors and controls its risk exposure. For the purpose of mitigating and monitoring the risks associated in its operations, the Bank has constituted various Committees with specific functions assigned to them viz. Rating Committee, Asset Liability Management Committee (ALCO), Credit Risk Management Committee (CRMC), Operational Risk Management Committee (ORMC) and Special Mention Accounts Committee (SMAC).

NHB also has in place a Board appointed Risk Management Advisory Committee (RMAC) with two external members who are experts in banking and finance. During the year, the Committee met five times to review NHB's risk management policies and functions in relation to the three areas of risk i.e. Market Risk, Credit Risk and Operational Risk.

4.5.7 Information Technology

The Bank is committed towards effective and efficient use of Information Technology. Bank's goal is to setup and ensure a secure and reliable technology infrastructure for improving efficiency, productivity and service at large. In this regards, the Bank has setup a secure network with next generation firewalls with other security infrastructure such as internet traffic filtering and proxy servers, DDoS enabled Internet Links, network zoning, SSL, secure messaging gateway to protect and safeguard its network.

The Bank has enabled various services over internet such as Website, GRIDS, ORMIS, RESIDEX and CLSS portals to its stakeholders, which are made 24x7 accessible over Internet. Further, Bank has facilitated various services such as SAP employee portal, Internet Protocol (IP) based Telephony System, Exchange Mail, MS Lync, File Servers, Video conference facility etc. on 24x7 basis for its employees for effective utilization of underlying IT infrastructure.

Bank has setup virtual office environment in view of providing seamless connectivity to IT infrastructure over Internet, to enable its officers to work from anywhere. The facility was fully used during lockdown and ensured the continuity of work. Further, the Bank has setup DR site for its critical applications and same are tested at regular interval by conducting DR Drills, as per its BCP guidelines.

4.5.8 Human Resources

The NHB aims at retention of skilled, efficient and motivated officers and recruits such officers from time to time to ensure that the Bank is suitably staffed to cater to its requirements. The Bank is committed to continuous development of its employees through regular trainings, hands on experience and exposure to the latest industry practices standards by way of conferences, seminars, workshops, etc.

4.5.9 Rajbhasha

During 2019-20, four regular issues of the Bank's Hindi in-house magazine Aawas Bharti were published along with a special issue of the magazine on the occasion of World Habitat Day-2019 in which the articles were invited from various Public Sector Banks, Housing Finance Companies, Financial Institutions and Housing Boards. The magazine was released by Hon'ble Minister of State for Housing and Urban Affairs, Shri Hardeep Singh Puri. Bank's magazine received the first prize in the Financial Institution category by Delhi Bank TOLIC for the year 2018-19.

Hindi software / fonts have been installed to provide bilingual facility in computers / laptops. To encourage the officers to do their official work in Hindi, the Hindi Noting Incentive Scheme has also been implemented by the Bank. Official Language Implementation Committee meetings were held in subordinate offices. The percentage of correspondence in the Head Office and Subordinate Offices of the Bank was about 90 per cent. Attractive incentive schemes for officers working in Hindi have been implemented as per government guidelines.

4.5.10 Knowledge Centre

NHB's Knowledge Centre was established in Head Office to facilitate acquiring additional knowledge and application through effective dissemination of information. Since the inception of Knowledge Centre in 1989 it has seen many changes, it has transformed itself from manually managed to fully automated modern advance library through library automation software LIBSYS.

4.5.11 Compliance Department

In order to ensure a compliance culture in the Bank and effectively manage its compliance risk, a separate Compliance Department has been set up in the Bank. Further, a comprehensive Compliance Policy having definite compliance metrics/framework along with well defined role and responsibilities of the Compliance Officer, Heads of Departments, Department Compliance Officers etc. has been framed and communicated throughout the Bank.

4.5.12 Vigilance Department

In accordance with the directives of Central Vigilance Commission, the Vigilance Awareness Week was observed in National Housing Bank. The Vigilance Awareness Week was observed from October 28 to November 02, 2019 on the theme "Integrity-A Way of Life". The Vigilance Awareness Week commenced with the administration of pledge by the MD and CVO of the Bank. The Bank had also organised an open interactive session with special emphasis on this year's vigilance awareness theme.

4.5.13 RTI Cell

To confer citizens a right to secure access to the information under the control of public authorities and to promote transparency and accountability in the working of every public authority, the Right to Information Act 2005 was enacted by the Parliament.

Accordingly, an RTI cell has been established in the Bank to assist CPIO in dealing with all matters pertaining to RTI applications / appeals received through all channels (Online & Offline).

4.5.14 Regional Office and Regional Representative Offices

The Bank has Regional Offices (ROs) at Mumbai, Bengaluru, Hyderabad, Kolkata & Delhi and a Regional Representative Offices (RRO) at Ahmedabad to facilitate and execute its operations in the respective regions. The ROs and RRO assist the Head Office in supervision, financing, resource raising and other promotion & developmental initiatives of the Bank and are also responsible for liaisoning and coordination at the local level.

4.5.15 Audit

The NHB has implemented Audit Framework, an important milestone in strengthening and streamlining the audit activities of the Bank.

During the year, the Internal Audit has been taken over as an in-house activity from the third party auditor M/s KPMG from January 2020 onwards. To make this transition smooth and acquire the required skillset, officers of the Audit Department had been simultaneously conducting internal audit along with KPMG team for the initial two quarters of the financial year 2019-20.

4.5.16 Corporate Communication

The National Housing Bank has been playing a significant role in the development of the housing finance sector in India. NHB through its Corporate Communication Cell undertakes creating awareness about the housing and housing finance sector and the role of NHB amongst the housing finance institutions and public at large.

The Bank has been featured in National and Regional media, both electronic and print, from time to time for its activities and contributions in the housing finance sector. Further, in sync with the time and importance of social media as an effective channel for communication, the website of the NHB is integrated with social media.

4.5.17 Corporate Social Responsibility

As a responsible institution, the NHB has been earmarking certain amount for CSR activities every year since 2017-18. CSR efforts of the Bank are aimed towards developmental and welfare activities, where the impact achieved would be widespread.

Annual Report of National Housing Bank Available at https://nhb.org.in/wp-content/uploads/2020/11/NHB-Annual-Report-2019-20-English.pdf

4.6 Function of SIDBI

SIDBI IS the Principal Financial Institution for Promotion, Financing and Development of the Micro, Small and Medium Enterprise (MSME) sector as well as for co-ordination of functions of institutions engaged in similar activities.

At present SIDBI is working with the vision of to emerge as a single window for meeting the financial and developmental needs of the MSME sector to make it strong, vibrant and globally competitive, to position SIDBI Brand as the preferred and customer - friendly institution and for enhancement of share - holder wealth and highest corporate values through modern technology platform.

4.6.1 Financing Role of SIDBI

Direct Lending: Direct Lending aims to fill the existing credit gaps in the MSME sector and is undertaken through demonstrative and innovative lending products, which can be further .scaled up by credit delivery ecosystem.

The Bank has taken several initiatives during FY 2020 for realigning the Direct Finance Operations so as to contribute in a viable and sustainable manner and increase its outreach to all segments of MSMEs, particularly MSEs. These initiatives include launch of new products targeted at specific segment/ region/ industry etc. with concurrent simplification of processes at policy and technology levels.

Indirect Lending: Indirect Lending based on multiplier effect/ larger reach in financing the MSME sector and is undertaken through Banks, SFBs, NBFCs, MFIs and New Age Fintechs.

Micro Lending: Micro Lending taken up through partnership models to effectively & impactfully serve the entrepreneurs, especially women, at the bottom of the pyramid.

Fund of Funds: Fund of Funds boosts entrepreneurship culture by supporting emerging startups through the Fund of Funds channel.

The Bank has been operating Fund of Funds programmes, viz. Fund of Funds for Startups (FFS), ASPIRE Fund (AF), All India Funds, Regional Funds, MSME-RCF and India Aspiration Fund (IAF), in which contributions are made to Alternative Investment Funds (AIFs) for investments in companies at different stages of business cycles viz. seed, Series “A”, early stage ,etc.

While commitments under All India Funds, Regional Funds, MSME-RCF and IAF are under divestment/exit stage, commitments are being considered under FFS and AF. The Bank is an operating agency for FFS (a programme of DPIIT, Ministry of Commerce and Industry) and AF (Ministry of MSME).

4.6.2 Promotional & Developmental Role

SIDBI works for Promote entrepreneurship and handhold MSMEs, **Holistic development** of MSME sector through a range of credit-plus activities and **Imparting financial literacy** and promoting Women Livelihood activities.

In addition to the above the Bank adopted the avowed objectives of;

Thought Leadership through structural initiatives like data backed interventions to address information asymmetry and fostering the **"Livelihood Finance"** space through innovative & cost-effective funding solutions.

Serving as an **Aggregator** and enabling digital lending access to MSMEs.

Playing a **Facilitator** through roles like Nodal Agency for the MSME oriented Schemes of the Government and also acts as trusted agency of the Govt. of India in channelizing liquidity support and collateral free economic package to pandemic hit MSME sector.

SIDBI working report 2020 available at https://sidbi.in/files/publicationreport/SIDBI-Working-Report-FY-2020.pdf

CHAPTER 5

Services of Commercial Banks

5.1 Commercial Banks

Two types of banks are working in the world as well as India; these banks are Governance and development sector banks and commercial banks.

Governance and development sector banks are those banks that provide governance and some other services to the commercial banks but these banks do not provide banking services directly to the general people. Governance sector banks provide services to the commercial banks and commercial banks provide services to the general public. Five governance sector banks are working in India; these banks are Reserve Bank of India, NABARD, EXIM Bank, National Housing Finance, and SIDBI.

All banks working in India are commercial banks except the five governance sector or development sector banks in India.

In the context of banks in India, a Commercial bank is an institution accepting deposit and making advance or investment and repayable deposits on-demand or as per terms. Eight types of commercial banks are working in India, these banks are Public sector banks, Public sector Banks, Regional Rural Banks, Co-operative Banks, Foreign Banks, Payments Banks, Local Area Banks, Small Finance Banks. All these provide general banking services (Mentioned in the Banking Regulation Act, 1959) to the general public.

Banking Regulation Act, 1959 section 5(b) defines banking as, "banking" means the accepting, for the purpose of lending or investment, of deposits of money from the public, repayable on demand or otherwise, and withdrawal by cheque, draft, order or otherwise.

Oxford Dictionary defines a bank as "an establishment for custody of money, which it pays out on customer's order."

Commercial banks are the financial institutions proving financial services directly to society and the Reserve Bank of India (RBI) issue the license to operate the commercial banking business in India. The banking business was previously started by private unregistered organizations and at present due to the importance and high ethical need of the banking services, the Government has taken over the direct or indirect control on all of the banking business and banking services.

The first commercial bank in India was the "Bank of Hindustan" established in 1770 and it was a private bank. India’s first commercial government bank is the state bank of India established in 1955 after the acquisition of the Imperial bank of India.

Many researchers and laws define the mean of banks and banking but mostly defines banks and banking only to the commercial banks. Some definitions of commercial banks are as follows:

According to Banking Regulation Act, 1959 section 5(b) defines banking as, "banking" means the accepting, for the purpose of lending or investment, of deposits of money from the public, repayable on demand or otherwise, and withdrawal by cheque, draft, order or otherwise.

According to Banking Regulation Act, 1959 section 5(c) "Banking Company" means any company which transacts the business of banking in India. Explanation.--Any company which is engaged in the manufacture of goods or carries on any trade and which accepts deposits of money from the public merely for the purpose of financing its business as such manufacturer or trader shall not be deemed to transact the business of banking within the meaning of this clause.

In the context of banks in India, Commercial bank is an institution accepting deposit and making advance or investment and repayable on demand or as per terms.

In easy way we can say, commercial banks are those banks which provides banking services directly to the public and governance or development sector banks are those banks which are providing banking and other services to the commercial banks.

The first bank in India was the "Bank of Hindustan" established in 1770 and it was a private bank. India’s first commercial government bank is the state bank of India established in 1955 after the acquisition of the Imperial bank of India.

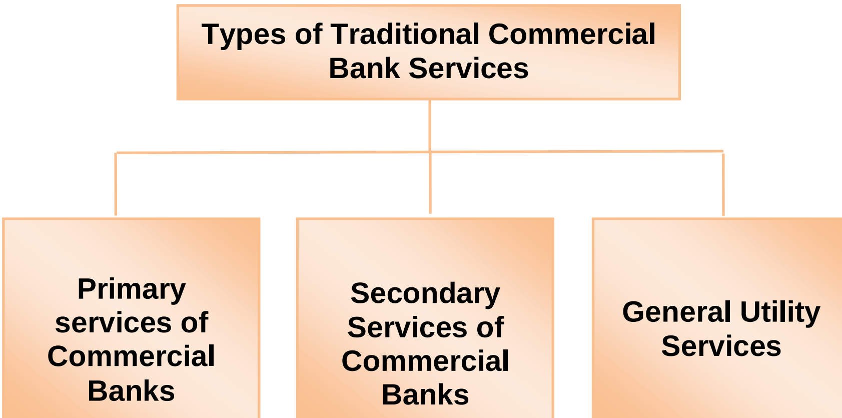
5.2 Services of Commercial Banks

During the 1900s banking services was limited to some banking services only but now a day’s banks are providing a wide area of services. After the 1900s and implement the CBS (Centralized Banking Services) banks have converted to the modern online mode of banking and bank staff works.

The services of commercial banks is defined in traditional banking services and Commercial Banks services can be divided into two parts (Traditional banking services and modern banking services) to better understand banking functioning.

5.3 Traditional Commercial Banking Services

Figure 5.1 Traditional Commercial Banking Services



5.3.1 Primary services of Traditional Commercial Banks

Commercial Banks perform various primary function some of which are given below.

Accepting Deposits: Commercial Bank accepts the various types of deposits from the customers. It includes saving bank account, Current bank account, fixed deposits and other various types of deposits and payments to the customer or his direction on-demand or at the pre specified time.

Making Advances: The commercial bank makes advances in various forms. It includes overdraft services, cash credit services like credit card and bill discounting facility and it also includes other advances made by the bank etc.

Credit Creation: It is the most significant function and gives the hugest revenue to the commercial banks. While sanctioning a loan to a customer, a bank does not provide cash to the borrower. Instead, it opens a deposit account from where the borrower can withdraw. In other words, while sanctioning a loan a bank automatically creates deposits Accounts. This is known as a credit creation from a commercial bank.

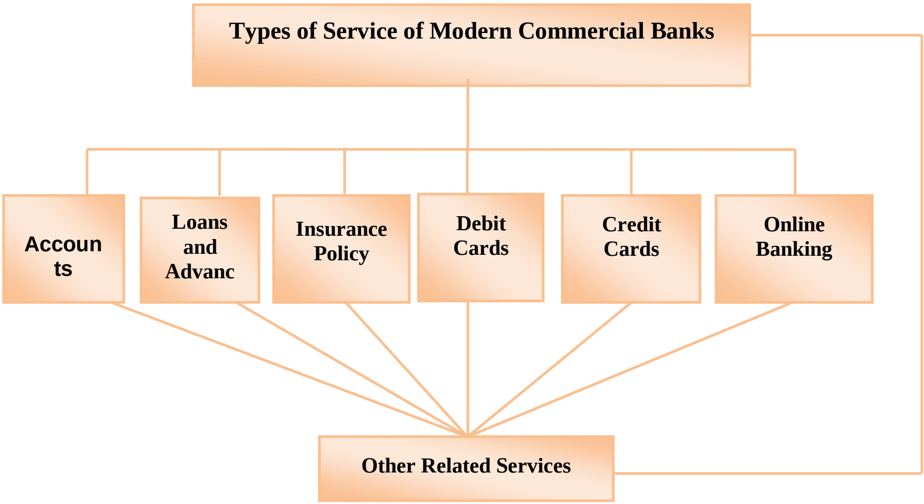
5.3.2 Secondary Services of Traditional Commercial Banking Services

Along with the primary functions each commercial bank has to perform various secondary functions. It includes many functions including agency or general utility services.

