
BURGEONING GROWTH OF PUBLIC SECTOR BANKS IN INDIA

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Abstract

As banks play significant role in the economy, they become the backbone of our country by keeping pricing system stable, favourable level of employment and positive economic growth. The objective of this study is to assess the financial performance of the public sector banks. Banks play a significant role in the economic development of country. They contribute in the process of growth depends on the efficient banking system. Banking system is an important constituent, So banking can be proficiently described as the kingpin of the chariot of economic growth and development.

In a developing economy, the role of banks is more determined than in the developed one. In a developing country, where people are not so habitual to the bank activities. It becomes a difficult task for the banking industry to create such awareness. Also, banks play a crucial role because they become a link between those who are in need of finance and those who have funds available with them. Banks get sufficient funds from the public deposits, invests them in the profitable activities and further reaps benefits from it. In return, banks have the obligation to meet the demand of the customers promptly along with maintaining sufficient liquidity.

KEY WORDS: *Banking industry, profitability performance, yield, public sector banks.*

INTRODUCTION

In a developing country, where people are not so habitual to the bank activities, it becomes a difficult task for the banking industry to create such awareness. Also, banks play a crucial role because they become a link between those who are in need of finance and those who have funds available with them. Banks get sufficient funds from the public deposits, invest them in the profitable activities and further reap benefits from it.

Indian banking industry has undergone major changes during the past decades. Nationalization of fourteen major banks in 1969 and of another six banks in 1980 marked a significant step towards this transformation. Financial sector reforms following the Narasimham Committee Report further transformed our banking system. There are currently 27 public sector banks in India out of which 19 are nationalised banks and 6 are SBI and its associate banks, and rest two are IDBI Bank and Bharatiya Mahila Bank, which are categorized as other public sector banks. There are total 93 commercial banks in India. These PSCB's in India continue to be the major lenders in the economy due to their large size and networks which assure them high deposit mobilization and control of 80 percent of banking business in India. This study concentrates on the profitability analysis of Public Sector Banks in India. The objective of this study is to assess the financial performance of the public sector banks.

An Organization is said to be financially fit and sound if it is in a position to carry on its business efficiently and effectively. The prime aim of every business is to earn profit. Profit further determines the financial position, liquidity and solvency of the company. It becomes the main reason for the survival of every organization and profitability determines the financial strength. The main source of operating income of a public sector commercial bank are- interest and discount earned, commission, brokerage, income from non banking assets and profit from sale of or dealing with such assets and other receipts. The expenditure broadly consists of - interest paid on deposits and borrowings and other non interest cost. Banks are urged to generate sufficient revenue to meet the rising cost of funds. Profitability is a key result area where performance and results directly and virtually affect the survival. Therefore, this study analyzes the financial performance of public sector commercial banks (PSCBs) in India.

Literature Review:

- **Chidambaram R. M and Alamelu.** (2004) in their study entitled, "Profitability in Banks, a matter of survival", pointed out the problem of declining profit margins in the Indian Public Sector Banks as compared to their private sector counterparts. It was observed that in spite of similar social

obligations; almost all the private sector banks have been registering both – high profits and high growth rate with respect to deposits, advances and reserves as compared to the public sector banks.

- **S. and Verma, S.** (2009) determined the factors influencing the profitability of public sector banks in India by making use of ratio of net profits as percentage of working funds. They concluded that spread and burden play a major role in determining the profitability of commercial banks.
- **Sanjay J. Bhayani.** (2006) in his study, “Performance of New India Private Banks: A Comparative Study”, analyzed the performance of new private sector banks with the help of CAMEL model.
- Study by (**Balasubramanin,** 2007) revealed that private sector banks play an important role in development of Indian economy. After liberalization, the banking industry underwent major changes. The economic reforms have changed the banking sector. RBI permitted new banks to be started in the private sector as per the recommendation of the Narashiman Committee.

METHODOLOGY OF THE STUDY

The study is primarily based on secondary data. The data has been collected from the following sources:

- RBI-Bulletins annual issues and monthly issues.
- Statistical table relating to banks in India.
- Reserve Bank of India monthly bulletins and annual reports.

