- Literature Review:

NPA:

(i) Reddy (2002) stresses the importance of a sound understanding of the macroeconomic variables and systemic issues pertaining to banks and the economy for solving the NPA Problem along with the criticality of a strong legal framework and legislative framework.

(ii) Robert M. Adams, Lars Hendrik Roller, Robin C. Sicklese (2000) have taken loans and deposits as inputs only to show the performance of the banks. Market concentration in banking is typically measured in terms of total deposits. Market concentration affects the performance of banks.

(iii) Ajit (1997) in his paper examined the issue of para banking activities and suggested that banks should be allowed to undertake these activities, and use capital on the basis of experiences of other countries like USA.

(iv) Amandeep (1990) in her work evaluated the economic performance of banks, and profits and profitability of nationalised banks. The study analysed the factors/variables that influence the profitability of banks and suggested that in order to improve the banks’ profitability, the banks need to focus attention on the management of spread, burden, establishment expenses, other income and deposit composition. The study observed that priority sector lending and rural banking do not have an adverse effect on the bank profitability to a significant extent. Hence, advances to the priority sector and opening of rural branches may be extended in the larger interests of the society.

(v) Das (2002) analysed the level of risk and productivity of public sector banks and observed interrelationship of the fact that the productivity, capital base and risk taking attitude to be jointly determined and reinforced.

(vi) Rangarajan (1991) pointed out that improving the quality of loan assets is the true test of improving the efficiency of the banking system.

(vii) Goiporia (1992) made a general review of the profitability of banks and maintained that for adequate flow, the following priorities will have to be observed by the banks (a) lending operations have to be directed to areas which would maximize profitability and growth (b) non-find based operation should be promoted and (c) charging fees for bank services should be determined after taking into consideration the cost and benefit of services offered.

(viii) Gupta (2004) observed that amongst the seven parameters, NPAs are the most important variable that affects the performance of any financial corporation.

(ix) Hartough (1994) studied the implications of bankers action plan for profitable small business portfolio. He suggested that considering customer’s payment history and market condition etc., bank should make advance to most attractive and growth potential units.

(x) Hugar (1998) analyzing first phase of reforms found that with the introduction of reform packages, banks have improved their profitability, stated cleaning their balance sheets, improved the NPA position, but they are yet to give more focus on rationalizing cost structure.

(xi) Jain Alok Kumar (1993) in his work studied various aspects of bank marketing and suggested the areas where weaker and undeveloped sections needed support. He focused on the specific expectations on various types of banking customers and highlighted specific points for banker-customer relationship. He also pointed out that disparities in branch expansion and credit deployment should be reduced.
(xii) KalyanDebnath (1994) conducted a study on ‘Managing Non-Performing assets: A Professional approach for better asset Management’. The banks need to coin a new slogan- “Manage Credit or Perish”.

(xiii) Naidu and Nair (2002) attempted empirically the technical efficacy of scheduled commercial bank groups has declined during the post reform era which has indicated a severe competition among the bank groups.

(xiv) Naik (2006) indicated that the Government of India has to set the asset reconstruction companies to manage NPAs to face the challenges before the banking sector and give various management techniques like analysis of NPAs by sector, prevention of slippages, early warning signals and legal remedies etc. to cure NPAs problem.

(xv) Antony and M (2007) has made an attempt to design a model for pricing loans in the backdrop of Basel 2nd guidelines. Accordingly, interest rate for a loan is to be fixed as a sum of percentage costs, percentage risk premium and percentage of economic value added. The risk premium is the computation of the expected loss premium and unexpected loss premium depends on the value of profitability of default and loss given default and their values have to be arrived at based on past data. Expected loss is completed as the product of profitability of default and loss given default. Unexpected loss is computed as the product of weighted average cost of capital and economic capital required for the loan. To compute economic capital the IRB risk weight models of Basel 2nd are used.

(xvi) Bhatia (2007) found that the amount of NPAs has been on a continuous increase and had reached an alarming 6% in 2006 which was much higher than the 4% benchmark of Citi Financial.

(xvii) Banmali (2001) suggested a dispassionate and unprejudiced approach to weed out NPAs. A broad based and multi-pronged attack to the problem is necessary involving all staff members right form grass root level to the controlling points.

(xviii) Berger (1995) has shown the relationship between the capital and earnings of banks. It was shown in the study that there is strong and significant positive relationship between capital-asset ratio and returns on equity.

(xix) Kulkarni R. V. (2000) conducted a study ‘changing Face of Banking from Brick and Mortar Banking to E-Banking and discussed various aspects such as manual banking to computerized banking, stage of automation in nationalised banks, new PSIBs and FBs.

(xx) Rajender and Suresh (2007) an assessment on the cause and consequences of NPAs of the commercial banks was done.

(xxi) Rajaraman and Vasishtha (2008) applied a panel regression on the definitional uniform data available for a five-year period ending in 1999-2000, on non-performing loans of commercial banks.