- Collect and clear cheques
- Make payment of insurance premium and installment of loan etc.
- Deal with foreign exchange transactions.
- Purchase and sell securities D.MAT Account
- Act as trusty, attorney also executor, etc
- Safety locker facility
- Money transfer facility.
- Act as referee.
- Various payments e.g. phone bills, gas bills, water bills, etc.
- Debit cards, Smart cards, etc.

5.5 Service of Modern Commercial Banks

Figure 5.2 Service of Modern Commercial Banks



5.4.1 Accounts

Saving Account is a bank account open online or offline in a bank by a person. We are studying the services of commercial banks and here "account" means the bank account in any commercial bank. Every bank account has a unique number called bank account number provided by the bank to their customer after the process of account open for accept deposit and provides the other demanded and mandatory services to the customer with the full and accurate accuracy and record.

Eight types of commercial banks are providing banking services in India and all these banks offer many types of bank accounts to the customers as per their and their customer's conveyance and need.

e.g. Saving Account, Salary Account, Student Account (Zero Balance), Current Account, Fixed Deposit, Recurring Deposit, Sukanya Samriddhi Account, Demat Account, Pradhan Mantri Jan Dhan Yojana Account, Atal Pension Yojana, Mini Deposit and Provident Fund Account.

5.4.2 Loans and Advances

Loan and advances is the sum of money taken by any one or more person for repaying the loan with interest in one time or in installments. Loan and advances is the sum of money gives by the lender to somebody for earns money.

Banks provide many types of loan to people to earn interest money and it is the main business of banks, banks generally earn over 90% income from the interest income on loan.

Bank gives loans as per the need and conveyance of the customers and many types of loans are available in the banks, types of loans may differ from bank to bank but most types of loans are available in the bank. We have discussed eight types of commercial banks and rural & agricultural sector banks (Rural Co-operative Banks and Regional Rural Banks) have more loan schemes for credit needs, foreign banks have more loan schemes of foreign trade and private & public sector banks are the major banks in India and these banks generally have all types of loan schemes.

e.g. Short Term Loan, Medium Term, Horticulture Loan, Agriculture Vehicle and Machine Loan, Agriculture Land Loan, Commercial Vehicle Loan, Personal Vehicle Loan, Home Loan, Loan Against Deposits, Education Loan, Business Loan for working capital, Commercial Property Loan, Gold Loan, Pandit Deen Dayal Upadhyay Sahkarita Kisan Kalyan Yojana, Veer Chandra Singh Garhwali Paryatan Swarojgar Yojana Loan, Pradhan Mantri Self Employment Yojana Loan, Prime Minister's Rozgar Yojana (PMRY), Mudra Loan, Women Self Help Group Loan, Staff Loan, Personal Loan to Government Employees, Personal Loan to Non - Government Employees, Over Draft Facility, Cash Credit, Temporary Overdraft and etc.

5.5.3 Insurance

Most banks are providing insurance services but all banks are providing insurance services as an agent of another insurance company or providing insurance services by making its subsidiary company. A banking company cannot provide direct insurance services with its own name because of the restriction of the Indian Insurance Act, 1938. So as banks are providing insurance services with the tie-up of another insurance company or by making subsidiary company of insurance sector.

e.g. Pradhan Mantri Fasal Bima Yojana, Pradhan Mantri Jivan Jyoti Yojana, Pradhan Mantri Suraksha Bima Yojana, Life Assurance, General Insurance, etc.

5.5.4 Debit Cards

A debit card is a plastic card (3.370 Inches × 2.125 Inches) that gives the power to the cardholder to withdraw cash, check account balance, Online payment, swap card and transfer fund from the available amount in the bank account of the card. It is an extension of the payment system of banks.

e.g. Rupay Card, Master Card, Visa Card and etc are the debit card service provider companies and the bank makes a contract with these companies for distributing debit cards to the customers.

5.5.5 Credit Cards

Credit card is a plastic card as a Debit card of the same size but a debit card debits the balance from the credit balance of the account and a credit card debits the balance as a loan to the cardholder. A credit card is a short term loan card with a high interest rate and a hard holder can make payment as a loan taken from the bank and the customer needs to repay loan money with interest amount within the stipulated time. Credit is also a loan amount limit at which customer can make payment as loan taken from the bank. Credit card issue by the bank to the customer but card services provided the many companies.

e.g. Rupay Card, Master Card, Visa Card and etc.

5.5.6 Online Banking

Online banking includes internet banking, mobile banking, online work through debit and credit card and any other bank-related work done through the use of the internet. Nowadays online banking work has significant increase due to banking from home, internet facility and mobile devices availability have increased. In the year of 2018-19, 37% transaction was online of SBI and it was a big part of online transaction in the future online baking may take place of the branch banking.

e.g. Phone pay, Google Pay, Pay tm, BHIM App, PNB Mobile Banking, SBI Yona App, PNB Retail Banking, Kotak Mobike Banking, Axis Bank Mobile Banking, HDFC Mobile Banking and etc.

5.5.7 Other Services

Other services are the extension of the way of the services of bank branch and it also includes services that are not suitable to include in the above categories. To make a complete list of modern commercial banking services is not possible because these banks services are updated from time to time as per the need of customers and technological improvement and such services which are not included in any other services, it may call other services.

e.g. ATM Machines, Self Passbook Printing Machines, Bills for Collection Services, Bills Discounting Services, Foreign Currency Exchange, Camp in the rural area to promote Banking Services, Bank provide Traning to rural people for how to work with the employment yojana and other yojanas, Doorstep Banking Services, Check Book, Demand Draft, CBS Banking, Cash Deposit Forms, Account Opening Forms and other forms.

CHAPTER 6
Customers of Bank

6.1 Customers

A customer is a person who purchases the service or goods. To increase the business wealth with profit is the primary goal of most or every business other than not for profit organizations and increase revenue is one of the main organ itself to increase profit, business wealth and revenue is the gift received from customers in return of goods or service provided to customers.

Customer demand service is a base for revenue but customer frequently demand services and goods is the success of the business and it is possible only through the Goods or services provided with high or sufficient customer satisfaction level. “A party that receives or consumes products and has the ability to choose between different products is termed as customers.

Consumer Protection Act, 2019 Defines consumer of any service under section 2(7)(ii) "consumer" means any person who— hires or avails of any **service** for a consideration which has been paid or promised or partly paid and partly promised, or under any system of deferred payment and includes any beneficiary of such service other than the person who hires or avails of the services for consideration paid or promised, or partly paid and partly promised, or under any system of deferred payment, when such services are availed of with the approval of the first-mentioned person, but does not include a person who avails of such service for any commercial purpose.

As per the “consumer of any service of the bank” point of view customer and consumer of a bank is any person availing the banking or non-banking services from the bank for commercial or non-commercial purpose whether such person having an account in the bank or not having an account in the bank. The customer may come to the bank to apply for a PAN card, Aadhar card or taking insurance services, a person may become a bank customer without having an account with the bank.

6.2 Customers are Consumers

The terms "customer" and "consumer" are almost the same words. A customer is a person who purchases goods, or he is contracting for services, but as the consumer, he must be the end-user. As the term is commonly used, a customer is the end consumer of a product. This distinguishes true customers from resellers and vendors, who usually make purchases to sell later.

6.3 Customers Can Be Studied

“Businesses frequently take a keen interest in knowing the sort of person who buys their products as an aid to focusing their marketing approach and tailoring their inventory to appeal to the most lucrative possible customer base. Customers are often grouped according to their demographics, age, race, sex, ethnicity, income level and geographic location all go into a customer's demographic profile. Knowing these things about the people who shop with a business builds up a picture of the "ideal customer," or "customer persona." This information helps companies approach the demographics where they are already strong and deepen ties with loyal customers, as well as reach out to wholly new demographics to cultivate a public where sales are weak, thus creating a new base of customers for further expansion.” *(https://www.investopedia.com/terms/c/customer.asp)*

6.4 Customer Satisfaction

Customer satisfaction is the most significant part of Business. A Person buys a product like Goods or Services to satisfy his needs if he didn't achieve desired satisfaction, purchase cost of the product is waste till the dissatisfaction level in the view of purchaser and it is hardly possible customer will purchase such product in future.

When a product produced it has the ultimate aim to consume to satisfy some needs of the consumer and such satisfaction is not received by the customer then the full production chain and distribution chain have no value. It is the main objective of the producer of the product.

GOLD IS NOTHING IF IT DOES NOT PROVIDE SATISFACTION TO ITS CONSUMER.
SOIL IS EVERYTHING IF IT PROVIDES SATISFACTION TO ITS CONSUMER.

At the time of service provide it is irrelevant that the customer is satisfied or not means satisfaction is not a part of the current service and satisfaction is not an issue to affect the present remuneration of the service provider but it will definitely affect the future remuneration.

Example: A person purchases a flight ticket from Ahmadabad to Switzerland and Airways fix time 12 hours but flight gets late by 2 hour for landing due to unavoidable reason and passenger get unsatisfied. The customer has not any option to return service or claim to airlines but he has the option not to avail of such airline service again.

6.5 Service provider

Service provider is a person or group of person or organization who conduct the activities called a service provider. He takes some charge on customer for their service provided as remuneration.

6.6 Importance of Customer Satisfaction

At present Bank, customers have the choice to select the Bank for taking services and in this situation automatically create competition between bank especially between the private sector banks, public sector banks and co-operative banks and a customer select a bank to take service where he has more chance to high satisfaction receive. From the Market view, every Bank should be must know the satisfaction level of its customers for continuous growth.

Goods are first produced than sold but service first sold than produced and consumed and in service return option is not available as per nature of services so it is most essential to identify the satisfaction level of customers.

6.7 Satisfaction of Customers of Various Banks

Kalpadakis (2015) concluded that customer satisfaction (During an economic recession and banking crisis period) of Pancretan Cooperative Bank (Greece) is 74.36% (4+3.71+3.64+3.63+3.61)/5)*100/5).

Moghavvemi et al. (2018) concluded that customer satisfaction from local banks in Malaysia is 71.57% (5.01*100/7) and Customer satisfaction from foreign banks in Malaysia is 75.71% (5.30*100/7).

Sharma and Verma (2015) conclude that the customer satisfaction of public banks in Punjab (India) is 70.16% ((77.18/22)*100/5) and customer satisfaction from private banks in Punjab (India) is 80.05% ((88.05/22)*100/5).

Gauba (2016) concluded that the customer satisfaction from SBI in Lucknow (India) branches is 62.23% and customer satisfaction from HDFC Lucknow (India) branches is 70.96%

(Percentages are calculated through the observed mean given in the study).

Saxena and Jindal (2019) concluded that customer satisfaction on banking services in the Nainital district (India) is 73.80%.

Joshi and Sankaranarayanan (2013) conclude that customer satisfaction from state co-operative Banks (Goa, India) is 78.54% (Average of perception mean*5/100).

Agarwal (2017) concludes that for Uttarakhand State, Public banks' customer satisfaction level is 68.55% and private banks' customer satisfaction level is 72.79% (Percentages have calculated from Table 4.53 and 4.54 of the Agarwal (2017)).

John and Thoomkuzhy (2018) conclude that for Kerala State (India), the customer satisfaction of Pathanamthitta District Co-Operative Bank is 80%. (Percentages are calculated from the Table 1 of John and Thoomkuzhy (2018), (((13*5) + (21*4) + (2*3) + (1*2) + (3*1))/40)*100/5).

Malik Vanita, (2018). concludes that for the Mumbai City, customer satisfaction of IDBI bank customers is 70.4% and customer satisfaction of Axis Bank customers is 76.8%.

6.8 Level of Customer Satisfaction

Table 6.1 Customer Satisfaction Categories

Bank Customer Satisfaction Level	**Customer Satisfaction Categories**
More than 80% Customer Satisfaction	Excellent Customer Satisfaction
More than 70% and up to 80% Customer Satisfaction	Good Customer Satisfaction
More than 60% and up to 70% Customer Satisfaction	Moderate Customer Satisfaction
Less than 60% Customer Satisfaction	Bad Customer Satisfaction

Source: Primary Data

Customer satisfaction of Public and Private sector banks in India, Pathanamthitta District Co-operative bank, Local banks of Malaysia, Foreign banks in Malaysia, Co-operative bank of Greece is fluctuating between 60% to 80%. The 100% customer satisfaction level can't be possible but in the observation of various banks, Less than 60% Customer Satisfaction level indicates bad customer satisfaction, More than 60% and up to 70% Customer Satisfaction indicates moderate customer satisfaction level, More than 70% and up to 80% Customer Satisfaction indicates good customer satisfaction level and More then 80% Customer Satisfaction indicates excellent customer satisfaction level. It has been shown in the above table.

In the study of various banks, banks in India are providing good banking services with a good customer satisfaction level.

CHAPTER 7
Management of NPA by Banks

7.1 Non-Performing Assets (NPAs)

Bank gives loans to many people, corporate or other persons and these loans are the performing assets of the bank and loan taker repay these loans in instalments or other through ways with interest to the bank and if loan taker person did not pay the loan amount with interest to the bank, after that over a specified time, the bank needs to transfer these entire amounts into NPA. NPA means the un-paid amount of loan is an asset of the bank but a non-performing asset because it's not receiving by the bank. Many researchers give many definitions related to NPA and RBI gives guidelines for NPA but overall NPA means an amount due and payable that has not been paid over a long time to the bank by the loan taker.

According to RBI, An asset, including a leased asset, becomes non-performing when it ceases to generate income for the bank. A 'non-performing asset' (NPA) was defined as a credit facility in respect of which the interest and/ or instalment of principal has remained 'past due' for a specified period of time. (https://www.rbi.org.in/scripts/BS_ViewMasCirculardetails.aspx%3FId%3D449)

Performing Assets are those on which regular income generates to a bank but on Non Performing Assets regular income does not generate to banks. A bank is a financial institution that provides loans and advances to the borrowers to generate Profit or income. Loans and advances to the customers are assets of banks that becomes worse when the principal or interest amount remains overdue for the specified period by RBI. These bad loans and advances are known as NPAs (Non-Performing Assets) for a bank. NPAs are an important parameter to measure the profitability and financial stability of banks. But now, bank's profitability is decreasing due to their growing NPAs and it has become one of the major challenges facing by banks. Hence, to tackle the challenges of NPAs banks have to maintain some provisions.

In the process of becoming NPA, a **'Term Loan', 'Bills Purchased and Discounted', 'Advance granted for agricultural purposes' and Other accounts loans** first become ***'past due'*** and if these loans remain not paid in a period of past due (30 days) then it will become NPA "sub-standard assets".