OBJECTIVES OF THE STUDY

The following are the objectives of the study:

1. To study the income and expenditure pattern of PSCBs in India.
2. To analyze the profitability performance of PSCBs in India.
3. To analyze the Non- Performing Assets of PSCBs in India.
4. To offer suitable suggestions based on the finding of the study.

PLAN OF ANALYSIS

This study covers a period of seven years from 2007 to 2013. The researcher has used the following tools for analyzing the profitability performance of public sector commercial banks in India.

1. Growth Rate
2. Compound Growth Rate.
3. Co-efficient of correlation.
4. Ratio analysis
5. Median Test

6. Chi-square Test

HYPOTHESIS OF THE STUDY:

In this study, the following hypothesis was framed.

- There is no significant difference between the growth rate of total income of PSCBs in India and that of SCBs in India.
- There is no significant difference between the growth rate of total expenditure of PSCBs in India and that of SCBs in India.
- There is no significant difference between the growth rate of net profit of PSCBs in India and that of SCBs in India.

FINIDINGS AND DISCUSSIONS:

INCOME OF PSCBs in INDIA:The income and expenses of PSCBs has been studied by the analysis of composition and growth of income and expenses. The interest income was consistently rising from 84% to 88% in all the years of study. It is also inferred that the PSCBs in India were concentrating on interest income rather than on other incomes.

Table 1 : Composition of the Total Income of PSCBs in India (Rs. In Crores)

Year	Interest income	Other Income	Total Income
2007	2,31,675 (84 %)	43,041 (16 %)	274, 716
2008	3,08,482 (84 %)	59,315 (16 %)	3,68,885
2009	3,88,816 (84 %)	75,021 (16 %)	4, 63,837
2010	4,15,752(84 %)	79,267 (16 %)	4,94,446
2011	4,91,667 (86 %)	79,564 (14 %)	5,71,230
2012	6,55,300 (88 %)	86,300 (12 %)	7,41,600
2013	7,63,600 (88 %)	97,800 (12 %)	8,61,400

Source : Annual Reports of Trend and Progress of Banking in India

The growth rate of total income of PSCBs shows increasing trend since 2007 during the period under study. In 2007, the total income of PSCBs amounted to Rs. 2,31,675crores which increased to Rs.

7,63,600 Crores in the year 2013. The compound growth rate of total income of PSCBs was 17.72 percent (Table 1)

$$\text{CAGR} = \left(\frac{\text{Ending Value}}{\text{Beginning Value}} \right)^{\left(\frac{1}{\# \text{ of years}} \right)} - 1$$

$$= (8,61,400/2,74,716)^{(1/7)} - 1$$

$$= (3.1356^{0.1428}) - 1$$

$$= 1.1772 - 1$$

$$= 0.1772 * 100$$

$$= 17.72\%$$

TOTAL EXPENSES OF PSCBs IN INDIA: The total expenses of PSCBs are grouped as interest paid, other operating expenses, and provisions and contingencies. The total expenditure of the bank steadily increased from Rs.3,43,514 in 2007 crores to Rs.7,70,200 crores in 2013, which nearly shows a double increase. Interest paid constitutes more than to 54% percent of the total expenses. The proportion of interest paid to the total expenditure of the PSCBs shows a fluctuating trend which varied between 58 percent to 66 percent under the period of study.

Table 2: Composition of Total Expenses of PSCBs in India (Rs. In Crores)

Year	Interest Paid	Operating Expenses	Provision and contingencies	Total
2007	1,42,420 (58 %)	66,319 (27 %)	34,775 (15%)	3,43,514
2008	2,08,001 (64%)	77,283 (24%)	40,864 (12%)	3,26,147
2009	2,63,221 (64%)	89,268 (22%)	58,578 (14%)	4,11,067
2010	2,72,083 (62%)	99,769 (23%)	65,310 (15%)	4,37,163
2011	2,98,891 (60%)	1,23,129 (24%)	78,879 (16%)	5,00,899
2012	4,30,400 (65%)	1,37,600 (20%)	92,000 (15%)	6,60,000
2013	5,13,800 (66%)	1,56,600 (20%)	99,800 (24%)	7,70,200

Source : Annual Reports of Trend and Progress of Banking in India

The proportion of operating expenses to the total expenditure varied between 20 percent and 27 percent. The proportion of provisions and contingencies in the total expenditure of the bank varied between 12 percent and 24percent.