(xxii) RaoRamchandra B (1994) conducted a ‘Review of three Similar Sized Nationalised Banks’ and concluded that all the banks have added sizable funds of their deposits, but the rise in deposits exceeding two years have not been substantial. As regards advances, these banks have gone slower due to non-fulfuilment of capital adequacy norms OBC with smaller capital base has maximized its income, whereas PNB and DB though bigger than OBC in capital base have been poor in management.

(xxiii) Roy (2001) articulated that customer loyalty management programme should be an important part of the relationship marketing exercise undertaken at the bank branches.
(xxiv) Ahmed (2009) concluded that Indian banking has huge quantum of NPAs and the effective management of NPAs is essential to speed up the growth of profitability of public sector banks.


(xxvi) Boovendran K. (1993) examined how the transition phase from a high CLR/SLR regime to a lower one can be used to simplify the laws related to the maintenance of CRR/SLR. The study also suggested that the liberalisation of the economy would be more meaningful if the complex rules and regulations are simplified.

(xxvii) Ravi (2004) emphasised on branch rationalization policy of banks for bringing down loss making branches. He also suggested continuous emphasis to be given on reducing deposit costs and burden, manpower re-deployment of loss making branches.

(xxviii) Rehman (2009) found that the volume of idle fund is in increasing trend that leads to increase the NPA level.

(xxix) Sinha R P (1995), examined the role of ‘Credit management, Technological Upgradation and Human Resoucemangement’ in the emerging competitive environment/

(XXX) Tarapore S S (1995), made an analytical review of the “Banks response to Reforms” and suggested that improvement in customer service especially for depositors, simplifying procedures and speed of operations should be the paramount objective of the banks if they are to be relevant in the emerging environment.

(XXI) Taori (2000) dealt with the NPA management in PSBs and stated that surest way of containing NPAs is to prevent their occurrences. He suggested proper risk management; strong and effective credit monitoring, co-operative working relationship between banks and borrowers etc should be the tenets of NPA management.

Productivity:
Over the past two decades, substantial research by financial economists in Government and Academia from all over the world has gone into evaluating the efficiency of financial institutions including commercial banks, highlighting the importance and greater frequency of this research in recent years. In what follows is presented a brief review of some of these studies published in the 1990-2010:

(i) Jones, Williams, Thorat&Thorat (2004) argued that discussions on banking reforms to reduce financial exclusion have referred little to possible attitudinal constraints, on the part of staff at both branch and institutional levels, inhibiting the provision of financial services to the poor. For this purpose behavior and attitude of rural bank branch managers, including personal background, professional background and workplace has been examined for the time period of May 2001 to April 2002 using both quantitative and qualitative analysis. They concluded that bank reforms to address human resource management, the work environment, intermediate bank management and organization, and the client interface are much more required than financial reforms.

(ii) Taneja& Singh (2004) argued that the efficiency of intermediating (financial Institutions) depends on the width, depth and diversity of the financial system. They measured the efficiency and financial performance of Public Sector Banks since commencement of the opting for the LPG programmed. For the purpose of analysis they studied the impact of banking sector reforms mainly on all public sector banks except SBI and its Associate, by data envelopment analysis with intermediation approach. They concluded that the
financial sector reforms has taken these banks in better position than pre-nineties as TFP growth in Indian PSBs was mainly driven by frontier effect i.e. Technological Efficiency Change.

(iii) Bhaumik and Piesse (2004) used bank-level data from India, for six years (1995-96 to 2000-01), and showed that while foreign banks have high credit-deposit ratios, the domestic banks experienced much greater improvements in technical efficiency in the context of credit. The most significant improvements in technical efficiency were registered by the domestic banks. They also found that there was weak evidence that foreign banks may be bullish only with respect to blue chip borrowers. Together with recent literature on the Indian banking system, these results emphasized the dominance of competition rather than changes in ownership-mix as a policy objective for banks in an emerging market economy.

(iv) C. HariVithalRao (1999) highlighted the importance of recovery of NPAs in the study ‘NPA Recovery Made Easy’ and stated that unless the banks curb the NPA menace with an iron hand, the banking industry itself will become the biggest NPA.

(v) Das (2002) analysed the level of risk and productivity of PSBs and observed inter-relationships of the fact that the productivity, capital base and risk taking attitude to be jointly determined and reinforced.

(vi) Joshi P. N. & Khan S. H. (2000) highlighted the various reasons of NPAs in banking in the article ‘NPAs: How do we tackle them’ and suggested various strategies for reducing NPAs such as revamping of organisation and management, overhauling of legal reforms and establishment of ARCs.

(vii) Patel K.V. &Kaveri V. S. (1998), conducted a study”Non-Performing Advances in Priority Sector” and highlighted the magnitude, implications of NPAs and factors responsible for accounts becoming NPA in priority sector.