In the process of becoming an NPA, an **Overdraft/Cash** Credit first become ***'Out of Order'*** and if these loans remain out of order in a period of past due then it will become NPA "sub-standard assets".

To understand the process of becoming a performing asset into a non-performing asset (NPA), it is essential to understand the 'due', "overdue', and 'out of order status of the loan.

7.2 Overdue

According to RBI, Any amount due to the bank under any credit facility is 'overdue' if it is not paid on the due date fixed by the bank.

7.3 Past Due

According to RBI, An amount due under any credit facility is treated as "past due" when it has not been paid within 30 days from the due date.

7.4 Out of Order

According to RBI, An account should be treated as **'out of order'** if the outstanding balance remains continuously in excess of the sanctioned limit/drawing power. In cases where the outstanding

balance in the principal operating account is less than the sanctioned limit/drawing power, but there are no credits continuously for six months as on the date of Balance Sheet or credits are not enough to cover the interest debited during the same period, these accounts should be treated as **'out of order'**.
(https://www.rbi.org.in/scripts/BS_ViewMasCirculardetails.aspx%3FId%3D449)

7.5 An Asset When will become NPA

According to RBI, with effect from March 31, 2004, a non-performing asset (NPA) shall be a loan or an advance where;

Table 7.1 Time in which Overdue or Out of Order Various Loans become NPA

	Nature of Loan	**Parameters**
1.	Term Loan	Interest and/ or instalment of principal remain **overdue** for a period of more than 90 days in respect of a term loan.
2.	Overdraft/Cash Credit	The account remains **'out of order'** for a period of more than 90 days, in respect of an Overdraft/Cash Credit (OD/CC).
3.	Bills Purchased and Discounted	The bill remains **overdue** for a period of more than 90 days in the case of bills purchased and discounted.
4.	Advance granted for agricultural purposes	Interest and/or installment of principal remains **overdue** for two harvest seasons but for a period not exceeding two half years in the case of an advance granted for agricultural purposes.
5.	Other accounts	Any amount to be received remains **overdue** for a period of more than 90 days in respect of other accounts.

(https://www.rbi.org.in/scripts/BS_ViewMasCirculardetails.aspx%3FId%3D449)

7.6 Classification of Assets

Assets may be classified in many ways, like fixed and current assets but as per the NPA management assets is classified in performing and non-performing assets, in easy language performing assets are assets on which income is generating and receiving on the other hand non-performing assets are assets on which expected receivable income is due and over a period have overdue but not received till now.

7.6.1 Performing Assets

- Standard Assets

Standard Assets - An asset considered as standard Assets which are generating regular income to the banks.

7.6.2 Non Performing Assets

According to RBI, Banks are required to classify non-performing assets further into the following three categories based on the period for which the asset has remained non-performing and the realisability of the dues. These categories are;

- Sub Standard Assets
- Doubtful Assets
- Loss Assets

Sub-standard Assets

According to RBI, A sub-standard asset was one, which was classified as NPA for a period not exceeding two years. With effect from 31 March 2001, a sub-standard asset is one, which has remained **NPA for a period less than or equal to 18 months**. In such cases, the current net worth of the borrower/ guarantor or the current market value of the security charged is not enough to ensure recovery of the dues to the banks in full. In other words, such an asset will have well defined credit weaknesses that jeopardise the liquidation of the debt and are characterised by the distinct possibility that the banks will sustain some loss, if deficiencies are not corrected**.**

Doubtful Assets

According to RBI, A doubtful asset was one, which remained NPA for a period exceeding two years. With effect from 31 March 2001, an asset is to be classified as doubtful, if it has remained **NPA for a period exceeding 18 months**. A loan classified as doubtful has all the weaknesses inherent in assets that were classified as sub-standard, with the added characteristic that the weaknesses make collection or liquidation in full, – on the basis of currently known facts, conditions and values – highly questionable and improbable.

Loss Assets

According to RBI, A loss asset is one where loss has been identified by the bank or internal or external auditors or the RBI inspection but the amount has not been written off wholly. In other words, such an asset is considered uncollectible and of such little value that its continuance as a bankable asset is not warranted although there may be some salvage or recovery value. (https://www.rbi.org.in/scripts/BS_ViewMasCirculardetails.aspx%3FId%3D449 as on 30 Aug 2021)

7.7 Provision Requirement for Non-Performing Assets (NPA)

Banks need to maintain NPA provision based on assets classified into four different categories i.e. standard, sub-standard, doubtful and loss assets.

Table 7.2 Provision Requirement for Non-Performing Assets

Category	Provision	Terms
Sub Standard Advances	10%	A general provision of 10 percent on total outstanding should be made without making any allowance for DICGC/ECGC guarantee cover and securities available.
Doubtful Assets	100%	Unsecured*
	20%	Doubtful up to 1 year**
	30%	Doubtful After 1 to 3 years
	50%	Doubtful After 3 years
Loss Assets	100%	All Outstanding Amount of Loss

Unsecured* = 100 percent of the extent to which the advance is not covered by the realisable value of the security to which the bank has a valid recourse and the realisable value is estimated on a realistic basis.

Doubtful up to 1 year** = In regard to the secured portion, provision may be made on the following basis, at the rates ranging from 20 percent to 50 percent of the secured portion depending upon the period for which the asset has remained doubtful:

7.8 Types of Non-Performing Assets

There are two types of Non Performing Assets that may be classified as gross NPA and net NPA.

7.8.1 Gross NPA

Gross NPA is the sum of total assets that are not performing well to date and have become NPA after become overdue and out of order. But Net NPA excludes the previous year NPAs from the total gross NPA and we can say Gross NPA is the total NPA till date but net NPA means NPA during a certain period.

7.8.2 Net NPA

Net NPA is the amount of NPA that remains after deducting the previous period NPA from gross NPA. It is the amount of actual loss faced by banks and it directs adversely affect the profitability and liquidity of organizations. Net NPA is caused by the low amount of provision maintain for unpaid debt.

Eg. Total NPA till the 31/03/2021 is 20,000 Lakh = Gross NPA
Total NPA till the 31/03/2020 is 15,000 Lakh = Previous NPA
Current Year NPA (01/04-2020 to 31/03/2021) = Gross NPA – Previous NPA = 5,000 Lakh = Net NPA

7.9 Gross NPA Ratio

Gross NPA ratio is the percentage of Gross NPA with Gross Advance and formula of Gross NPA is as follows;

$$Gross\ NPA\ Ratio = \frac{Gross\ NPA}{Gross\ Advance} * 100$$

Illustration. 1 ABC Bank has a total amount of Gross NPA Provision is Rs 15 crores and the Gross Advance given by the Bank is Rs. 100 crore.

$$Gross\ NPA\ Ratio = \frac{Gross\ NPA}{Gross\ Advance} * 100$$

$$Gross\ NPA\ Ratio = \frac{15}{100} * 100$$

$$=15\%$$

7.10 Net NPA Ratio

Net NPA ratio is the percentage of Net NPA with Gross Advance and formula of Net NPA is as follows;

$$Net\ NPA\ Ratio = \frac{Net\ NPA}{Net\ Advance} * 100$$

Net NPA = Gross NPA - Provisions (balance in interest suspense account + DIGC/ECGC claims received + part payment received kept in suspense account + total provision).

Illustration. 2 ABC bank has Gross NPA Rs. 15 crores, Gross Advance Rs. 100 crore and Provision maintain aside Rs. 10 crores.

Net NPA Provision = Gross NPA - Old Provision of NPA

Net NPA Provision = 15 crore - 10 crore

$$Net\ NPA\ Provision = \text{ 5 crore is Net NPA}$$

Net NPA Provision = 5 crore

Net Advance = Gross Advance - Old Provision

= 100 crore - 10 crore

= 90 Crore Net Advance

$$Net\ NPA\ Ratio = \frac{Net\ NPA}{Net\ Advance} * 100$$

$$Net\ NPA\ Ratio = \frac{5}{90} * 100$$

$$Net\ NPA\ Ratio = 5.55\%$$

7.11 Percentage of Gross NPA of Private and Public Sector Banks in India

Table 7.3 Bank-wise Gross NPAs (Public Sector Banks) in Percentage

Public Sector Banks	Dec-18	Mar-19	Jun-19	Sep-19	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20
Bank Of Baroda	11.01	9.61	10.28	10.25	10.43	9.40	9.39	9.14	8.48
Bank Of India	16.31	15.84	16.50	16.31	16.30	14.78	13.91	13.79	13.25
Bank Of Maharashtra	17.31	16.40	17.90	16.86	16.77	16.40	10.93	8.81	7.69
Canara Bank	10.25	8.83	8.77	8.68	8.36	8.21	8.84	8.23	7.46
Central Bank Of India	20.64	19.29	19.93	19.89	19.99	18.92	18.10	17.36	16.30
Indian Bank	7.46	7.11	7.33	7.20	7.20	6.87	10.90	9.89	9.04
Indian Overseas Bank	23.76	21.97	22.53	20.00	17.12	14.78	13.90	13.04	12.19
Punjab & Sind Bank	11.19	11.83	12.88	13.64	13.58	14.18	14.34	14.06	13.14

Punjab National Bank	16.33	15.50	16.49	16.76	16.30	14.21	14.11	13.43	12.99
State Bank Of India	8.71	7.53	7.53	7.19	6.94	6.15	5.44	5.28	4.77
UCO Bank	27.39	25.00	24.85	21.87	19.45	16.77	14.38	11.62	9.80
Union Bank Of India	15.66	14.98	15.18	15.24	14.86	14.15	14.95	14.71	13.49
Note: The data for March 2020 exclude merged Banks as financial results released only for standalone.									

Source: Ace Equity, https://www.careratings.com/uploads/newsfiles/23032021115247_SCBs_-_Gross_NPAs_declined_further_in_Q3FY21.pdf

Table 7.4 Bank-wise Gross NPAs (Private Sector Banks) in Percentage

Private Sector Banks	Dec-18	Mar-19	Jun-19	Sep-19	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20
AU Small Finance Bank Ltd.	2.09	2.04	2.08	2.01	1.88	1.68	1.69	1.54	0.99
Axis Bank Ltd.	5.75	5.26	5.25	5.03	5.00	4.86	4.72	4.18	3.44
Bandhan Bank Ltd.	2.41	2.04	2.02	1.76	1.93	1.48	1.43	1.18	1.11
City Union Bank Ltd.	2.91	2.95	3.34	3.41	3.50	4.09	3.90	3.44	2.94
DCB Bank Ltd.	1.92	1.84	1.96	2.09	2.15	2.46	2.44	2.27	1.96
Dhanlaxmi Bank Ltd.	8.11	7.47	7.61	7.06	7.13	5.90	6.89	6.36	5.78
HDFC Bank Ltd.	1.38	1.36	1.40	1.38	1.42	1.26	1.36	1.08	0.81
ICICI Bank Ltd.	8.54	7.38	7.21	6.90	6.39	5.53	5.99	5.63	4.72
IDBI Bank Ltd.	29.67	27.47	29.12	29.43	28.72	27.53	26.81	25.08	23.52
IDFC First Bank Ltd.	1.97	2.43	2.66	2.62	2.83	2.60	1.99	1.62	1.33
IndusInd Bank Ltd.	1.13	2.10	2.15	2.19	2.18	2.45	2.53	2.21	1.74
Karur Vysya Bank Ltd.	8.49	8.79	9.17	8.89	8.92	8.68	8.34	7.93	7.37
Kotak Mahindra Bank Ltd.	2.07	2.14	2.19	2.32	2.46	2.25	2.70	2.55	2.26
RBL Bank Ltd.	1.38	1.38	1.38	2.60	3.33	3.62	3.45	3.34	1.84
The Federal Bank Ltd.	3.14	2.92	2.99	3.07	2.99	2.84	2.96	2.84	2.71
The Jammu & Kashmir Bank Ltd.	9.94	8.97	8.48	10.64	11.10	10.97	10.73	8.87	8.71
The Karnataka Bank Ltd.	4.45	4.41	4.55	4.78	4.99	4.82	4.64	3.97	3.16
The South Indian Bank Ltd.	4.88	4.92	4.96	4.92	4.96	4.98	4.93	4.87	4.90
Yes Bank Ltd.	2.10	3.22	5.01	7.39	18.87	16.80	17.30	16.90	15.36

Source: Ace Equity, https://www.careratings.com/uploads/newsfiles/23032021115247_SCBs_-_Gross_NPAs_declined_further_in_Q3FY21.pdf

We can see in the above tables NPAs of private is significantly low than the public banks and public banks need to decrease their NPA.

7.12 Format of NPAs Reporting

Assets - Gross and Net NPA Position

Name of Bank:

Position as on ………………..

(Rupees in crore up to two decimals)

Particular	Amount
1. **Gross Advances**	
2. Gross NPA	
3. Gross NPAs as a percentage of gross advances	
4. Total Deduction (i+ ii+ iii+ iv)	
i)Balance in Interest suspense account	
ii) DICG/ ECGC claimed received and help pending adjustment	
iii) Part payment received and kept in suspense account	
iv) Total Provision held	
5. Net Advances (1-4)	
6. Net NPAs (2-4)	
7. Net NPAs as percentage of Net Advances	

7.13 Causes for NPA

Miss Management - Banks do not maintain proper management and strategies to control the NPAs which may lead the banks to loss.

Absence of Structured and Monitoring Policies - Banks do not have structured and monitoring policies to reduce their NPA which in turn has become one of the major challenges of banks.

Therefore, it is essential for banks to implement strategic policies for their growing NPAs.

Defaulter - Borrowers default to pay the interest or principal amount on taken loans and advances which creates a huge amount of NPAs.

Lack of Inspection - At various time bank provides credit to the borrowers without proper inspection of project and securities due to outsider reasons which became the causes for NPA.

7.14 Impact of NPA

At the current time, the level of NPAs of banks especially NPA of the public banks has reached an alarming position which does not only affect the profitability and liquidity condition as well as affect the entire economy of that nation and bank investors.

Profitability - A bank is a financial institution that provides credit and accepts the deposit to make a profit. Non-recovery of payment on borrowed money reduces the bank's profitability.

Liquidity Management - In increasing NPAs, to maintain the profitability and liquidity bank has to tend to lower the interest on deposits and/or raise the interest rate on advances but both are not freely possible that significantly affect the bank's profit and liquidity

Public Confidence - A higher level of NPAs in Banks creates the risk and insecurity for stakeholders on their ROI which in turn affects the faith and confidence of the public.

7.15 Tools for NPA Recovery

NPAs are dangerous trouble for the bank which affects their profitability as well as liquidity and may lead the banks to loss. So, it becomes essential for the bank to adopt tools for recovery of their NPAs, some of these NPA recovery areas are as follows;

Debt Recovery Tribunal (DRT) (1993) - In the year 1992, the debt recovery tribunal (DRT) Act was passed on being failed banks and financial institutions to recover their given loan and advances. More than 30 DRTs are operating across the country.

Credit Information Bureau (2000) - Through sharing and maintaining the data of defaulters Credit Information Bureau helps the bank to recover the amount of NPAs.

Lok Adalat (2001) - As per Reserve Bank of India (RBI) guidelines, up to Rs 5 lakhs given loan and advances can be tackle out by Lok Adalat. It helps the banks to maintain their sufficient liquidity position.