PROFITS OF PSCBs IN INDIA :The performance of the banks is decided on the basis of the profit earning capacity. Table 4, 5 and 6 exhibit the growth of operating profit and net profit of PSCBs in India during the study period respectively.

Table 3: Growth of Operating Profit of PSCBs in India(in Crores)

Year	Operating Profit	Percentage variation
2007	65,977	1.9
2008	83,590	1.9
2009	1,11,349	2.1
2010	1,22,419	10.4
2011	1,49,210	21.97
2012	1,73,700	16.5
2013	1,91,000	10.0

Source : Annual Reports of Trend and Progress of Banking in India

Table 4: Growth rate of Net Profit of PSCBs in India (in crores)

Year	Net profit	Growth Rate (%)
2007	31,203	0.90
2008	42,726	1.00
2009	52,771	1.00
2010	57,109	8.3
2011	70,331	23.15
2012	81,700	16-1
2013	91,200	11.6

Source : Annual Reports of Trend and Progress of Banking in India

In 2007, the growth rate of operating profit of PSCBs amounted to Rs 65,977 crores which increased to Rs. 1,91,000crores in the year 2013. The compound growth rate of operating profit of PSCBs for the period under study was 16.39 percent. The growth rate operating profit of PSCBs fluctuated during the period of study. The highest growth rate of net profit is 23.15 percent was registered in 2011 and the lowest growth rate of 0.90 percent was registered in the year 2007. The compound growth rate of net profit for the study period was 44.04 percent.

1. Calculation of compounded growth rate of operating profit:

$$CAGR = \left(\frac{\text{Ending Value}}{\text{Beginning Value}} \right)^{\left(\frac{1}{\# \text{ of years}} \right)} - 1$$

$$= (1,91,000 * 65,977)^{(1/7)} - 1$$

$$= (2.8949)^{(0.1428)} - 1$$

$$= 1.1639 - 1$$

$$= 0.1639 * 100$$

$$= 16.39\%$$

2. Calculation of compounded growth rate of net profit:

$$CAGR = \left(\frac{\text{Ending Value}}{\text{Beginning Value}} \right)^{\left(\frac{1}{\# \text{ of years}} \right)} - 1$$

$$= (11.6 * 0.90)^{(1/7)} - 1$$

$$= (12.88)^{(0.1428)} - 1$$

$$= 1.4404 - 1$$

$$= 0.4404 * 100$$

$$= 44.04\%$$

INTEREST RATE SPREAD: It has been observed that Net profits of PSCBs shows fluctuating trends. It fluctuate between Rs. 31,203 crores to Rs. 91,200 crores & growth rate of Net profits vary between 0.90% to 11.6%. the growth rate was 1.00 percent in 2008 & 2009 (table 5)

The interest rate spread refers to the difference between the rates of income and expenditure. Spread can be defined as the gap between the interest earned and interest paid.

(Interest Spread = Interest Received - Interest Paid)

(Table 5) shows that the interest paid in all years was less than the interest earned. The amount of interest spread shows an increasing trend during the study period. It was Rs. 89,255 crores in 2007 which increased to Rs. 2,49,800 crores in 2013. Besides, there was no negative growth rate during the period under study.

