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**“PERFORMANCE APPRAISAL OF  
STATE BANK OF INDIA AND  
ITS ASSOCIATE BANKS”**

Thesis  
Submitted To  
Saurashtra University  
Rajkot-360 005

For  
The Award of the Degree of  
**Doctor of Philosophy**  
(Commerce)

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### ***CERTIFICATE***

*It is certified that the work incorporated in this thesis entitled "PERFORMANCE APPRAISAL OF STATE BANK OF INDIA AND ITS ASSOCIATE BANKS" which is being submitted for the award of the degree of Doctor of Philosophy in the faculty of commerce, Saurashtra University, Rajkot is the result of independent and original research work, carried out by the candidate Ms. Parul P. Chotalia under my supervision and guidance. The work embodied in this thesis has not formed earlier the basis for the above any degree similar title of this or any other university or examining body.*

Date : September, 2007

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## **DECLARATION**

The undersigned, here by declare that the thesis entitled, **"Performance Appraisal of State Bank of India and its Associate Banks"** submitted by me for the degree of Doctor of Philosophy has not been submitted for any other Degree or Diploma or other similar title of this or any other university examining body.

Date : September, 2007

Place : Rajkot

Signature of Researcher

(Ms. Parul P. Chotalia)

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**CHAPTER-1**  
**"DEVELOPMENT OF THE BANKING  
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## **1.1 Emergence of Banking Industry :**

Evolution of banking business traced to the barter system of the human civilisation. In the beginning of the human civilisation money was not in existence. The requirements of the commodities and services were fulfilled through barter system. It's impossible for a person to produce all those things and services, which he requires for his consumption, as his aptitude and ability are not versatile. Even if, every person in the community gifted with versatility, it would be advisable for him to engage the resources in production of the commodities or services more than one's requirement and to exchange or barter the surplus amount of commodities or services so produced against those commodities or services which were produced by others and were needed by him.

But this barter system suffered from many shortcomings like:

- Lack of unit of account
- Lack of double coincidence of wants
- Lack of medium of exchange
- Lack of efficient store of value

For overcoming the above-mentioned shortcomings, money was invented and put into practice.

Man among the most significant and useful inventions ever makes money. Invention of money is a multifold blessing to mankind. It is a significant and essential factor for the development of any economy. Money functions as the generally accepted medium of exchange for goods, services, assets and repayment of debts. Money is the centre around which all activities clustered as money is the one convenient



means of measuring human motives on a large scale.<sup>1</sup> Stressing the fact that almost all economic activities at present time are money-oriented. Pigou stated that “in modern world ‘industry’ is closely enfolded in a garment of money.”<sup>2</sup> Money affects the market but does not play a productive role itself. Financial institutions play the role of bridging the gap between those who have savings and those who need it.

Bank is one of the most significant financial institution which commands large financial resources and play a vital role in shaping the economy of any country by judiciously deploying their funds for activities as would lead to an overall economic growth.

## **1.2 Historical Perspective of Bank : Global Scenario**

Banking in its most naive form, is as old as authentic history. As early as 2000 B.C., Babylonians had developed a system of banks.<sup>3</sup> The New Testament mentions about the activities of the moneychangers in the temples of Jerusalem. In ancient Greece and Rome the practice of granting credit was widely prevalent.<sup>5</sup> Traces of credit by compensation and by transfer orders are found in Assyria, Phoenicia and Egypt.<sup>6</sup> Christians also took to the lucrative business of money-lending and entering into keen competition with the Jews who had hitherto monopolised the business of lending on interest.<sup>7</sup> The most ancient public banking institution “The Bank of Venice” was founded in 1157 A.D. around the middle of the 12<sup>th</sup> (twelfth) century in Italy. A ‘Monte’ (a standing bank or mount of money) was in existence in Florence in 1336.<sup>8</sup> The Bank of Barcelona and Bank of Genoa was established in 1401 and 1407 respectively.<sup>9</sup> The famous public bank, Bank of Amsterdam was founded in 1609. The Bank of England came into existence in 1694 in the private sector banking.<sup>10</sup> It was Schumpeter who first established on

explicit linkage between financial institutions and economic development in a functional sense. Cameron and others have done a considerable amount of substantive research in an historical perspective regarding banking in the early stage of industrialisation in several economies, which are now in the developed category.<sup>11</sup>

Thus, the era of modern joint stock commercial banking system commenced in the leading countries of the world.