Compromise Settlement (2001) - It was introduced in the year 2001 in which there is a provision that up to 10 crore loan can be settled by compromise.

SARFAESI Act (2000) - The SARFAESI was passed on 17th December 2002, in order to empower the banks and other financial institutions to directly auction residential or commercial property that has been pledged with them to recover the loan from borrowers. Objectives of this act are Efficient or rapid recovery of non-performing assets (NPAs) of the banks and FIs and Allows banks and financial institutions to auction properties (say, commercial/residential) when the borrower fails to repay their loans

Securitization - Security Assets or loan converts to market securities by selling to the investment or sin securitization. **Assets Reconstruction Companies (ARC) -** Reserve Bank of India has given the license to 14 ARC Companies to change the non-performing into performing assets. **Securities Interest in for cement -** Banks give the notice to the borrowers as well as to the guarantor to clear the arrear within 60 days for non paying interest or borrowing from the date of issue notice if the defaulter fails to pay Interest, Banks are entitled to enforce the security interest.

Joint Lenders Forum - If a person takes a loan from one bank to pay the loan of other banks. So, to prevent this kind of activities Public Sector Banks created a joint lenders forum in 2014 for those whose loans have became bad.

Mission Indradhanush (2015)-One more tool added to decrease the NPAs that is Mission Indradhanush in which seven shades are included are Appointments, De-stressing of Public sector banks, Capitalization, Board of Bureau, Empowerment framework of accountability and governance reforms.

CHAPTER 8

Performance Analyze of Banks

8.1 Performance of Bank

It has been already discussed about Bank, now we need to know the concept of Performance. The term 'performance' has taken from the word 'Parfourmen' which means to act or 'to do'. It defines executing any activity or an undertaking of a duty. So, the performance of a bank can be explained as performing activities by which a bank's resources are used in a form to make the enable of a bank for achieving their goals. Banks put major efforts into the nation's growth by operating all financial services which are the main factor of economic wealth and largely depends on the performance of the bank. Hence, evaluating the banking performance becomes essential to measure not only their financial status but equally significant to the stakeholders, employees, depositors, borrowing customers and to the entire economy. Generally, capital adequacy, assets quality, management efficiency and liquidity are mainly taken into consideration for measuring the performance of banks for which various tools are available, one of them 'CAMELS' model is widely adopted across the countries to assess the financial soundness of banks and also accepted by the Reserve Bank of India (RBI) as a complete rating framework to determine the operational results, financial condition and overall performance of banks.

8.2 CAMELS Model

The Camel model is a rating system to analyse banking performance. It is an effective tool to measure the financial status of the bank and to suggest relevant solutions in subject to improve them. Camel framework was originally developed in the U.S. by three banking supervisory (the Federal Reserve, the FDIC, and the OCC) in order to examine the bank's health. Under this system, each banking institution is evaluated by on-site examination on the basis of five now (six) critical dimension which is referred as the components of the CAMELS approach. These are Capital Adequacy (C), Assets quality (A), Management efficiency (M), Earning quality (E), Liability (L) and Sensitivity to market risk (S). These parameters are used to reflects the financial performance, operating performance and other regulatory obligation of banks. During the on-site examination of institutions, supervisory authorities collect the essential information related to banking entity for rating their performance on an assigned rating scale of 1(best) to 5 (worst). These rating scales are based on ratio analysis of financial statement and it does not reveal to the general public only to the top management of bank are shown so that they would be able to strengthen the bank at its weak points. So, the CAMEL model is basically a kind of ratio based framework to judge the performance of banking institutions.

According to RBI, Bank supervisors have legal powers to collect extensive off-site information about bank’s financial health, business plan and strategies etc. which are normally not available to other stakeholders. Additionally, onsite inspections are also undertaken by the supervisors to verify the accuracy of off-site data and observe the business processes, governance systems & control from close quarters for gathering further supervisory information. The information gathered by the supervisor is used to identify current and potential problems that the bank faces/may face, for appropriate supervisory attention and effective resource allocation. Generally, supervisors in most jurisdictions use the information gathered by them through various sources to arrive at a composite measure of overall health of the bank. This composite score is often termed as ‘Supervisory Rating’ and is exclusively used for supervisory purposes including intervention. The ‘CAMEL’ system of supervisory rating is one such internationally recognized and popular supervisory rating system which is in vogue in many jurisdictions including India.

According to RBI, CAMEL model of rating was first developed in the 1970s by the three federal banking supervisors of the U.S (the Federal Reserve, the FDIC and the OCC) as part of the regulators’ “Uniform Financial Institutions Rating System”, to provide a convenient summary of bank condition at the time of its on-site examination. The banks were judged on five different components under the acronym C-A-M-E-L: Capital adequacy, Asset quality, Management, Earnings and Liquidity. The banks received a score of ‘1’ through ‘5’ for each component of CAMEL and a final CAMEL rating representing the composite total of the component CAMEL scores as a measure of the bank’s overall condition. The system of CAMEL was revised in 1996, when agencies added an additional parameter ‘S’ for assessing “sensitivity to market risk”, thus making it ‘CAMELS’ that is in vogue today. **(https://www.rbi.org.in/Scripts/PublicationReportDetails.aspx?UrlPage=&ID=663)**

8.4 CAMELS Model in India

Initially, the banking supervision department in India had been rating banks on the basis of 'solvency' measurement relative to impairment of the component reported own fund which could not evaluate the financial soundness such as capital adequacy, assets quality and liquidity of banks. Then, in the year 1995, the Reserve Bank of India set up the S. Padmanabhan committee to take a fresh look at the supervision of banks, the committee recommended that financial durability should be considered as parameters to assess the bank's rating. These rating points were based on 5 components of the CAMELS Model. Thus, at present the commercial banks incorporated in India are rated by the CAMELS model and foreign-based banks in India are rated under the CALCS model (capital adequacy, assets quality, liquidity, compliance and system).

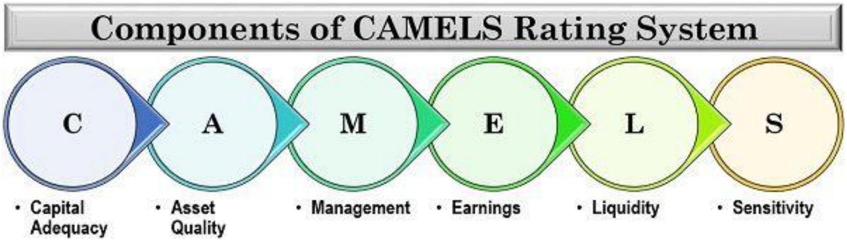
According to RBI, Based on the recommendations of the Padmanbhan Committee, the commercial banks incorporated in India are presently rated on the 'CAMELS' model (Capital adequacy, Asset quality, Management, Earnings, Liquidity, and Systems & control), while foreign banks' branches operating in India are rated under the 'CALCS' model (Capital adequacy, Asset quality, Liquidity, Compliance, and Systems & control). As mentioned above, the Committee had originally recommended a CACS model, which was subsequently modified to also include Liquidity (L) as an additional parameter. Further modifications, in the form comprising additional granularities in the rating scale of parameters under CAMELS have since been introduced by RBI. Presently, each of the components of CAMELS is rated on a scale of 1-100 in ascending order of performance. The score of each CAMELS element is arrived by aggregating (by assigning proportionate weights) the scores of various sub-parameters that constitute the individual CAMELS parameter. Each parameter is awarded a rating A-D (A-Good, B – Satisfactory, C -unsatisfactory, and D-poor). Further, to bring granularity in rating, there are modifiers by way of (+) and (-) under each of A, B and C making a total of ten scales A+ through to D. The composite "CAMELS rating" is arrived by aggregating each of the component weights as indicated in the table below. Further the overall composite score is adjusted downwards for poor performance in one or more components.
https://www.rbi.org.in/Scripts/PublicationReportDetails.aspx?UrlPage=&ID=663

8.5 Importance of CAMELS Rating

The main objective of using the CAMEL Model by banking regulatory authorities is to analyze and rate the overall performance of banks on six different parameters represented by the 'CAMELS' acronym which are Capital Adequacy, Assets Quality, Management Efficiency, Earning Quality, Liquidity and Sensitivity to market risk. It shows the exact and accurate financial condition of banking entities through a site and off-site monitoring system. The CAMELS rating system is also significant for the investors in making decisions to invest in the securities of banks or not. Thus, the CAMELS Model rating system provides relevant and reliable information regarding the overall performance of banks that is beneficial for the depositors, shareholders, investors and all the parties involved in the banking sector.

8.6 Components of CAMELS MODEL

Figure 8.1 Components of CAMELS Model



CAMELS is a supervisory rating framework that is implemented by the bank's examiner or regulatory authorities in order to gauge the strength and weakness of banks and financial institutions through a rating system on an assigned rating scale from 1(best) to 5(worst). And the acronym of CAMELS refers to six comments, these are;

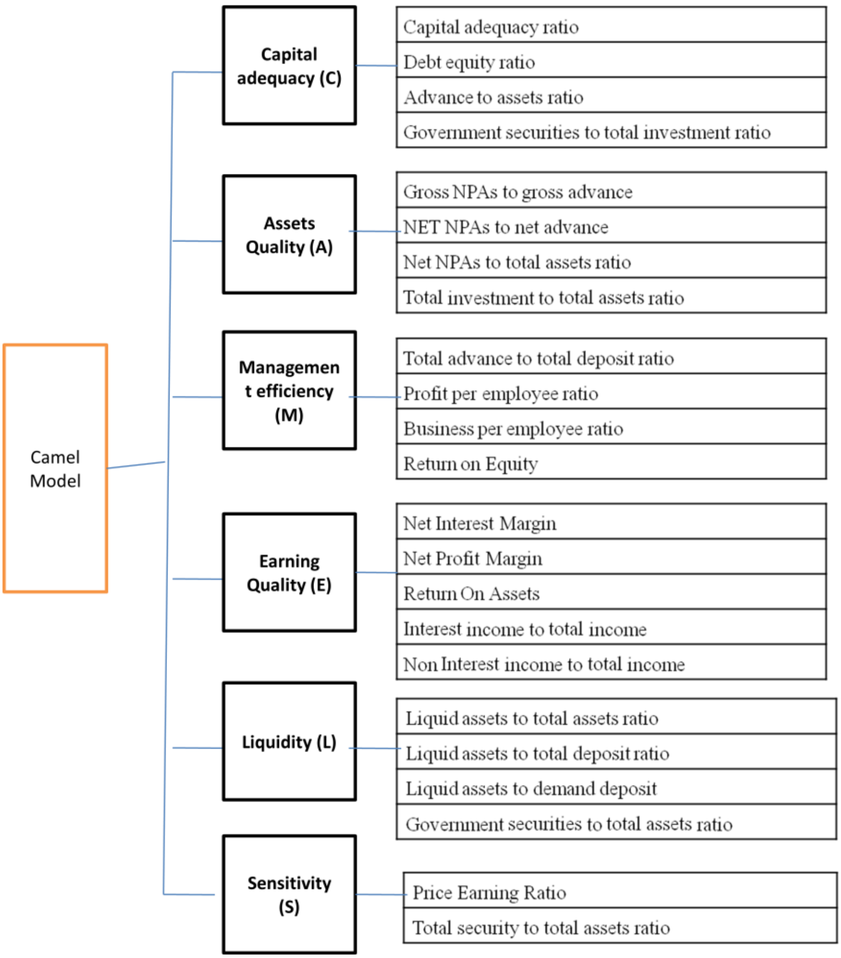
8.7 Capital adequacy (C)
8.8 Assets quality (A)
8.9 Management (M)

8.10 Earning (E)

8.11 Liquidity (L)

8.12 Sensitivity to Market Risk (S)

Figure 8.2 Parts of CAMELS Model



8.7 Capital adequacy (C)

Capital adequacy is a prime indicator to demonstrate the overall financial status of a banking entity. Finance based institutions are always required adequate capital to tackle unexpected losses, protection of depositors and meet all the obligation towards their customers without ceasing operations. Therefore, the following ratios are available to measure capital adequacy;

8.7.1 Capital Adequacy Ratio
8.7.2 Debt Equity Ratio
8.7.3 Advance to Assets Ratio
8.7.4 Government Security to Total Investment Ratio

8.7.1 Capital Adequacy Ratio

Basel Committee on Banking Supervision (BCBS) is the oldest international financial committee is settled in city Basel of Switzerland for the banking system.

This committee has introduced a set of designed reform on banking regulations, management and supervision for banks at various intervals in different phases across the countries. These reform for the banking system are known as Basel norms. Till now, to enhance the banking regulatory framework, three Basel norms has been realized. Basel 3rd norms guidelines were issued in 2010, in response to the subprime crises of 2008 after which banks were asked to maintain a minimum level of capital and not lend all the money received from depositors and investors. It also recommended increasing Capital Adequacy Ratio (CAR) to 8% while in India as per RBI directives CAR is 9% for commercial bank and for public sector bank it has been decided at 12%.

Capital adequacy ratio (CAR) is also called capital to risk-weighted assets ratio (CRAR) which express the relation of a bank's capital to its total risk-weighted assets. This ratio is used to measure the ability of banks and financial institutions to meet the liabilities arises from credit risk and ensure the safeguard to depositors, investors and bank from being insolvent. Generally, the capital adequacy ratio makes sure that a bank has enough capital to absorb the certain limit of loss rolled out due to risk assets.

In other words, the Capital adequacy ratio is an abbreviation to determine how many capital banks keep to their total risk lending. It always denotes in percentage and calculated as under;

$$\text{Capital Adequacy Ratio} = \frac{\text{Tier 1 Capital} + \text{Tier 2 Capital}}{\text{Risk Weighted Assets}} * 100$$

Tier 1 Capital -Since many decades the banks have adopted innovative tools to beget the capital among of them Tier1 capital is the key parameter for analyzing the financial soundness of banks from regulator's point of view. it consists 7% capital, out of 9% CAR to soak the loss of banks at first. Hence it also called core or prime capital where in included -
= (Paid up Capital+ Statutory Reserve+ Disclosed Free Reserve) - (Equity Investment in Subsidiary+ Intangible Assets+ Current and Brought - Forward Losses).

Tier 2 Capital - Tier 2 capital is crucial component which is used by banking regulatory authority to assess the total base capital of bank. There is condition that it cannot be more than 50% of tier1 capital means out of 9% only 2% capital will be meet by tier2 capital. Therefore, it called supplementary capital which is calculated as follows -
= (Undisclosed Reserve+ General Loss Reserve+ Hybrid Debt Capital Instrument and Subordinate Debt).

8.7.2 Debt Equity Ratio

The debt-equity ratio is also known as debt to equity ratio, gearing ratio, risk ratio is a financial ratio but in the term of accountancy, it falls under the solvency ratio that measures how much total debt and financial liabilities are used against to total shareholder's fund in financial institutions. This means this ratio calculates the relation between total debts to total equity. It is a key financial ratio that evaluates the ability to repay institutions, external lenders or creditors. A high debt-equity ratio indicates the much-borrowed finance is being used by an organization.

Formula,

$$Debt\ equity\ ratio\ = \frac{Long\ Term\ Debt}{Shareholder's\ Fund}$$

Long term Debt = Long Term Loans + Debentures

Shareholder's fund = Equity share capital+ preference share capital+ Reserve and Surplus - Accumulated loss - fictitious assets.