Table 5 : Interest Rate Spread Income of PSCBs (in crores)

Year	Interest Received	Interest Paid	Interest Spread
2007	2,31,675	1,42,420	89,255
2008	3,08,482	2,08,001	1,00,481
2009	3,88,816	2,63,221	1,25,595
2010	4,15,752	272,084	1,43,668
2011	4,91,667	2,98,891	1,92,776
2012	6,55,300	4,30,400	2,24,900
2013	7,63,600	5,13,800	2,49,800

Source : Annual Reports of Trend and Progress of Banking in India

YIELD ON ADVANCES :Banks extends loans and advances to traders, businessmen, industrialists against the security of some assets or on the basis of the personal security of the borrowers. Therefore, banks have to follow a cautions policy and sound lending principles in the matter of lending. Banks in India have to consider the national interest along with their own interest while determining the lending policy. The yield on advances is calculated by

$$\text{Yield on Advance} = \frac{\text{Interest Received}}{\text{Total Advances}} \times 100$$

The total interest received by PSCBs in India increased in all the years of the study. The ratio of yield on advances of PSCBs in India shows a fluctuating trend ranging from 14.87 percent to 17.21 percent during the period under study. The highest yield on advances ratio of PSCBs in India was 17.21 percent 2001 (Table 6)

Table 6: Computation of Yield on Advance (Rs. In Crores)

Year	Interest Received	Net Advances	Yield
2008	3,08,482	17,97,401	17.16%
2009	3,88,816	22,59,212	17.21%
2010	4,15,752	27,01,300	15.39%
2011	4,91,667	33,05,632	14.87%
2012	6,55,300	38,77,307	16.90%
2013	7,63,600	44,72,774	17.07%

Source : Annual Reports of Trend and Progress of Banking in India

CREDIT DEPOSIT RATIO:The credit deposit ratio is the ratio of credit to deposits. Credit refers to loans which have been advanced by the bank to members. Deposit refers to money entrusted with the bank for safe keeping and investment purpose.

Table 7: Credit Deposit Ratio of PSCBs in India (Rs. In Crores)

Year	Credit (Net Advances)	Total Deposits	Credit Deposit Ratio
2008	17,97,401	33,20,054	54.13
2009	22,59,212	40,63,203	55.60
2010	27,01,300	36,91,802	73.17
2011	33,05,632	43,72,985	75.59
2012	38,77,307	50,02,000	77.51
2013	44,72,774	57,26,983	78.1

Source : Annual Reports of Trend and Progress of Banking in India

Credit Deposit Ratio = $\frac{\text{Credit (Net Advances)}}{\text{Total Deposits}} \times 100$

Total Deposits

It could be seen from the Table 7 that the loans and advances of PSCBs steadily increased from Rs. 17,97,401crores in 2008 to Rs. 44,72,774 crores in 2013. The credit deposit ratio of PSCBs ranged from 54.13 percent to 78.1 percent during the period under study. The higher credit deposit ratio of 78.1 percent was in the year 2013 and the lowest ratio of 54.13 percent was in 2008.

COST OF DEPOSIT: Deposits refer to money entrusted by the customers with the banks. It is the savings of the customers. Moreover, the bankers collect the amount from customers and utilize the fund for providing advances. The term- cost of deposit is the minimum amount to be paid in the form of interest against deposits.

The ratio of interest paid to total deposits of PSCBs in India is inferred from the Table 8. The cost of deposit of this bank was in a fluctuating trend. It is inferred that the cost of deposit varied from 5.28 percent to 8.97 percent during the study period. The highest cost of deposit was 8.97 % in 2013 and lowest was 5.28 % in the year 2007.

Table 8: The Cost of Deposits of PSCBs in India (Rs. In Crores)

Year	Interest Paid	Total Deposits	Cost of Deposits
2007	1,42,420	26,96,936	5.28%
2008	2,08,001	33,20,054	6.26%
2009	2,63,221	40,63,203	6.47%
2010	2,72,083	36,91,802	7.36%
2011	2,98,891	43,72,985	6.83%
2012	4,30,400	50,02,000	8.60%
2013	5,13,800	57,26,983	8.97%

Source :www.rbi.org.in/scripts/AnnualPublications

Cost of Deposits = Interest Paid

Total Deposits

NON – PERFORMING ASSETS: Non – performing assets (NPAs) refer to the credit facility in respect of which the interest or instalment of principle has remained overdue for a period exceeding 180 days. Thus, an asset becomes non-performing, when it ceases to generate income for the bank. The guiding principle is that the income of NPAs should not be recognized on accrual basis and should be treated as income only when actually received. Moreover, the banks have been instructed that the interest on NPAs should not be taken as the income.