### **1.3 Historical Perspective of Bank : Indian Scenario**

Banking system was in existence, in the crudest form during vedic period in India.<sup>12</sup> During the Ramayana and the Mahabharata eras, banking had become a full fledged business activity.<sup>13</sup> The members of the Vaish Community carried on the business of banking. Manusmriti and Kautilya's Arthashastra bear testimony to the existence and effective working of a banking system in India early in history.<sup>14</sup> Literature of the Buddhist period supplies good evidence of the existence of "Sresthis" or Bankers.<sup>15</sup> Hundis or indigenous bills of exchange came into use about the 12<sup>th</sup> century A.D. During the Mogul period, metallic money was issued and the indigenous bankers added one more line of money changing to their already profitable business.<sup>16</sup> French traveller J.B. Tavernier wrote in the 17<sup>th</sup> century that every village in India had a money changer called the "Shroff", who according to him, was called as a banker to make remittances of money and issue letters of exchange. The employees of the East India Company started commercial banks in Calcutta and Bombay, which were known as "Agency Houses". These Agency Houses were similar to the indigenous bankers.<sup>17</sup> 'The Bank of Hindustan', the first joint stock bank, was founded in India in 1770 by the

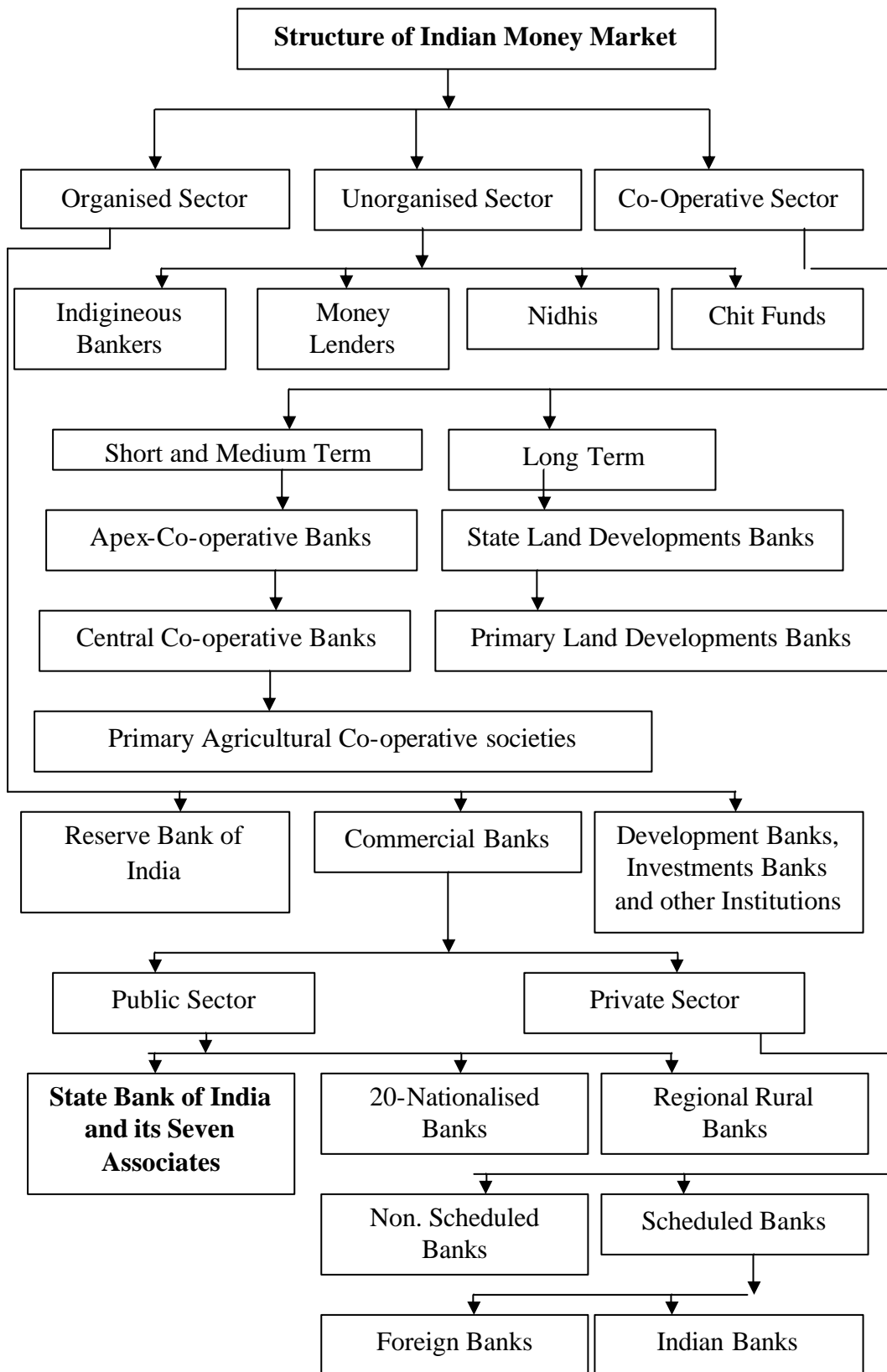
Alexander and Company. The Bengal Bank and the General Bank of India were established in 1785.<sup>18</sup>