8.7.3 Advance to Assets Ratio

Advances are those credit facilities that are provided by a bank to entities or individual for satisfying their short term financial needs. These credit or advances are the assets for a bank to earn income. Therefore, the total advance to total assets ratio is a significant parameter to gauge a bank's aggressiveness in lending which ultimately resulted in better profitability. Total advance includes receivable also whereas the total value of assets excludes the revaluation of all assets. Bank's always preferred this ratio higher than the lower one. It expresses as follows;

Formula,

$$Total\ Advance\ to\ Assets\ Ratio\ = \frac{Total\ Advances}{Total\ Assets}$$

8.7.4 Government Security to Total Investment Ratio

Government security is a type of bond issued by the central or state government to raise funds with the promise of repayment on its maturity date. Because these securities are released by the government hence considered the safest investment among the total investment of the bank as well as evaluate the risk involved in a bank in bank investment. Such securities are the most liquid and secure debt obligation which as a result carries a minimum rate of return. Since government securities are risk-free the higher the government securities to investment ratio, the lower the risk involved in a bank's investment. This ratio is computed by dividing the amount of government securities by the total investment amount of the bank.

Formula,

$$Government\ Securities\ to\ Total\ Investment\ Ratio = \frac{Government\ Securities}{Total\ Investment}$$

8.8 Assets quality (A)

Assets quality is a dimension of bank management that involve the valuation of organization assets in order to measure the level and size of credit risk associated with its obligations. It is the next component of the camel approach after capital adequacy to determine the financial soundness of banks. The most significant aspects for evaluating the assets quality is to ascertain the percentage of non-performing assets (NPAs) to its total assets which stipulated what type of loan and advanced has provided by the bank to generate income. Hence, bank authorities are concern with their quality of assets as it is the most critical part to affect the earning ability of the bank. A high percentage of NPA decrease the profitability of banks, therefore, a bank should always be focused to have a low level of NPA to total assets. To ascertain the assets quality following ratios are there;

8.8.1. Gross NPA to Gross Advance Ratio
8.8.2. Net NPA to Net Advance Ratio
8.8.3. Net NPA to Total Assets Ratio
8.8.4. Total Investment to Total Assets Ratio

8.8.1 Gross NPA to Gross Advance Ratio

Gross NPAs means the total amount of NPA loan before deducting the provisions. It sum of the total amount is calculated as a percentage of gross advanced. It lower ratio indicate about a sound loan has provided by the bank.

Formula,

$$Gross\ NPA\ Ratio\ = \frac{Gross\ NPA}{Gross\ Advance}$$

8.8.2 Net NPA to Net Advance Ratio

Net NPA to net advance ratio is the most significant barometer to estimate the assets quality of banks. It represents the accurate amount of loan turned in bad. Net NPA refers to the figure after deducting the cumulative balance of provision from gross NPA.

Formula,

$$Net\ NPA\ to\ Net\ Advance\ Ratio = \frac{Net\ NPA}{Net\ Advance}$$

Where,

Net NPA = Gross NPA - (balance in interest suspense account + DIGC/ ECGC claims received + part payment received kept in suspense account + total previous provision of NPA).

8.8.3 Net NPA to Total Assets Ratio

Net NPA refers to the amount after deducting the provision from gross NPA. It shows the actual financial burden on banks and works as a tool to measure the capability of banks for analysing the credit risk and to extend recovering the debt. Its low ratio indicates the better efficiency of banks. This ratio is found out as follows;

$$Net\ NPA\ to\ Total\ Assets\ Ratio = \frac{Net\ NPA}{Total\ Assets}$$

8.8.4 Total Investment to Total Assets Ratio

Total investment to total assets ratio computes those part of bank's total assets which are locked up in investment but are not the major source of income for the banks as like loan and advanced. A higher ratio of total investment to total assets shows that the bank kept large of assets as an investment to cover the loss arrived from non-performing assets. It may enumerate are as follows;

Formula,

$$Total\ Investment\ to\ Total\ Assets\ Ratio = \frac{Total\ Investment}{Total\ Assets}$$

8.9 Management Efficiency (M)

Management efficiency is a crucial aspect affecting the internal activities of organizations. In the banking system, the procedure of management is more challenging due to regulatory authorities is always there to control the management of a bank. Since sound management is essential for the growth and smooth performance of financial institutions which act as a safeguard in institutions operation. Management efficiency is, therefore, another important factor of the CAMELS model that involves the subjective analysis to examine the efficiency of management and reflects the ability of the bank's board of directors and senior authorities to point out, measure, supervise and control risk arises with bank's profitability. It set the vision and goals for the organization and sees that is achieved them. Thus, this parameter is used to assess the efficiency and effectiveness of management in the organization by applying some ratios.

8.9.1. Total Advance to Total Deposit Ratio
8.9.2. Profit per Employee Ratio
8.9.3. Business per Employee Ratio
8.9.4. Return on Equity

8.9.1 Total Advance to Total Deposit Ratio

The total advance to total deposit ratio, also called the loan to deposit ratio or credit to deposit ratio (CD ratio) is one of the most important financial ratios to analyse the bank's financial health. It measures the ratio between a bank's total loan and total deposits that helps in assessing the liquidity which in turn affect the profitability of the bank. A high ratio indicates that the bank is using more it's deposited for lending interest-bearing loan and advance to earn more income but the total amount of the loan is not always repaid to the bank. While deposits are a liability which bank has to repay on the customer's demand. Thus, the high ratio of total advance to total deposit creat a high risk for banks. On the other hand, a low ratio discloses, deposits in the bank are more than loan provided by a bank and may not earn as much as they could be. However, RBI has not revealed any guideline for minimum or maximum level of ratio. But moderate level accounted as an idol ratio. Elaboration of this ratio is followed;

Formula,

$$Total\ Advance\ to\ Total\ Deposit\ Ratio = \frac{Total\ Advance}{Total\ Deposits}$$

8.9.2. Profit per Employee Ratio

Profit per employee ratio is a financial ratio used to signifies the relation of a company's profit and its number of employees. This ratio measures the average profit generated by each employee and helps to determine how proficiently a particular organization utilizing their employees. A higher profit per employee ratio indicates a positive sign towards earning more income from each of the organization's employees. It defines as follows;

Formula,

$$\text{Profit per Employee Ratio} = \frac{\text{Net Profit after Tax}}{Number\ of\ Employees}$$

8.9.3. Business per Employee Ratio

This ratio measures the productivity and efficiency of all employee of the bank. It higher ratio designated that enough revenue or profitability are generating by employees in the bank wherein low ratio stipulated about lower productivity of the organization which signals negative effects in favor of banks. This ratio is calculated as under;

Formula,

$$Total\ Business\ per\ Employee = \frac{Total\ Deposits\ +\ Total\ Advance}{Number\ of\ Employees}$$

8.9.4 Return on Equity (ROE)

Return on equity is one the most significant profitability ratio that concern to calculate the amount of profit which banks earned from its Shareholder's investment. This ratio clarifies how much money is returned to stakeholders as a percentage of the money they have invested in the organization. Net profit (after tax) and Shareholder's equity are required component to enumerate ROE. Generally, an organization having 20% or above ROE considered a good investment while a low ratio shows it did not effectively utilize the capital invested by shareholders. ROE is also often known as Return on Net worth. The formula of ROE is as follows;

Formula,

$$Return\ on\ Equity = \frac{Profit\ After\ Tax}{Shareholders\ Equity} * 100$$

Where,

Profit after Tax = Profit - (Interest + Tax + Preferred Dividend)
Shareholder's Equity = Total Assets - Total Liabilities
Total Assets = Current Assets + Long Term Assets
Total Liabilities = Current Liabilities + Long Term Liabilities

8.10 Earning Quality (E)

It is important for any finance-based organization to assess the earning quality as it reflects the growth and true financial health of an entity. In the case of a bank, long term depositors and investors are primarily concerned with evaluating the ability of the bank's interest rate on investments and short term depositors are more concerned with immediate liquidity. That may possible for a bank to fulfil its obligation towards stakeholders by sound earning quality. So, an appropriate return is required for the productivity of the bank and earning quality is an essential parameter to evaluate the earning ability of the bank. Bank earn a substantial part of income through interest on credit and fee-based activities such as cash management services, merchants banking, forex services, treasury operations, investment and so on. The earning quality of the bank will also enhance the capability to except the activities like dividend payment and interest on deposits, maintaining an adequate level of capital and liquidity. Thus, high earning quality would boost the confidence of depositors, stakeholders and the public also.

Some ratios are stated downstairs to measure the earning quality of the bank;

8.10.1. Net Interest Margin Ratio
8.10.2. Net Profit Margin to Total Income Ratio
8.10.3. Return on Assets Ratio
8.10.4. Interest Income to Total Income Ratio
8.10.5. Non-Interest Income to Total Income Ratio

8.10.1 Net Interest Margin Ratio (NIM)

Net interest margin is a key profitability ratio for the investors to diagnose the bank's financial health which is also called " net yield on interest-earning assets". This ratio is calculated as the difference between interest income received by the bank on loan or advance and the interest amount paid on deposit holds of their customers. It is similar to the gross profit margin of NBFCs and usually denotes in percentage. A higher ratio of NIM is a positive indicator towards a bank's income while a low ratio shows the bank has to pay more interest than its earning interest amount. This ratio can be formulated as follows;

Formula,

$$Net\ Interest\ Margin = \frac{Interset\ Earned - Interest\ Paid}{Average\ Interest\ Earning\ Assets}$$

Where,

$$Average\ Interest\ Earning\ Assets = \frac{Interest\ Earning\ Assets\ at\ Beginning\ + \\ Interest\ Earning\ Assets\ at\ end\ Period}{2}$$

Average earning assets include loan or advance given to borrowers and NBFCs.

8.10.2 Net Profit Margin Ratio (NPR)

Various profitability ratios are available among them and net profit margin is used as an effective tool to understand the financial growth and development of the bank. It represents the percentage of profit that remains after the deducting bank's operating expenses, interest on debt, tax and preferred dividend but before common stock dividend from the total income of the bank. This ratio is measured by internal management on certain periods such as monthly, quarterly or yearly. The high-profit margin ratio indicates more profitability of the bank which is positive for the management of the bank as well as for stakeholders. Generally, above 10% of this ratio is considered excellent. It is formulated as below;

Formula,

$$Net\ Profit\ Margin = \frac{Net\ Income}{Total\ Assets}$$

Where,

Net income = Profit (After Interest, Tax, Preference Dividend)

Total Assets = Current Assets + Long Term Assets

8.10.3 Return on Assets Ratio (ROA)

Return on assets ratio is also known as return on total assets ratio works as an important parameter to examine how much profit is earned by a bank from its total assets. ROA is a traditional method to analyze and compare the profitability of banks and similar type of organizations. Since it majorly uses by investors as well as the bank's internal management to perceive about Bank's assets management skills for earning profit. A high ratio of ROA shows better performance. Thus, it is formulated as follows;

Formula,

$$Return\ on\ Assets = \frac{Net\ Income}{Averaage\ Total\ Assets} * 100$$

Where,

Net Income = Profit (after interest, tax and preferred dividend)

$$Average\ Total\ Assets = \frac{Assets\ at\ Beginning\ of\ the\ Year\ +\ Assets\ at\ end\ of\ the\ Year}{2}$$

8.10.4 Interest Income to Total Income Ratio

A bank is a financial institution which most basic function is accepting deposits and granting various loan and advances. It provides the interest on deposits and interest on lending. The receiving of interest on these credits is the main source of the bank's income. It means the interest income to total income ratio is an important criterion that determines the capability of a bank to generate income from its total lending. This ratio shows the percentage of income earned on lending to total income generated by the bank in a fiscal year. Interest income includes interest received on credits, interest on deposits with RBI and interest on investment. High-Interest Income to Total Income Ratio ratio signifies the more ability of the bank for making a profit.

Formula,

$$Interest\ Income\ to\ Total\ Income\ Ratio = \frac{Interest\ Income}{Total\ Income}$$

8.10.5 Non-Interest Income to Total Income Ratio

Non-interest income is a consequential part of a bank's total income, it may give soundness to the income of banks. Therefore, the bank has started to facilitates other than regular banking (deposits and leading) activities to enhance their income. These incomes are called non-interest income sometimes referred " fee income" since it consists of fee-based as a transaction fee, annual fee, check and deposit slip fee on which contribute a major portion of the bank's other income. So, this ratio defines any income that a bank earns by non-interest related activities as a percentage of total income. It higher ratio indicate about the bank is generating more proportion of income by fee-based income activities. Reasonable measurement of this ratio is a concern of debate. Some analyst considers high ratio is good because it signifies that bank is not only engaged in providing loan to earn income. On the other hand, some analyst expresses a high of this ratio shows that bank depends on varying fee based income.

Formula,

$$Non - Interest\ Income\ to\ Total\ Income = \frac{Non - Interest\ Income}{Total\ Income}$$

8.11 Liquidity (L)

Liquidity refers to the availability of cash or cash equivalent to carrying the operating needs. Liquid assets are an essential element in the bank for smooth flow of capital and maintain the ability to meet all obligations without ceasing. In order to fulfil customers withdrawal or funding of the new loan, every bank should have enough assets in liquid form as lack of liquidity can lead to an adverse effect on their financial operations and also be the causes of crises. Since an adequate level of capital is always necessary for them. Some ratios are downwards to quantify the liquidity;

8.11.1. Liquid Assets to Total Assets Ratio
8.11.2. Liquid Assets to Total Deposit Ratio
8.11.3. Liquid Assets to Demand Deposits Ratio
8.11.4. Government Security to Total Assets Ratio

8.11.1 Liquid Assets to Total Assets Ratio

Liquid assets to total assets ratio is an important approach of liquidity ratio to analyse the overall liquidity position of a bank. It shows the portion of liquid assets holds by the bank with its total assets. The liquid assets consisted of cash in hand, balance with RBI, with another bank (in India and as well as in abroad), money at call and short notice. On the other hand, the total assets mean revaluation of all assets. This ratio is calculated as under;

Formula,

$$Liquid\ Assets\ to\ Total\ Asset\ Ratio = \frac{Liquid\ Assets}{Total\ Assets}$$

8.11.2 Liquid Assets to Total Deposit Ratio

The amounts of deposits are a liability for the bank which they have to return to the depositors. If the bank would not maintain a certain level of liquidity to payout it may create incredibility and

incapability for them. Hence, this ratio is a crucial method to measure the availability of liquid assets to the total deposits of the bank. This ratio is calculated as under;
Formula,

$$Liquid\ Assets\ to\ Total\ Deposits\ Ratio = \frac{Liquid\ Assets}{Total\ Deposit}$$

Where,
Liquid Assets = Current Assets - (Stock + Prepaid Expenditures).
Total deposits = demand deposits + saving deposit+ term deposit and deposits with other financial institutions.

8.11.3 Liquid Assets to Demand Deposits Ratio

Demand deposits or checkable deposits is a type of account that allows to withdrawn funds from an account at any time or less than 7 days prior notice. In such cases, banks are required to have greater liquidity to make immediate payments to their customers and this ratio is used as a tool to measure the ability of a bank to meet the demand from deposits at a particular time. It arrived by liquid assets by total demand deposits. This ratio is calculated as under;

$$Liquid\ Assets\ to\ Demand\ Deposits = \frac{Liquid\ Assets}{Demand\ Deposits}$$

Where
Liquid assets = Cash in hand + Balance with RBI + Balance with Other Bank (in India and in abroad) + Money at Call and Short Notice.
Liquid assets = Current Assets - (Stock+ Prepaid Expenditures)
Demand Deposits = Saving Deposit + Current Deposits.