Table 9 explicates that the NPAs of PSCBs increased from Rs. 38,968 crores in 2007 to Rs.1,64,462crores in 2013 and with the lowest of Rs.38,968 Crores in 2007. The NPA ratio of PSCBs in India ranged from 1.6 percent to 2.4 percent during the period under study. It also shows down ward trend under study period. It shows that the PSCBs had taken right steps to recover the loans properly.

Table9: Gross Non – performing Assets of PSCBs in India(Rs. In Crores)

Year	Gross NPAs	Gross NPAs as percentage of Gross Advances (%)	Gross NPAs as percentage of total Assets (%)
2007	38,968	2.7	1.6
2008	40,452	2.2	1.3
2009	44,957	2.0	1.2
2010	59,926	2.2	1.3
2011	74,600	2.4	1.4
2012	1,12,489	3.2	1.9
2013	1,64,462	3.6	2.4

Source : RBI handbook of statistics on Indian economy

Table 10: Net Non – performing Assets of PSCBs in India (Rs. In Crores)

Year	Net NPAs	Net NPAs as percentage of Net Advances (%)	Net NPAs as percentage of total Assets (%)
2007	15,145	1.1	0.6
2008	17,836	1.0	0.6
2009	21,155	-0.9	0.6
2010	29,375	1.1	0.7
2011	36,000	1.2	0.7
2012	59,300	1.5	1.0
2013	90,000	2.0	1.3

Source : RBI handbook of statistics on Indian economy

Table 11. Percentage Variation of Net Interest Income of PSCBs

Year	Net Interest Income	Percentage Variation (%)
2008	1,00,481	24.9
2009	1,25,596	24.7
2010	1,43,669	14.7
2011	1,92,776	34.72
2012	2,24,900	16.9
2013	2,49,800	11.1

Source : RBI handbook of statistics on Indian economy

As its evident from the Table-10 and Table 11, in absolute terms that Non- performing assets continued to mount over the decade of the 1990s. NPAs increased most in between the years 2009-12, as the gross NPAs increased from Rs.449.57 billion in 2009 to Rs.1124.89 billion in 2012 and further to Rs.1644.62 billion in 2013. The gross NPAs of Public Sector Banks increased by almost four times from March 2010 (Rs.599.26 billion) to March 2013 (Rs.1644.62 billion). The table also indicates trends in the ratio of GNPA's and NNPA's. Higher ratio reflects rising bad quality of assets. The gross NPAs ratio of PSBs placed at 2.0 percent at end March 2009. During 2010, the ratio of gross NPAs to gross advances increase to 2.2 percent and further to 2.4 percent in 2011 and subsequently even further to 3.2 percent in 2012 and 3.6 percent in 2013. A similar trend was seen in the net NPAs to net advances which increase from 1.1 percent in 2010 to 2 percent in 2013. Total Gross NPA Ratio has gone upto 3.6 percent in 2013.

QUANTITATIVE VARIABLES AND PROFITABILITY OF THE PSCBs IN INDIA

In the present study, an attempt has been made to analysis the extent of influence of the interest income and other income on the profitability of PSCBs in India by using the technique of co-efficient of correlation.

Correlation

Correlation is the relationship between the two variables. The economic quantitative variables presented in Table 4 are compared to the profitability of the PSCBs in India over the years under study. The formula for the technique of correlation co-efficient is

$$r = \frac{\sum dx dy - \frac{(\sum dx)(\sum dy)}{n}}{\sqrt{\sum dx^2 - \frac{(\sum dx)^2}{n}} \times \sqrt{\sum dy^2 - \frac{(\sum dy)^2}{n}}}$$

Correlation technique is used by the researcher in this study to ascertain the relationship between the following

1. Interest earned and profits. (from Table 5 & 6)
2. Other income and profits. (from Table 1 & 5)

The following table shows the correlation of quantitative variables and profitability of public sector banks in India.

S.No.	Quantitative Variables	Correlation
1	Interest earned and profitability	0.928
2.	Other income and profitability	0.989

There is a high degree of positive correlation between interest earned and profitability and other incomes and the profitability. Comparing other income with interest earned, it has more influence on profitability of the PSCBs in India during the period of study.