Among the earliest banks established in India were the Bank of Bengal (1805), the Bank of Bombay (1840) and the Bank of Madras (1843). These three banks were also known as “Presidency Banks.”<sup>19</sup> Up to the period, there was no banking legislation in India but the indigenous bankers were working on norms and taboos of the community. The principle of limited liability was introduced in 1860, which encouraged the establishment of many commercial banks in the country. The Presidency Banks act was passed in 1876 and operations of the three Presidency Banks were brought under this unique statute.<sup>20</sup> The Swadesi Movement gave a fillip to Indian Joint Stock Banking and several leading banks were established around this time.<sup>21</sup>

The Oudh Commercial Bank was the first purely Indian bank, established in 1881. Then, followed the Punjab National Bank in 1894 and the People’s Bank in 1901. During the period from 1906 to 1913, the number of small banks were formed / founded.<sup>22</sup>

## 1.4 Structure of Indian Money Market

Chart 1.A



## **1.5 Emergence of State Bank of India :**

The Bank of Bengal submitted a proposal in 1867 before the East India Company government for a big bank. But the government refused the proposal. Afterwards, the government proposed in 1899 to amalgamate three Presidency Banks into one as a Central Bank. But this time the Presidency Banks disfavoured the idea.<sup>23</sup> However, the 1<sup>st</sup> World War emphasised the need for a unified banking institution. As a result the Imperial Bank of India was established on 27<sup>th</sup> Jan. 1921 by the amalgamation of the three Presidency Banks in pursuant of the Imperial Bank of India Act no. XIVII of 1920, with the 70 branches.<sup>24</sup> At the time of amalgamation, the three Presidency Banks and 70 branches had total paid up capital of Rs. 3.75 crores and reserves totaling Rs. 3.5 crores.<sup>25</sup> The Imperial Bank of India performed the routine functions of a commercial bank and was also called a “Banker to the Government.” The basic idea was to develop Imperial Bank into a full fledged Central Bank.<sup>26</sup> But, in 1926, the Hilton Young Commission recommended the creation of a separate bank, to be called the R.B.I. (Reserve Bank of India) to perform central banking functions, so as to leave the Imperial Bank of India entirely free to perform the commercial banking business.<sup>27</sup> The Reserve Bank of India Act was passed in 1934.<sup>28</sup> Reserve Bank of India was established on 1<sup>st</sup> April, 1935.<sup>29</sup> The central bank functions were transferred to it. However, at places where the Reserve Bank had no offices, Imperial Bank of India acted as the Reserve Bank’s agent to transact government’s banking business and maintain currency chests on behalf of the Reserve Bank of India.<sup>30</sup>