8.11.4 Government Security to Total Assets Ratio

Government security or gilt-edged security are the safest investment whether inside of the country or outside of the country therefore, it considered the most liquid assets. This ratio assesses the percentage of assets held in government securities with the total assets of the bank. To invest in these securities by bank argues the liquidity and risk-free while the rate of return is not high as like other market investing securities. But in spite of this, the bank invests in government securities to meet its SLR requirements. This ratio is calculated as under;

Formula,

$$\text{Government Security to Total Assets Ratio} = \frac{\text{Government Security in India or in Abroad}}{Total\ Assets}$$

8.12 Sensitivity to Market Risk

Sensitivity to market risk (S), is the last component of the CAMELS model which measures an institution's sensitivity to market risk. This six-component Sensitivity (S) was added by Federal Reserve and OCC in the year 1995 to address interest rate risk. In other words, Sensitivity to market risk can be described as the degree to which changes in interest rate, foreign exchange rate, commodity price or equity price can adversely affect the earning/ capital of a Bank. In this way, examiners are able to observe that how lending to specific industries affects an institution. This loan includes agriculture lending, medical lending, credit card lending and energy sector lending. This parameter can be accessed on the basis of the following ratios.

8.12.1 Price Earnings Ratio

8.12.2 Total Security to Total Assets Ratio

8.12.1. Price Earnings Ratio

$$\text{Price Earnings Ratio} = \frac{\text{Share Price}}{\text{Earning Per Share}}$$

8.12.2. Total Security to Total Assets Ratio

$$\text{Total Security to Total Assets Ratio} = \frac{\text{Total Security}}{\text{Total Assets}}$$

8.13 Brief Summary of CAMELS Model Ratios

Table 8.1 Brief Summary of CAMELS Model Ratios

Acronym	Category	Ratios
C	Capital Adequacy	Capital Adequacy Ratio $= \frac{\text{Tier 1 Capital} + \text{Tier 2 Capital}}{\text{Risk Weighted Assets}} * 100$
		$Debt\ equity\ ratio = \frac{Long\ Term\ Debt}{Shareholder's\ Fund}$
		$Total\ Advance\ to\ Assets\ Ratio = \frac{Total\ Advances}{Total\ Assets}$
		$Government\ Securities\ to\ Total\ Investment\ Ratio = \frac{Government\ Securities}{Total\ Investment}$
A	Assets Quality	$Gross\ NPA\ Ratio = \frac{Gross\ NPA}{Gross\ Advance}$
		$Net\ NPA\ to\ Net\ Advance\ Ratio = \frac{Net\ NPA}{Net\ Advance}$
		$Net\ NPA\ to\ Total\ Assets\ Ratio = \frac{Net\ NPA}{Total\ Assets}$
		$Total\ Investment\ to\ Total\ Assets\ Ratio = \frac{Total\ Investment}{Total\ Assets}$
M	Management efficiency	$Total\ Advance\ to\ Total\ Deposit\ Ratio = \frac{Total\ Advance}{Total\ Deposits}$
		Profit per Employee Ratio $= \frac{\text{Net Profit after Tax}}{Number\ of\ Employees}$
		$Total\ Business\ per\ Employee = \frac{Total\ Deposits + Total\ Advance}{Number\ of\ Employees}$
		$Return\ on\ Equity = \frac{Profit\ After\ Tax}{Shareholders\ Equity} * 100$
E	Earning Quality	$Net\ Interest\ Margin = \frac{Interset\ Earned - Interest\ Paid}{Average\ Interest\ Earning\ Assets}$
		$Net\ Profit\ Margin = \frac{Net\ Income}{Total\ Assets}$
		$Return\ on\ Assets = \frac{Net\ Income}{Averaage\ Total\ Assets} * 100$

		$Interest\ Income\ to\ Total\ Income\ Ratio = \frac{Interest\ Income}{Total\ Income}$
		$Non - Interest\ Income\ to\ Total\ Income = \frac{Non - Interest\ Income}{Total\ Income}$
L	Liquidity	$Liquid\ Assets\ to\ Total\ Asset\ Ratio = \frac{Liquid\ Assets}{Total\ Assets}$
		$Liquid\ Assets\ to\ Total\ Deposits\ Ratio = \frac{Liquid\ Assets}{Total\ Deposit}$
		$Liquid\ Assets\ to\ Demand\ Deposits = \frac{Liquid\ Assets}{Demand\ Deposits}$
		$\text{Government Security to Total Assets Ratio} = \frac{\text{Government Security in India or in Abroad}}{Total\ Assets}$
S	Sensitivity	$\text{Price Earnings Ratio} = \frac{\text{Share Price}}{\text{Earning Per Share}}$
		$\text{Total Security to Total Assets Ratio} = \frac{\text{Total Security}}{\text{Total Assets}}$

CHAPTER 9

Performance Analysis of Selected Banks in India through CAMEL Model

This chapter has been designed as a research paper on the topic of "Performance Analysis of Selected Banks in India through CAMEL Model"

9.1 Abstract

The financial system of a country depends upon the financial soundness of the banking industry because they channelize all the monetary policy and helps in capital formation in the nation. Since the present study throws light on the financial health of the top three public sector banks and the top three private sector banks through CAMELS rating system. In the study, from public sector bank SBI, PNB, BOB and from private sector bank HDFC bank, ICICI Bank, Axis bank has been selected as sample. The period of study is pertaining to the five financial years from 2015-16 to 2019-20. Results show the public banks are working well in the comparison of public banks because of better management efficiency but public sector banks have well liquidity. This study is useful for the RBI, NABARD, Private and Public Banks, Governments and other stakeholders of banks, they can understand the performance of banks in India.

Keywords: *Private and Public Banks, Financial Performance, CAMELS Model.*

9.2 Introduction

The banking sector constitutes a vital segment in India due to its crucial efficiency in the economy. Banks contribute a major role in the nation's growth by operating all the financial services which are the main factor of economic wealth. In fact, banks are the strongest pillar of the economy which act as one of the key parameters to evaluate the country's financial system. So, analyzing the performance of the bank is essential to understand their financial condition as well as to uplift their standard and to take necessary steps towards the weak bank to a successful one. Generally, Capital adequacy, assets quality, management efficiency and liquidity are taken into consideration to assess the performance of banks. For these elements, various tools are available, among them, the CAMELS model is widely adopted across the countries and also accepted by RBI as a complete rating system to determine the financial status and overall performance of banks.

CAMELS model - Camel model is a rating system to analyze banking performance. It is an effective tool to measure the financial status of banks to suggest the relevant solution in subject to improve them. Camel framework was originally developed in the U.S. by three banking supervisory (the Federal Reserve, the FDIC, and the OCC) in order to examine the bank's health. Under this system, each banking institutions are evaluated by on-site examination on the basis of five now (six) critical dimension which is referred as the components of Camel approach. These are Capital adequacy (C), assets quality (A), management efficiency (M), earning quality (E) and liquidity (L) and Sensitivity (S).

In India, on the recommendation of the Padmanabhan Committee (1995), RBI adopted this approach in 1996. At present, the commercial banks incorporated in India are rate by the CAMELS model and foreign-based banks in India are rated under the CALCS model (Capital adequacy, assets quality, liquidity, compliance and system).

9.4 Review of literature

Bansal Rohit and Mohanty Anoop, (2013). A Study on Financial Performance of Commercial Banks in India: Application of Camel Model‖, have taken 5 banks (Kotak Mahindra bank, ICICI bank, Axis bank, HDFC bank and State Bank of India for the period 2007-2012) and the ratios were calculated using camels model. From the weighted results of ratios, the ranking were given to the bank and based on the overall performance HDFC bank is ranked 1st, SBI as 2nd, Kotak Mahindra as 3rd, ICICI Bank as 4th and Axis Bank as 5th.

CA. Gupta Ruchi (2014) studied the public sector bank‘s performance from 2009 to 2013 using CAMEL. The survey result shows that there is a considerable distinction between the public sector banks using CAMEL. The ranks were given differently for the banks based on 5 parameters.

Hare Krishna Karri, Kishore Meghani & Bharti Meghani Mishra (2015) have studied the Performance of Public sector banks in India using the CAMEL model. Theirstudy concluded that Bank of Baroda‘s performance as better than the Punjab national bank.

9.5 Need of study

Though, many studies have been undertaken to assess the performance of public and private sector banks, it is always essential to analyze them at various interval for reflecting their true financial position and effectiveness.

9.6 Objective of study

The main objective of this chapter is to present the working and implementation knowledge of CAMEL Model to the reader.

9.7 Research Methodology

Collection of data - The entire study is based on secondary data which have been collected from annual reports of selected public and private sector banks, journals, publications, website and many others. **Sample Size -** For the purpose of study, three public sector banks (State Bank of India, Punjab National Bank, Bank of Baroda) and three private sector banks (HDFC Bank, ICICI Bank, Axis Bank) have been selected.

9.8 Period of Study

The present study has cover five financial years from 2015-16 to 2019-20.

9.9 Tools and Techniques

In order to examine the performance of selected public and private sector banks Camel supervisory rating system has been implemented on an assigned rating scale from 1(best) to 5(worst). The acronym 'CAMELS' stands for five components, these are:

C = Capital adequacy
A= Assets quality
M= Management efficiency
E = Earning quality
L = Liquidity
S = Sensitivity

9.10 Data Analysis through CAMEL Model

9.10.1 Capital Adequacy

Capital adequacy is the prime indicator to demonstrate the financial soundness of banking institutions. Banks are always required to maintain an adequate level of capital to tackle with unexpected losses and protection of depositors. Therefore, following ratios are available to assess the capital adequacy -

9.10.1.1 Capital Adequacy Ratio
9.10.1.2 Debt Equity Ratio
9.10.1.3 Advance to Assets Ratio
9.10.1.4 Government Security to Total Investment
9.10.1.5 Composite Capital Adequacy Ratio

9.10.1.1 Capital Adequacy Ratio

As per Basel norms 2nd the minimum CAR ratio is required 8%, by RBI is designed at 9%. The ratio is calculated as under - **Capital Adequacy Ratio** = Tier1 Capital + Tier2 Capital/ Risk weighted Assets.

Table 9.1 Capital Adequacy Ratio

Bank	2016	2017	2018	2019	2020	Average	Rank
SBI	13.94	13.56	12.74	12.85	13.13	13.24	4
PNB	11.28	11.66	9.20	9.73	14.14	11.20	6
BOB	13.17	12.24	12.13	13.42	13.30	12.85	5
HDFC	15.53	14.55	14.82	17.11	18.52	16.11	2
ICICI	16.60	17.40	18.40	16.90	16.11	17.08	1
Axis	15.29	14.95	16.57	15.84	17.53	16.04	3

A higher CAR ratio signifies the financial strength of the bank against the credit risk and operational risk. Although CAR ratio is fluctuating every year of selected banks, it can be seen by Table No.1 that ICICI Bank has ranked on top the position with the highest CAR of 17.08, while the second rank is HDFC with 16.11 CAR and then followed by Axis Bank 16.04, SBI 13.24, BOB 12.85, PNB 11.20 CAR ratio.

9.10.1.2. Debt Equity Ratio

The debt-equity ratio is a key parameter to evaluate the repaying ability of a bank's creditors. This ratio calculates the relation between total debts to total equity. Its high ratio indicates less protection of creditors and depositors in the banking system.

Formula, Debt equity ratio = Debt / equity

Table 9.2 Debt Equity Ratio

Bank	2016	2017	2018	2019	2020	Average	Rank
SBI	14.24	15.08	15.79	16.89	17.08	15.82	5
PNB	17.28	17.39	18.80	17.36	13.09	16.78	6
BOB	15.11	15.69	15.07	15.37	14.46	15.14	4
HDFC	8.25	8.02	8.58	6.97	7.56	7.88	2
ICICI	6.86	6.58	7.28	7.77	8.24	7.35	1
Axis	8.60	9.31	9.48	10.52	9.28	9.44	3

A higher debt-equity ratio indicates the much-borrowed finance is being used by a organisation. Therefore, ICICI Bank has secured the top position with the lowest 7.35 average ratio, HDFC Bank has secured the second position with a 7.88 average ratio then followed by Axis Bank with 9.44, BOB with 15.14, SBI with 15.82 and PNB with 16.78 average ratios.

9.10.1.3. Advance to Assets Ratio

The total advance to assets ratio is a significant tool to measure the bank's aggressiveness for lending which ultimately results in better earning. Higher this ratio is more profitable for banks. The ratio can calculate as follows,

Formula - Advance to assets ratio = Total advance/ Total assets.

Table 9.3 Advance to Assets Ratio

Bank	2016	2017	2018	2019	2020	Average	Rank
SBI	0.62	0.58	0.56	0.59	0.59	0.59	4
PNB	0.62	0.58	0.57	0.59	0.57	0.58	5
BOB	0.57	0.55	0.59	0.60	0.83	0.63	2
HDFC	0.63	0.64	0.62	0.66	0.65	0.64	1
ICICI	0.60	0.60	0.58	0.61	0.59	0.60	3
Axis	0.63	0.62	0.64	0.62	0.63	0.63	2

As per Table 1.3 Advance to assets ratio shows that HDFC Bank has a top position with having the highest ratio of 0.64, Axis Bank and BOB have the second position to have equal advance to assets ratio of 0.63 whereas ICICI Bank stood at third position with 0.60 ratios, then followed by SBI with 0.59 ratio, PNB with 0.58 ratio.

9.10.1.4. Government Security to Total Investment Ratio

Government securities are released by the government hence considered as the safest investment for bank's as well as evaluate the risk involved in the bank. Since the government securities are risk-free, the higher the government investment ratio the lower risk involved in the bank's investment. The ratio can be calculated as under;

Formula - Government Security to Total Investment Ratio = Government Securities / Total Investment.

Table 9.4 Government Security to Total Investment Ratio

Bank	2015-16	2016-17	2017-18	2018-19	2019-20	Average	Rank
SBI	0.78	0.76	0.81	0.80	0.93	0.81	3
PNB	0.80	0.79	0.77	0.80	0.86	0.80	4
BOB	0.86	0.88	0.89	0.89	0.90	0.88	1
HDFC	0.77	0.76	0.78	0.83	0.83	0.79	5
ICICI	0.70	0.69	0.70	0.72	0.77	0.86	2
Axis	0.71	0.72	0.68	0.69	0.80	0.72	6

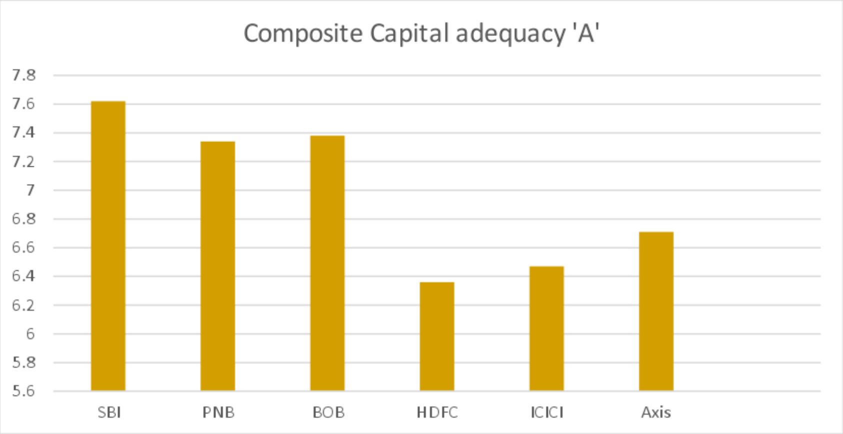
On the basis of the table no 9.10.1.4 it is found that BOB has the top position with having highest 0.88 average ratios, the second position secured by ICICI bank with 0.86 average ratios then followed by SBI with 0.81, PNB with 0.80, HDFC bank with 0.79, and Axis Bank with 0.72 average ratios.