(viii) Ram Mohan and Ray (2004) attempted a comparison between PSBs and their private sector counterparts based on measures of efficiency and productivity that use quantities of outputs and inputs. They employed three measures: Tornquist total factor productivity growth, Malmquist efficiency and revenue maximization efficiency for the period 1992-2000, comparing PSBs with domestic private and foreign banks. Out of a total of six comparisons they had made, there are no differences in three cases, PSBs do better in two, and foreign banks in one. In other words, PSBs were seen to be at a disadvantage in only one out of six comparisons. It is difficult, therefore, to sustain the proposition that efficiency and productivity have been lower in public sector banks relative to their peers in the private sector.

(ix) Sudhakar V.K. (1998) conducted a study “Policies and Perspectives of NPA reduction in Banks” and highlighted the dimensions of NPAs , accountability syndrome and critical amount concept.

(x) Tompson (2004) examined the state of the Russian banking sector in 2004 and assesses the most important reform initiatives of the last two years, including deposit insurance legislation, a major reform of the framework for prudential supervision, steps to increase transparency in the sector, and measures to facilitate the development of specific banking activities. He concluded that the Russian authorities’ approach to banking reform is to be commended. The design of the reform strategy reflected an awareness of the need for a ‘good fit’ between its major elements, and the main lines of the reform address some of the principal problems of the sector. The lacuna in the Russian bank reform strategy
concerned the future of state-owned banks. Despite a long-standing official commitment to reducing the role of the state – and of the Bank of Russia in particular – in the ownership of credit institutions, there is still a need for a much more clearly defined policy in this area.

(xii) Misra (2004) examined whether allocative efficiency of the Indian Banking system has improved after the introduction of financial sector reforms in the early 1990s. He studied Allocative efficiency of twenty three States of India for two periods 1981-92 and 1993-2001; broadly corresponding to the pre financial sector reforms and the post reforms periods, respectively. He carried analysis under panel co integration framework which revealed that overall allocative efficiency of the banking system had almost doubled in the post reform period. This suggested that reforms are successful in improving allocative efficiency of the banking system in India. He also estimated Allocative efficiency at the State and sectoral level to get a deeper insight. The allocative efficiency of Banks’ funds deployed in the services sector had improved in the agriculture and deteriorated in industry during the post reform period for the majority of the States. He found improvement in the overall allocative efficiency in the post reform period for the majority of the States. Further, the improved allocative efficiency was more marked for the services sector than for industry across the States.

(xiii) Das, Ray and Nag (2005) used Data Envelopment Analysis to measure labour use efficiency of individual branches of a large public sector bank with several thousand branches across India. They found considerable variation in the average levels of efficiency across the four metropolitan regions considered in this study. In this context, they introduced the concept of area or spatial efficiency for each region relative to the nation as a whole. Their findings suggested that the policies, procedures, and incentives handed down from the corporate level cannot fully neutralize the influence of the local work culture in the different regions. Most of the potential reduction in labour cost appears to be coming from possible downsizing the clerical and subordinate staff. Their analysis identified branches that operate at very low levels of efficiency and may be gainfully merged with other branches wherever possible.

(xiv) A.A. Reddy (2006) examined total factor productivity scale and technical efficiency changes in regional rural banks by using DEA and Malmquist index from 192 banks for the period 1996 to 2002. He found that the technical efficiency of rural banks is higher in service provision than in the parent public sector banks. The efficiency of rural banks is higher in economically and socially developed regions as well as in low banking density regions. Rural banks show significant economies of scale in terms of assets and number of branches under each bank. Total factor productivity growth of rural banks was higher in profitability than service provision during the liberalisation period. Banks located in economically developed as well as low banking density regions exhibited significantly higher productivity growth. Overall there was a convergence of efficiency of rural banks during the study period. There is no influence of parent PSBs on the efficiency and productivity growth of rural banks. The decomposition of productivity into technical change growth and technical progress indicated that technical efficiency change contributed more to productivity growth than technical progress in both rural and parent PSBs, however, comparatively contribution of technical progress is higher for rural banks than parent PSBs.

(xv) Shenoy (2001) dealt issues relating to the Indian banking and has stressed on proper asset liability management and credit monitoring system.

(xvi) Sukumaran and Shaheena (1991) made an attempt to study management of Spread, burden and profitability by preparing a case study of PalghatDistrict Cooperative Bank. It indicated that the management of spread, burden and profitability within the bank during the reference period was not that much effective, and unless and otherwise the bank take immediate and necessary steps, the position of the bank may become still worse or even uncontrollable within a short period of time.

(xvii) Trippe (2004) has measured the efficiency of banks in New Zealand banks’ efficiency is compared with the efficiency of Australian banks. The model took intermediary role of commercial banks where inputs are interest and non-interest expenses (staff expenses) and the output are interest income and other incomes earned from service and agency. Most of the studies have focused on measuring efficiency of PSBs at different time periods by using the different methodologies except some studies like Das (2005) and Ram Mohan Ray (2004) has taken all the banks.

It must cover the work done by other researchers in this field. It should include review of 40 – 50 research papers published in international and national research papers covering duration 2011 – 1990 (last 20 years from the year of registration). Every reference should be represented by 3- 6 lines abstract list of that paper. In case of languages references of books can be considered.