During the period of war, it witnessed considerable growth in the number of banks in the country. Worth mentioning, new banking companies were the Bharat Bank Ltd., the Hindustan Commercial Bank

Ltd., the United Commercial Bank Ltd. and the Travancore Bank Ltd. The establishment of the first three banks was due to the initiative shown by the three well-known industrial houses of Dalmias, Singhanias and Birlas. Of these three banks, the Bharat Bank Ltd was merged with the Punjab National Bank Ltd in 1951 while the other two still continue with the United Commercial Bank being considered among the 'Big Five'.<sup>30</sup>

Thus, during the period of 1939 to 1945 many more commercial banks were established in the country. At the time of independence, in 1947, there were 648 banks in the Indian Union, which were working with a total of 4820 branch offices with Rs. 1050 crores deposits and Rs. 480 crores advance.<sup>31</sup> Soon after independence in 1947, there was a general demand for the nationalisation of key and basic industries, the R.B.I. and the Imperial Bank of India. This demand was made due to the bank's peculiar and strong position in Indian banking system and as foreigners and the management managed it was highly bureaucratic.<sup>32</sup> India launched its first five year plan in 1951 for the development of rural area. It was constituted in it that about 80 % of the country's population resided in the rural areas so rural India was given the highest priority. Commercial banks including the Imperial Bank of India were prospering in the urban sector and were not equipped to respond to the emergence needs of economic regeneration of rural areas. Therefore, to serve the economy in general and rural sector in particular the All India Rural Credit Survey Committee recommended the creation of a state partnered and state sponsored bank by taking over the effective control over the Imperial Bank of India which was the biggest commercial bank in the country.<sup>33</sup> There was also a demand in the country for the nationalisation of the bank.<sup>34</sup> The Government of India accepted the recommendation of All India Rural Credit Survey Committee and the decision to establish a

State Bank of India was announced in the Lok Sabha by Shri C.D. Deshmukh, the then Finance Minister. The Government of India introduced the State Bank of India bill in the Lok Sabha on 16<sup>th</sup> April 1955 and it was passed by the parliament and got the President's assent on 8<sup>th</sup> May 1955. The act came into force on 1<sup>st</sup> July 1955 and from this date the whole of the undertaking of the Imperial Bank of India within the country was transferred to the State Bank.

Thus, the erstwhile Imperial Bank of India was nationalised from July 1, 1955 and rechristened as "State Bank of India".<sup>35</sup>

Later, the State Bank of India (Subsidiary Banks) Act was passed in 1959 and received the assent of the President on 10<sup>th</sup> Sept. 1959. According to the provision of the Act the following eight state subsidiary banks were taken over by the State Bank of India as its subsidiaries.<sup>36</sup>

1.	State Bank of Hyderabad	1 <sup>st</sup> Oct. 1959
2.	State Bank of Bikaner	1 <sup>st</sup> Jan. 1960
3.	State Bank of Jaipur	1 <sup>st</sup> Jan. 1960
4.	State Bank of Mysore	1 <sup>st</sup> Mar. 1960
5.	State Bank of Indore	1 <sup>st</sup> Mar. 1960
6.	State Bank of Travancore	1 <sup>st</sup> Mar. 1960
7.	State Bank of Patiala	1 <sup>st</sup> Apr. 1960
8.	State Bank of Saurashtra	1 <sup>st</sup> May 1960

Later State Bank of Bikaner and the State Bank of Jaipur were merged and formed one bank the State Bank of Bikaner and Jaipur. The separate entity of these banks was retained in the forms of subsidiaries,

now, known as associates, to enable them to serve the local needs in their respective areas.

## **1.6 Challenges of Indian Banking Sector :**

N. Ravichandram (Prof. IIMA)<sup>37</sup>

### **- Managerial Challenges :**

The new rules of competition require recognition of the importance of consumers and the necessity to address the needs through innovative products supported by new technology. As a consequence of competition, the managerial challenges include market segmentation, product positioning, innovative delivery channels, cross selling, etc. At an organisation level, elaborate systems need to be evolved to manage, assess and contain risk including portfolio, client and exchange rate.