9.10.1.5 Averages of Capital Adequacy Ratios of 2015-16 to 2019-20

Table 9.5 Averages of Capital Adequacy Ratios of 2015-16 to 2019-20

Bank	CAR	DER	Ad.to asse.	Gov.Se.R	Total	Average	Rank
SBI	13.24	15.82	0.59	0.81	30.46	7.62	1
PNB	11.20	16.78	0.58	0.80	29.36	7.34	3
BOB	12.85	15.14	0.63	0.88	29.5	7.38	2
HDFC	16.11	7.88	0.64	0.79	25.42	6.36	6
ICICI	17.08	7.35	0.60	0.86	25.89	6.47	5
Axis	16.04	9.44	0.63	0.72	26.83	6.71	4

Figure 9.1 Composite Capital Adequacy Ratios of 2015-16 to 2019-20



By observing the above table and chart of Composite Capital adequacy it is seen that SBI stand at the top position with a 7.62 average ratios while BOB has the second position with a 7.38 average ratio then followed by PNB with 7.34, Axis Bank with 6.71, ICICI bank with 6.47 and HDFC bank with 6.36 average ratio.

9.10.2. Assets Quality

Assets quality is a dimension of the bank that involves the organization assets in order to examine the level and size of credit risk associated with its obligations. Hence, bank's authorities are always concerned with the quality of assets as it is the most critical part to affect the earning ability of the bank. To ascertain the quality of the asset following ratios is there,

9.10.2.1. Net NPA to Net Advance Ratio
9.10.2.2. Net NPA to Total Assets Ratio
9.10.2.3. Total Investment to Total Assets Ratio
9.10.2.4. Composite Asset Quality Ratio

9.10.2.1 Net NPA to Net Advance Ratio

It represents the accurate amount of loan which turned into bad.

Formula, Net NPA to net advance ratio = Net NPA/ Net advance

Table 9.6 Net NPA to Net Advance Ratio

Bank	2016	2017	2018	2019	2020	Average	Rank
SBI	3.81	3.71	5.71	3.01	2.23	3.69	4
PNB	8.61	7.81	11.24	6.56	5.78	8	6
BOB	5.06	4.72	5.49	3.33	3.13	4.35	5
HDFC	0.28	0.33	0.40	0.39	0.36	0.35	1
ICICI	2.67	4.89	4.77	2.06	1.41	3.16	3
Axis	0.70	2.11	3.40	2.06	1.56	1.97	2

As the table no.2.1 signifies the top rank of HDFC bank with the lowest net NPA to the net advance ratio of 0.35, while the second rank is of Axis bank with having 1.97 average ratios then followed by ICICI bank with 3.16, SBI with 3.69, BOB with 4.35 and PNB with 8 average ratios.

9.10.2.2. Net NPA to Total Assets Ratio

This ratio shows the actual financial burden on the banks and works as a tool to measure the capability of banks for analyzing the credit risk and to extend recovering debt. Its low ratio indicates the better efficiency of banks.

Formula, Net NPA to Total Assets Ratio = Net NPA/ Total Assets.

Table 9.7 Net NPA to Total Assets Ratio

Bank	2016	2017	2018	2019	2020	Average	Rank
SBI	0.02	0.02	0.03	0.02	0.01	0.02	4
PNB	0.05	0.05	0.06	0.04	0.03	0.046	6
BOB	0.03	0.02	0.03	0.02	0.02	0.024	5
HDFC	0.002	0.002	0.003	0.003	0.002	0.002	1
ICICI	0.02	0.03	0.03	0.001	0.009	0.018	2
Axis	0.005	0.014	0.02	0.02	0.02	0.015	3

As it is reflected by Table 2.2 that net NPA to total assets ratio provide the top rank to HDFC bank with having the lowest NPA to total assets ratio of 0.002 and then ranked the Axis Bank to have the 0.15 ratio, followed by ICICI Bank 0.018, BOB 0.024, SBI 0.02 and least rank is PNB with 0.046 ratios.

9.10.2.3 Total Investment to Total Assets Ratio

This ratio computes those part of bank's assets which are locked up in investment but are not the main source of income. A Higher this ratio is not favourable for the profitability of the bank.
Formula, Total Investment to Total Assets Ratio = Total Investment / Total Assets

Table 9.8 Total Investment to Total Assets Ratio

Bank	2016	2017	2018	2019	2020	Average	Rank
SBI	0.24	0.28	0.31	0.26	0.26	0.27	6
PNB	0.24	0.26	0.26	0.26	0.29	0.26	5
BOB	0.03	0.03	0.03	0.02	0.02	0.03	1
HDFC	0.23	0.25	0.23	0.23	0.26	0.24	4
ICICI	0.22	0.21	0.23	0.22	0.23	0.22	3
Axis	0.23	0.21	0.22	0.22	0.17	0.21	2

By Table 2.4, the Total investment to total assets ratio shows that BOB covers at the first position to have the lowest 0.03 average ratio and second position secured by Axis bank with 0.21 average ratio then followed by HDFC bank with 0.24, PNB 0.26, SBI 0.27 average ratio.

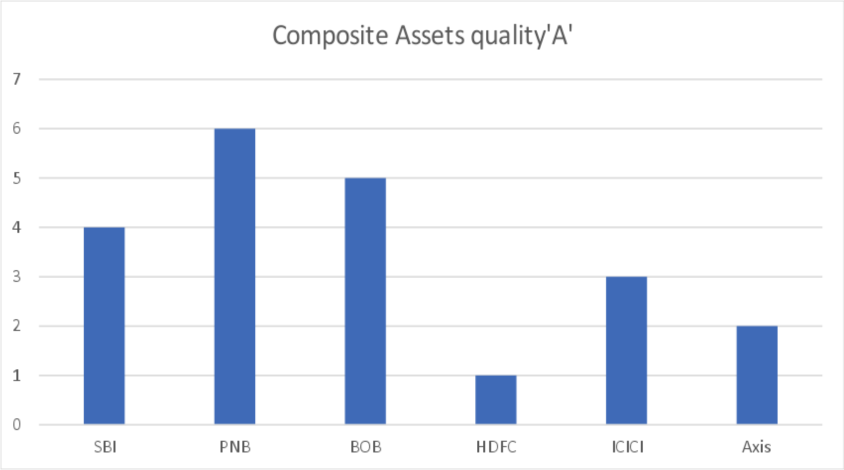
9.10.2.4 Averages of Asset Quality Ratios of 2015-16 to 2019-20

These ratios are thee the averages of all asset quality ratios during the period of 2015-16 to 2019-20 and show the average asset quality of 5 years of 6 banks.

Table 9.9 Composite Asset Quality Ratios of 2015-16 to 2019-20

Bank	Net NPA to Net Advance Ratio	Net NPA to Total Assets Ratio	Total Investment to Total Assets Ratio	Total	Average	Rank
SBI	3.69	0.02	0.27	3.98	1.33	4
PNB	8	0.046	0.26	8.31	2.77	6
BOB	4.35	0.024	0.03	4.40	1.47	5
HDFC	0.35	0.002	0.24	0.59	0.20	1
ICICI	3.16	0.018	0.22	3.40	1.13	2
Axis	1.97	0.015	0.21	2.20	0.73	3

Figure 9.2 Composite Asset Quality Ratios of 2015-16 to 2019-20



As per the three sub parameters of Assets quality, HDFC bank ranked 1st position to have 0.20 average ratio, Axis bank has ranked 2nd position with having 0.73 average ratios while ICICI bank ranked at 3rd position with 1.13 average ratio and followed by 1.33 average ratio of SBI, 1.47average ratio of BOB, and 2.77 average ratios of PNB.

9.10.3 Management Efficiency

Management efficiency is another important factor of the CAMELS approach which involves the subjective analysis to examine the efficiency of management and reflect the ability of the bank's board of directors and senior authorities to point out, measure, supervise, and control the risk that arises with bank's profitability. Thus, this parameter is used to assess the efficiency and effectiveness of management in banking institutions by applying the following ratios -

9.10.3.1. Total Advance to Total Deposit Ratio
9.10.3.2. Profit per Employee Ratio.
9.10.3.3. Business per Ratio
9.10.3.4. Return on Equity
9.10.3.5 Composite Management Efficiency Ratio

9.10.3.1 Total Advance to Total Deposit Ratio

It is one of the most important financial ratios to diagnose a bank's financial health. This ratio assesses the efficiency of the bank to convert the deposit for lending, Interest bearing loan and advance for earning more income. The moderate level of this ratio is accounted as an idol ratio.

Formula, Total Advance to Total Deposit Ratio = Total Advances / Total Deposits

Table 9.10 Total Advance to Total Deposit Ratio

Bank	2016	2017	2018	2019	2020	Average	Rank
SBI	0.85	0.77	0.71	0.75	0.72	0.76	4
PNB	0.75	0.67	0.68	0.68	0.67	0.69	6
BOB	0.67	0.64	0.72	0.73	0.73	0.70	5
HDFC	0.85	0.86	0.83	0.89	0.87	0.86	3
ICICI	1.03	0.95	0.91	0.90	0.84	0.93	1
Axis	0.95	0.90	0.97	0.90	0.89	0.92	2

Above table no 3.1 signifies that ICICI bank is in top position with having 1st rank of 0.93 average ratios while the 2nd position is of Axis bank with having 0.92 average ratios, HDFC bank is on 3rd position with having 0.86 average ratios then followed by SBI with 0.76, BOB with 0.70, PNB with 0.69 average ratios.

9.10.3.2 Profit per Employee Ratio

This ratio measures the average profit generated by each employee and helps to determine that how proficiently an organization is utilizing its employee. Higher this ratio indicates the positive sign toward earning more income of banking entities.
Formula, Profit per employee ratio = Net profit (After tax) / Number of employees

Table 9.11 Profit per Employee Ratio

Bank	2016	2017	2018	2019	2020	Average	Rank
SBI	0.47	0.51	- 0.24	0.03	0.57	0.27	5
PNB	- 0.6	0.2	- 0.17	- 0.15	0.53	- 0.04	6
BOB	-1	2.6	-1	0.78	0.65	0.41	4
HDFC	1.5	1.6	2.0	2.3	2.4	1.96	1
ICICI	1.4	1.2	0.8	0.4	0.8	0.92	3
Axis	0.18	0.07	0.47	7.61	0.47	1.76	2

Profit per employee ratio by the table no.3.2 indicates that HDFC bank has secured the top rank with having the highest 1.96 average ratios while the second rank secured by Axis bank with 1.76 average ratios then followed by ICICI bank with 0.92, BOB with 0.41, SBI with 0.27 and PNB - 0.04 average ratio.

9.10.3.3 Business per Employee Ratio

This ratio measures the productivity and efficiency of the bank's all employees. It higher ratio designated that enough revenue

or profitability are generating by employees in the bank wherein it low ratio stipulated about lower productivity of banking institutions.
Formula, Business per Employee Ratio = Total Deposits + Total Advances / Number of Employees

Table 9.12 Business per Employee Ratio

Bank	2016	2017	2018	2019	2020	Average	Rank
SBI	14.11	16.24	16.70	18.77	21.05	86.87	2
PNB	13.59	14.17	14.36	16.01	17.09	75.22	5
BOB	16.80	17.49	17.66	18.88	18.77	89.6	1
HDFC	11.39	12.36	15.08	16.87	17.49	73.19	4
ICICI	9.43	9.89	10.78	12.22	12.75	55.07	6
Axis	14.84	14.00	14.84	16.53	17.27	77.48	3

Business per employee ratio signals that BOB bags the highest position with having highest 89.6 average ratios and SBI is in the second position with 86.87 average ratios then followed by Axis bank with 77.48, HDFC bank with 73.19, PNB with 75.22, ICICI with 55.07 average ratios.

9.10.3.4 Return on Equity Ratio

This ratio clarifies that how much money is returned to stakeholders as a percentage of the money they have invested in the bank. Higher this ratio considered a good investment.
Formula, Return on assets = Profit (after tax) / Shareholders equity

Table 9.13 Return on Equity Ratio

Bank	2016	2017	2018	2019	2020	Average	Rank
SBI	7.74	7.25	- 3.78	0.48	7.74	3.89	4
PNB	-11.20	3.52	-32.58	-24.20	0.58	-12.83	6
BOB	-17.64	4.53	-7.64	1.18	1.23	3.67	5
HDFC	16.91	16.26	16.45	14.12	15.35	15.82	1
ICICI	11.32	10.34	6.60	3.16	7.07	7.70	2
Axis	17.49	7.22	0.53	8.09	2.34	7.13	3

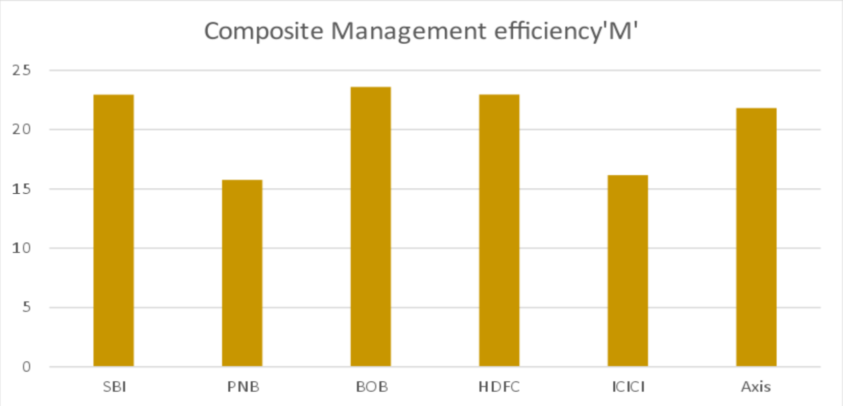
Demonstrate that HDFC bank gets the first rank to have highest 15.82 ROE whereas ICICI bank gets the second rank with 7.70 average ratios then followed by Axis bank with 7.13, SBI 3.89, BOB 3.67, PNB with -12.83 average ratio.

9.10.3.5 Composite Management Efficiency Ratios

Table 9.14 Composite Management Efficiency Ratios

Bank	To Ad. to Total dep.	Profit per employee	Busi. Per employee	Return on equity	Total	Average	Rank
SBI	0.76	0.27	86.87	3.89	91.79	22.95	3
PNB	0.69	-0.04	75.22	-12.83	63.04	15.76	6
BOB	0.70	0.41	89.6	3.67	94.38	23.60	1
HDFC	0.86	1.96	73.19	15.82	91.83	22.96	2
ICICI	0.93	0.92	55.07	7.70	64.62	16.16	5
Axis	0.92	1.76	77.48	7.13	87.29	21.82	4

Figure 9.3 Composite Management Efficiency Ratios



By observing the four subparameters of management efficiency it is found that BOB stands at the top position with the highest 23.60 average ratios and HDFC bank stood at second position with 22.96 average ratios while SBI has 22.96, Axis bank 21.82, ICICI bank have 16.16, PNB has 15.76 average ratios.