COMPUTATION OF PROFITABILITY OF PSCBs IN INDIA

The researcher analyzed and computed the profitability of PSCBs operating in India. For the purpose of this analysis, the net profit/loss as percentages of total assets of PSCBs in India is used.

The study covers a period of seven years from 2007 to 2013. In this analysis, the term profitability refers to net profit/loss as a percentage to total assets. To analyze the profitability of PSCBs in India during the period under study , Median Test has been used.

MEDIAN TEST

Median Test is a non – parametric test requiring less restrictive assumptions concerning the level of data measurement and does not require the assumptions of normality and equal variance. For the purpose of comparison of profitability of PSCBs in India, the following null hypothesis is framed.

H₀: There is no significant difference between the profitability of PSCBs in India.

The net profit / loss as percentage of total assets is given in below:

Table 12 : Net Profit / Loss as to Total Assets of PSCBs and SCBs in India (Rs. In Crores)

Year	PSCBs		SCBs	
	Net profit/loss	Total assets	Net profit/loss	Total assets
2007	20,152	24,40,165	31,203	34,59,961
2008	26,591	30,22,237	42,726	43,26,488
2009	34,394	37,66,716	52,771	52,41,330
2010	39,257	44,41,114	57,109	60,25,141
2011	44,901	52,93,817	70,331	71,83,522
2012	49,514	60,38,000	81,700	82,99,400
2013	50,583	69,61,967	91,200	95,73,334

Table 13 : Net Profit / Loss as percentage of Total Assets of PSCBs and SCBs in India

Year	Net Profit / Loss as percentage of Total Assets	
	PSCBs Ratio	SCBs Ratio
2007	0.825	0.901
2008	0.879	0.987
2009	0.913	1.006
2010	0.883	0.947
2011	0.848	0.979
2012	0.820	0.984
2013	0.726	0.952

Source : Annual Reports of Trend and Progress of Banking in India

HYPOTHESIS TESTING PROCEDURE

A test criterion is used which is sufficiently accurate for n as small as 14 and no individual sample is of the size less than 5. The first step in the Median Test procedure is to arrange the combined data in ascending order to calculate the median value for the combined data available: 0.726, 0.820, 0.825, 0.848, 0.879, 0.883, 0.901, 0.913, 0.947, 0.952, 0.979, 0.984, 0.987, 1.006

$$\begin{aligned}
 \text{Median} &= (n+1) / 2^{\text{th}} \text{ item} \\
 &= (14 + 1) / 2 = (15/2)^{\text{th}} \text{ item} \\
 &= 7.5^{\text{th}} \text{ item} \\
 &= 7^{\text{th}} \text{ item} + 0.5 (8^{\text{th}} - 7^{\text{th}}) \text{ item} \\
 &= 0.90 + 0.5 (0.91 - 0.90) \\
 &= 0.90 + 0.5 (0.01) \\
 &= 0.90 + 0.005 \\
 &= 0.905
 \end{aligned}$$

The next step is that each percentage in the combined data is classified according to two criteria: the number of percentage which is less than the median and the number of percentage more than the median. This test statistics is approximately chi-square. The observed frequencies, expected frequencies and chi- square value are calculated to test the above framed hypothesis.

$$\text{Expected frequency in each cell} = (RT \times CT) / N$$

HERE N = Total number of all the observations

RT = Row Total

CT = Column Total

The observed and expected frequencies are presented below:

Observed Frequencies and Expected Frequencies for PSCBs in India

PSCBs in India	Observed values	
	More than the Median	Less than the Median
PSCBs Ratio	1	6
SCBs Ratio	1	6

Following is the Calculation of expected values to compare the profitability of PSCBs in India:

Observed values	b1	b2	total
a1	1	6	7
a2	1	6	7
total	2	12	14

$$a1b1 = (2*7) / 14 = 1$$

$$a1b2 = (12*7) / 14 = 6$$

$$a2b1 = (2*7) / 14 = 1$$

$$a2b2 = (12*7) / 14 = 6$$

The calculation of chi- square value to test the hypothesis that there is no significant difference between the profitability of PSCBs in India and SCBs in India is given below:

Chi- square Test to Compare the Profitability of PSCBs in India

O	E	O-E	(O-E) ²	(O-E) ² / E
1	1	0	0	0
6	6	0	0	0
1	1	0	0	0
6	6	0	0	0
$X^2 = \sum (O-E)^2 / E = 0$				

$$X^2 = \frac{\sum (O-E)^2}{E}$$

Result

The calculated value of chi-square (0) is less than the table value both at 5 percent (3.84) and 1 percent (6.63) level of significance. Hence, the null hypothesis framed for this study is accepted. Therefore, it is concluded that there is no significant difference in the profitability of PSCBs and SCBs operating in India during the period under study.

FINDINGS OF THE STUDY

The findings of the study are summarized below:

- 4 Interest income shows an increasing trend. The growth rate of interest income of PSCBs in India was increasing from 84 percent and 88 percent. The compound growth rate of interest income of PSCBs was 85 percent.
- 5 The growth of total income of PSCBs in India was varying between Rs. 2,74,716crores to Rs. 8,61,400 crores. The compound growth rate of total income of PSCBs in India was 17.72 percent.
- 6 The growth of total income expenditure of PSCBs in India was varying between Rs.3,43,514Crores to Rs.7,70,200 crores. The compound growth rate of total expenditure of PSCBs was 12.22 percent.
- 7 The growth rate of operating profit of PSCBs took an increasing trend during the period under the study. The percentage variation was registered as 10.00 percent in 2013 to 1.9 percent in 2007. The compound growth rate for the study period was 16.39 percent.
- 8 The ratio of net profit to total assets varied from 0.90 percent and 1.35 percent during the study period.
- 9 Gross NPAs as percentage of total Assets (%) has been increased from 1.6 percent in 2007 to 2.4 percent in 2013, whereas Net NPAs as percentage of total Assets (%) has been increased from 0.6 percent in 2007 to 1.3 percent to 2013.
- 10 The difference between the interest received and the interest paid is spread. The interest spread showed an increasing trend in all the years of the study period.
- 11 According to the Median Test, there is no significant difference between the profitability of PSCBs in India and SCBs in India.
- 12 There is a high positive correlation between the profitability & interest earned: profitability & interest paid.
- 13 There is no significant difference between the growth rates, total income, total expenditure and net profit of PSCBs in India and SCB in India.

SUGGESTIONS

On the basis of the research findings, the following suggestions are offered to improve the profitability of the public sector commercial banks in India.

- Effective measures should be taken to recover dues from the borrowers.
- Non-performing assets should be reduced, so to earn good return over the present assets.
- Computerization and automation should be introduced which will help in reducing unproductive and expensive operations.
- Various campaigns and awareness programmes among the rural and poor people must be organized to make them aware of the banking activities such as encouraging saving habits, providing loans and other cashless activities.
- Frills account with no minimum balance should be introduced so to inculcate banking habits among the people.
- To maintain a steady growth rate of deposits, it is recommended that the banks should come forward to offer some subsidiary services like marketing assistance, technological assistance, insurance facilities, export facilities and so on.
- Banks should also make most of the efforts in reducing various operating expenses by taking some expert advices and services such as professional management etc.

CONCLUSION:

The study found that overall performance covering Deposits, Credits, Assets and Profitability of public sector banks has been satisfactory throughout the study. The growth rate of operating profit of PSCBs took an increasing trend during the period under the study. The percentage variation was registered as 10.00 percent in 2013 to 1.9 percent in 2007. There is a high positive correlation between the profitability & interest earned: profitability & interest paid. Also, there is no significant difference between the growth rates, total income, total expenditure and net profit of PSCBs in India and SCB in India. The calculated value of chi-square (0) is less than the table value both at 5 percent (3.84) and 1 percent (6.63) level of significance. Hence, the null hypothesis framed for this study is accepted.

In order to remain competitive in this world, it is suggested that banks should try to retain their human assets with contributes most to the organisation's goals. The authorities should further try to control the unnecessary expenses and avoid costly operations in order to increase the profitability.

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