The banks may have to re-orient their resources in the form of reorganised branch networks, reduced manpower, dramatic reduction in establishment cost, honing the skills of the staff and innovating ways of attracting talented managerial pool. The Government of India and Reserve Bank of India on their part would strengthen the existing norms in terms of governing and directing the functioning of these banks. Banks need to strengthen their audit function.

KV Kamath (MD and CEO, ICICI Bank) :<sup>38</sup>

### **- Managing Technology :**

Early adopters of technology acquire significant competitive advantage. Therefore, managing technology is a key challenge for the Indian banking sector. Wide disparities exist between various banks as far as technology capabilities are concerned, the sector as a whole needs to make significant progress on this front.



- **People :**

Another critical area for the Indian banking sector is people. The activity to attract and retain talent is a key success factor for a people-oriented business like banking. Banks have to build organisations that are process-driven yet innovative, stable yet flexible and responsive to change.

- **Structural Challenges :**

The Indian banking sector continues to face some structural challenges. We have a relatively large number of banks, some of which are sub optimal in size and scale of operations. On the regularity front, alignment with global developments in banking supervision is a focus area for both regulators and banks.

The new international capital norms require a high level of sophistication in risk management, information systems and technology, which would pose a challenge for many participants in the Indian banking sector. The deep and often painful process of restructuring in the Indian economy and Indian industry has resulted in asset quality issues for the banking sector; while significant progress is being made in this area, a great deal of work towards resolution of this legacy issues still needs to be done.

- **Competition :**

Going forward this sector will witness increased competition between domestic player and possibly also from foreign banks that may seek to expand their presence in Indian market, given the opportunities that the Indian market offers. The winners in this sector will be the players who can understand the customer, fulfill customer needs and achieve high levels of customer fulfillment, leveraging, technology, knowledge and human resources to provide quality products and service and manage risks and returns thereby delivering value to all stake holders.

S.S. Kohli (CMP, Punjab Nation Bank)<sup>39</sup> :

- **Competition :**

As the Indian banks move gradually beyond universal banking and position themselves as financial service providers, banking business is getting redefined. Technology is unsettling the earlier business processes and customer behaviour is undergoing change. These have enhanced the forces of competition. To survive under these conditions, the public sector banks will have to undertake business process reengineering, redefine their strategy and reorient their organisation structure. Besides they will have to align their IT strategy and HR strategies to the overall business strategy.

PS Shenoy (CMD, Bank of Baroda)<sup>40</sup> :

- **Customer :**

In India currently there are two types of customers one who is multi-channel user and the other who still relies on a branch as the anchor channel.

The primary challenge is to give consistent service to customers irrespective of the kind of channel they choose to use. The channels broadly cover the primary channels of branch. (i.e. taller, platform, ATM) phone banking (i.e. call centre, interactive voice response unit) and internet channel (i.e. personal computer, browser, wireless). A retail customer selects a bank based on two criteria convenience and relationship and would continue with a bank if it provides good service. A customer would leave a bank if its services manifested errors, long wait and inconsistent information. For customers who are multi-channel users, consistent information across all channels is the key requirement of modern retail banking.

- **Retail Banking :**

The challenge before the Indian retail banking industry is two fold: focus and execution. Each bank must sharply focus on its largest market place and rapidly execute its services.

- **NPA**

India has, over the years, developed a protective wall to insulate itself against the turbulent international financial events. Nowever, the weaker spot indicating vulnerability in the banking sector is the levels of NPAs, which are still not at the level of acceptability by prudent international standards. This poses a major challenge for the banking sector in the near future.

- **R.M. Nayak (MD and CEO, Lord Krishna Bank)<sup>41</sup> :**

The emergence of new banks and the liberty for banks on mobilisation and deployment of resources, recruitment, expansion rationalisation of branches, etc. coupled with changes in CRR have thrown open a lot of challenges and opportunities for the banks making them more vibrant. These developments have necessitated professional risk management and intense practice of good governance.