9.10.4. Earning Quality

Earning quality is an essential parameter to evaluate the capability of bank's to execute the activities like dividend payment, Interest on deposits, maintain an adequate level of capital and liquidity. Following ratios are available to ensure the earning quality of the bank, these are -

9.10.4.1. Interest Income to Total Income Ratio
9.10.4.2. Operating Profit to Total Assets Ratio
9.10.4.3. Net Interest Margin to Total Assets Ratio
9.10.4.4. Return on Assets Ratio
9.10.4.5 Composite Earning Quality Ratios

9.10.4.1 Interest Income to Total Income Ratio

Interest income to total income is an important criterion that determines the capability of banks to generate income from their total lending. Higher this ratio signifies the more ability of bank for making a profit.

Formula, Interest Income to Total Income = Interest Income/ Total Income.

Table 9.15 Interest Income to Total Income Ratio

Bank	2016	2017	2018	2019	2020	Average	Rank
SBI	0.85	0.83	0.83	0.87	0.85	0.85	2
PNB	0.87	0.84	0.84	0.87	0.85	0.85	2
BOB	0.90	0.86	0.87	0.89	0.88	0.88	1
HDFC	0.85	0.85	0.84	0.85	0.83	0.84	3
ICICI	0.77	0.74	0.76	0.81	0.82	0.78	5
Axis	0.81	0.79	0.81	0.81	0.80	0.80	4

Interest income to total income of banks by Table 4.1 clarifies that BOB has the top rank with the highest 0.88 average ratios while SBI and PNB both jointly have the second rank with 0.85 average ratios then followed by HDFC bank with 0.84, Axis bank 0.80, ICICI bank 0.78 average ratios.

9.10.4.2 Operating Profit to Total Assets Ratio

Formula, Operating Profit to Total Assets Ratio = Operating Profit/ Total Assets.

Table 9.16 Operating Profit to Total Assets Ratio

Bank	2016	2017	2018	2019	2020	Average	Rank
SBI	0.02	0.02	0.02	0.02	0.02	0.02	2
PNB	0.02	0.02	0.01	0.02	0.2	0.018	3
BOB	0.03	0.03	0.03	0.04	0.04	0.03	1
HDFC	0.03	0.03	0.03	0.02	0.03	0.03	1
ICICI	0.03	0.03	0.02	0.02	0.03	0.03	1
Axis	0.01	0.02	0.02	0.02	0.02	0.01	4

Operating profit to total assets ratio of HDFC, ICICI and Axis bank have jointly reached on top position with having the equal 0.03 average ratio then followed by SBI with 0.02, PNB with 0.018, BOB with 0.01 average ratio.

9.10.4.3 Net Interest Margin to Total Assets Ratio

Higher of this ratio is a positive indicator towards bank's income.

Formula, Net Interest Margin to Total Assets Ratio = Net Interest Margin/ Total Assets Ratio.

Table 9.17 Net Interest Margin to Total Assets Ratio

Bank	2016	2017	2018	2019	2020	Average	Rank
SBI	2.96	2.28	2.16	2.40	2.48	2.45	4
PNB	2.60	2.38	2.16	2.41	2.30	2.37	6
BOB	2.05	2.19	2.43	2.72	2.72	2.42	5
HDFC	4.2	4.3	4.3	4.3	4.3	4.28	1
ICICI	3.49	3.25	3.23	3.23	3.73	3.42	3
Axis	3.90	3.67	3.44	3.44	3.51	3.59	2

The net Interest margin to total assets ratio of HDFC bank is the highest with securing 4.28 average ratio, Axis bank secured the second position with a 3.59 average ratio then followed by ICICI with 3.42, SBI with 2.45, BOB with 2.42, PNB with 2.37 average ratio.

9.10.4.4 Return on Assets

High ratio of ROA shows better performance of banks.
Formula, Return on Assets Net Income/ Total Average Assets ×100

Table 9.18 Return on Assets Ratio

Bank	2016	2017	2018	2019	2020	Average	Rank
SBI	0.46	0.41	-0.19	0.02	0.38	0.25	4
PNB	-0.61	0.19	-1.60	-1.25	0.04	-0.65	6
BOB	-0.78	0.20	-0.34	0.6	0.6	0.06	5
HDFC	1.89	1.88	1.93	1.90	1.71	1.86	1
ICICI	1.49	1.35	0.87	0.39	0.81	0.98	2
Axis	1.72	0.65	0.04	0.63	0.17	0.64	3

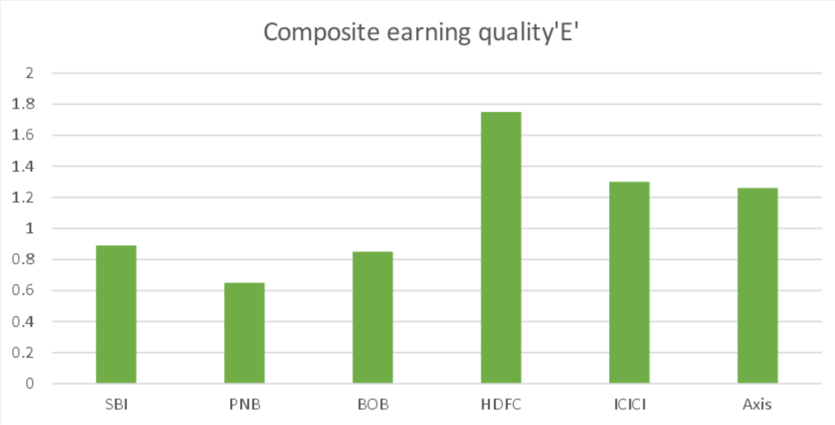
Table 9.10.4.4 elaborates the highest ROA of HDFC bank with 1.86 average ratios, second highest of ICICI bank with 0.98 average ratios then followed by Axis bank with 0.64, BOB with 0.056, SBI with 0.25, PNB with -0.65 average ratio.

9.10.4.5 Composite Earning Quality Ratios

Table 9.19 Composite Earning Quality Ratios

Banks	Int.inc.to Total Income	O.P.to Total Asset	NIM	ROA	Total	Average	Rank
SBI	0.85	0.02	2.45	0.25	3.57	0.89	4
PNB	0.85	0.018	2.37	-0.65	2.59	0.65	6
BOB	0.88	0.03	2.42	0.066	3.39	0.85	5
HDFC	0.84	0.03	4.28	1.86	7.01	1.75	1
ICICI	0.78	0.03	3.42	0.98	5.21	1.30	2
Axis	0.80	0.01	3.59	0.64	5.04	1.26	3

Figure 9.4 Composite Earning Quality Ratios



9.10.5. Liquidity

Liquidity refers to the availability of cash or cash equivalents to carry the operating needs. In order to, fulfil the customer withdrawal or funding a new loan every bank should have enough assets in liquid form as lack of liquidity can lead to an adverse effect on the bank's financial operations and also be the causes for crises. Since an adequate level of liquidity is always necessary for them. Some ratio is downward to quantify the liquidity of bank -

9.10.5.1. Liquid Assets to Total Assets Ratio
9.10.5.2 Liquid Assets to Total Deposit Ratio
9.10.5.3. Liquid Assets to Demand Deposit Ratio
9.10.5.4. Government Securities to Total Assets Ratio.
9.10.5.5. Composite Liquidity Ratio

9.10.4.1 Liquid Assets to Total Assets Ratio

Higher this ratio signifies the better financial health of a bank.

Formula, Liquid Assets to Total Assets Ratio = Liquid Assets / Total Assets

Table 9.20 Liquid Assets to Total Assets Ratio

Bank	2016	2017	2018	2019	2020	Average	Rank
SBI	0.741	0.635	0.055	0.060	0.064	0.311	1
PNB	0.055	0.049	0.124	0.097	0.079	0.080	4
BOB	0.199	0.216	0.129	0.114	0.105	0.152	2
HDFC	0.052	0.056	0.115	0.065	0.056	0.068	5
ICICI	0.083	0.098	0.095	0.083	0.108	0.093	3
Axis	0.061	0.083	0.051	0.043	0.092	0.066	6

Liquid assets to total assets ratio put SBI on top position with highest 0.311 average ratios, BOB gets the second position with 0.152 average ratios then followed by ICICI bank with 0.093, PNB with 0.080, HDFC with 0.068, Axis bank with 0.066 average ratios.

9.10.5.2 Liquid Assets to Total Deposit Ratio

In the context of liquidity management higher \this ratio is good for a bank.

Formula, Liquid Assets to Total Deposit Ratio = Liquid Assets/ Total Deposits.

Table 9.21 Liquid Assets to Total Deposit Ratio

Bank	2016	2017	2018	2019	2020	Average	Rank
SBI	0.097	0.064	0.094	0.076	0.077	0.082	6
PNB	0.067	0.057	0.149	0.111	0.094	0.096	4
BOB	0.233	0.250	0.157	0.140	0.129	0.181	1
HDFC	0.071	0.076	0.156	0.088	0.075	0.093	5
ICICI	0.142	0.155	0.150	0.123	0.155	0.145	2
Axis	0.093	0.121	0.078	0.064	0.133	0.098	3

Highest liquid assets to deposit of BOB with 0.181 average ratios while the second highest is ICICI bank with 0.145 average ratios then followed by Axis bank with 0.098, PNB with 0.096, HDFC bank with 0.093, SBI with 0.082 average ratios.

9.10.5.3 Liquid Assets to Demand Deposit Ratio

It higher ratio stipulates the sound liquidity for depositors.
Formula, Liquid Assets to Demand Deposit = Liquid Assets / Demand Deposit

Table 9.22 Liquid Assets to Demand Deposit Ratio

Bank	2016	2017	2018	2019	2020	Average	Rank
SBI	1.197	1.128	1.00	1.08	1.104	1.102	3
PNB	1.024	0.776	2.364	1.697	1.444	1.461	2
BOB	3.867	3.538	2.017	1.903	1.887	2.642	1
HDFC	0.440	0.424	1.030	0.327	0.279	0.5	6
ICICI	1.017	1.009	0.946	0.834	1.165	0.994	4
Axis	0.524	0.578	0.371	0.393	0.943	0.562	5

Liquid assets to demand deposit shows that BOB ranked at the first position to have 2.642 average ratios, the second rank is of PNB to have 1.461ratio then followed by SBI with 1.102, ICICI bank 0.994, Axis bank 0.562, HDFC bank 0.5 average ratio.

9.10.5.4 Government Securities to Total Assets Ratio

Higher this ratio shows low risk and safety management.
Formula, Government Securities to Total Assets Ratio= Government Securities/ Total Assets.

Table 9.23 Government Securities to Total Assets Ratio

Bank	2016	2017	2018	2019	2020	Average	Rank
SBI	0.164	0.216	0.249	0.210	0.208	0.209	2
PNB	1.87	0.202	0.201	0.209	0.247	0.546	1
BOB	0.154	0.164	0.201	0.208	0.214	0.188	4
HDFC	0.213	0.188	0.171	0.195	0.212	0.196	3
ICICI	0.157	0.146	0.161	0.155	0.174	0.159	5
Axis	0.179	0.155	0.151	0.150	0.138	0.155	6

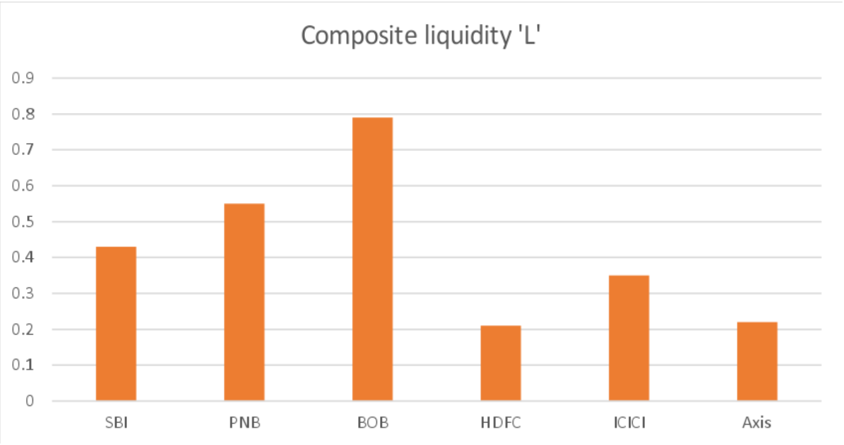
Government securities to total assets shown in Table 5.4 which indicates that PNB is in the top position with the highest 0.546 average ratios, SBI stand at second position with 0.209 average ratios then followed by HDFC bank with 0.196, BOB with 0.188, ICICI bank with 0.159, Axis bank with 0.155 average ratios.

9.10.4.5 Composite Liquidity Ratios

Table 9.24 Composite Liquidity Ratios

Bank	LATTA	LATTD	LATDD	GSTTA	Total	Average	Rank
SBI	0.311	0.082	1.102	0.209	1.70	0.43	3
PNB	0.080	0.096	1.461	0.546	2.18	0.55	2
BOB	0.152	0.181	2.642	0.188	3.16	0.79	1
HDFC	0.068	0.093	0.5	0.196	0.86	0.21	6
ICICI	0.093	0.145	0.994	0.159	1.4	0.35	4
Axis	0.066	0.098	0.562	0.155	0.88	0.22	5

Figure 9.5 Composite Liquidity Ratios



As per the above table and chart, we can see on the four subparameters of liquidity that BOB comes at the first position with the highest 0.79 average ratios and PNB comes at second position with 0.55 average ratio then followed by SBI with 0.43, ICICI bank with 0.35, Axis bank with 0.22 average ratio.

9.11 Overall performance of selected public and private banks through camel model (on Rank basis)

Table 9.28 Overall Performances of Selected Public and Private Banks

Bank	C	A	M	E	L	Total	Average	Rank
SBI	1	4	3	4	3	15	3	2
PNB	2	6	6	6	2	22	4.4	6
BOB	2	5	1	5	1	14	2.8	1
HDFC	6	1	2	1	6	16	3.2	3
ICICI	5	2	5	2	4	18	3.6	4
Axis	4	3	4	3	5	19	3.8	5

It is proved under the study of CAMEL ranking that among the selected public and private sector banks, BOB ranked at 1st position, SBI stands at 2nd position then followed by HDFC bank at 3rd position, ICICI bank at 4rt position, Axis bank is at 5th position and PNB is on 6th position in overall performance Camel parameters.

9.12 Conclusion

The Banking segment influences the entire economy in a wide range. Therefore, it is essential to evaluate the performance of banks for which RBI has the designated the CAMELS model. The present study has analyzed the performance of three public sector bank and three private sector bank on the basis of the CAMELS approach and found that in public sector bank SBI has better capital adequacy whereas BOB is performing well in earning quality and liquidity than PNB but they all have to improve management efficiency and assets quality. In private sector bank, HDFC bank has good assets quality than other selected private bank, but they have to focus on capital adequacy and liquidity.

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