Some of the challenges that the banks are facing today are:

1. Changing needs of customers.
2. Coping with regulatory reforms
3. Thinning spread
4. Maintaining high quality assets.
5. Management of impaired assets.
6. Keeping pace with technology upgradations.
7. Sustaining healthy bottom lines and increasing shareholder value.

- **PT Kuppuswamy (Chairman and CEO, The Karur Vysya Bank)<sup>42</sup>** :

The Indian banking sector is faced with multiple and concurrent challenge such as increased competition, rising customer expectations and diminishing customer loyalty, pressure on spreads and systematic changes to align with international standards have necessitated a re-evaluation of strategies and process in order to remain competitive in this dynamic environment.

The challenge is how to service mass, market customers profitably. It should be the business imperative to understand a customer’s expectations and appetite for risk. The developments in the sector should improve the cost structures of the banks.

Retail banking is the emerging phenomenon in the banking sector. The home loans alone account for nearly two third of the total retail portfolio of the bank. According to one estimate the retail segment is expected to grow at 30-40 percent in the coming years.

Housing finance is poised to register an unprecedented growth rate, as the tax incentives are made more attractive. A well-conceived business plan is bound to be a sure fire hit in a country where the current urban and rural housing shortage is pegged at 7.2 million and 13.2 million units respectively. Even a 3 percent share in urban housing demand at the rate of Rs. 0.5 million per dwelling unit translates concisely into a business level of over Rs. 100 billion.

**Model for Challenges**

	<b>Old Model</b>		<b>New Model</b>
1.	Cash Payment	1.	NPA Management
2.	Teller	2.	Risk Management
3.	Draft	3.	ERP (Enterprise Resource Planning Software)

- **New Challenges**

The financial sector reforms have laid the base for a sound and viable banking system even though we have to travel still same distance.

The following are the new challenges for future banking:

1. Greater specialisation by banks in different niches of the market such as retail, agriculture, export, small-scale and corporate sector.
2. Greater reliance on non-fund business such as advisory and consultancy services, guarantee and custody services.
3. Greater over lap in product coverage between commercial banks and non-bank financial intermediaries.
4. Greater financial dis-intermediation with large companies accessing securities debt domestically and from financial markets abroad.

All of these will require the banks to prepare a corporate plan over the next five years taking into account its own strengths and the markets in which it is looking to operate. Banks should not expect customers to walk in. They should seek customers. That will be the important change in new scenario. <sup>43</sup>

### **1.7 Achievements of Indian Banks :**

Indian banking has witnessed tremendous changes in the wake of the new economic reforms ushered in the year 1992. The reforms have positively impacted on the banking system, which has become more resilient, competitive and efficient with better productivity.

Such Achievements of Indian Banks are depicted as follows:

## **1. A Massive Banking Sector :**

Indian banking has a massive structure with over 65000 Branches, 19 government banks, 8 state bank group banks, 21 old private sector banks and 9 new private sector banks. There are 36 foreign banks as well. The market share in terms of total assets was 90 % for public sector banks in the year 1991. It has fallen to 75.7 % by the year 2006 with the advent of new private banks, which account for 11.3 % of assets, while old private banks contribute 6.3 % (3.6 % during 1991). Foreign banks have not significantly enlarged their market share during this period, having improved only to 6.8 % (2006) from 6.3 % (1991).

A comparative study of the various sector of banks (old private banks, new private banks, foreign banks and PSBs) reveals that what matters in India is not ownership of banks but sound management and governance standards.

## **2. Performance Indices:**

At the end of March, 2006 the aggregate deposits of commercial banks stood at Rs. 1622481 Crores registering a growth rate of 12.94 % over the previous year. Loans and advances amounted to Rs. 1106128 Crores, a rise by 29.49 % over the previous year. The net profit raised to Rs. 16539 Crores (Rs. 15443 Crores for the previous year) a rise by 7.10 %. Investments stood at Rs. 633741 Crores a decrease by 7.65 % over the previous year. Indian banks provide finance to industries, trade, retail sector, agricultural and small-scale sector. They have a strong presence in rural and semi-urban sector.

### **3. Monetary and Credit Policy Developments:**

Reserve Bank of India, which is the central banking authority aims at financial stability through structural and regulatory measures. It envisages the new economic reforms in the banking sector as those aimed at enhancing operational efficiency through competition and prudential norms. It concentrates on areas like credit delivery mechanism, implementation of new technology and strengthening institutional infrastructure for banks.

In its recent policy statement, it explains that it is committed to maintain adequate liquidity in the market, with a preference for soft interest rates. The bank rate as a consequence has been reduced by 25 basis points (April 29, 2003) to 6 %. The cash reserve ratio (last revised on June 14, 2003) stands at 4.5 % and the statutory reserve ratio continues at 25 %. The credit deposit ratio stands at 68 % during 2006. There was deregulation of interest rates, following the implementation of reforms. Depositors enjoy insurance coverage up to rupees one lakh. Other major features of the reforms include introduction of prudential norms with regard to capital adequacy, income recognition, provisioning and asset classification, nearly at par with international standards. Other developments include risk-based supervision, a system of prompt corrective action, more effective risk management initiatives and corporate governance. While the aim is to attain international standards in these areas, the banking system has still a long way to go in this regard.

### **4. Management of Non-Performing Assets :**

The biggest challenge for the banks in India is efficient management of Non-Performing Assets. Net Non-Performing Assets, as percentage of net advances stand at 1.2 % for the year 2005-06. This figure has improved during the last 4 years by 2.5 percentage points.

Banks are now able to register recoveries in excess of the incremental NPAs, which is a sure sign of effective recoveries.

Banks have been adopting a multipronged strategy in recovery management in the form of onetime settlements, compromise scheme, lok adalats, debt recovery tribunals, Corporate Debt Restructuring, etc. The recently passed Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act-2002 (SARFAES Act) has a positive impact on recoveries, through the Act covers only secured borrowings. Its deterrence value is of particular significance for banks. As at the end of June 2003 an amount of Rs. 500 Cr. has been recovered under this Act, which is 4.1 % of the outstanding amount. This figure may be modest in percentage terms but better results are expected in future.

**Table-1-A**  
**Bank Group-wise Movements in Non-performing**

**Assets 2002-03'**

Particulars	Scheduled Commercial Banks (93)	Public Sector Banks (27)	Old Private Banks (21)	New Private Banks (9)	Foreign Banks (36)
<b>Gross NPAS</b>					
As at end March, 2002	70,153	56,473	4,389	6,821	2,469
Additional during the year	21,863	16,065	1,625	2,649	1,523
Reduction during the year	23,302	18,452	1,447	2,239	1,164
	68,174	54,086	4,568	7,232	2,829
As at end March, 2003	35,256	27,958	2,775	3,663	860
<b>Net NPAS</b>	32,764	24,963	2,741	4,142	918
As at end March, 2002					
As at end March, 2003	7,78,043	5,77,813	51,329	94,718	54,184
<b>Memo</b>	7,40,473	5,49,351	49,436	89,515	52,171
Gross advances					
Net advances	8.8	9.4	8.9	7.6	5.2
<b>Ratio</b>	4.4	4.5	5.5	4.6	1.8
Gross NPA/Gross. advances					
Net NPA/Net advances					

Source: Trend and Progress Report-2003, RBI.



## **5. Overall Performance :**

In terms of overall performance, banks are able to reduce cost of funds to the range of 4.4 to 6.1 (2005-06), return on advances to 9 to 10.3 ranges and return on investments to 7.7 to 9.2 ranges. The profitability for the past three years has been particularly good, thanks to the lucrative treasury operations, in a favourable scenario of falling interest rates. It is in the context that as a long-term strategy banks need to augment the investment fluctuation reserve to a minimum of 5 %, which is at 1.8 % (March, 2003). Capital adequacy levels are progressively improving beyond the prescribed minimum level of 9 %.

## **6. Consolidation Efforts – Recent Developments:**

There is significant activity with regard to consolidation efforts, with a view to become more competitive and strong. Times Bank was merged with HDFC Bank during the year 2000. Bank of Madura was merged with ICICI Bank (year 2001).

Nedungadi Bank, a victim of irregular management during the Ketan Parekh stock scam has been merged with Punjab National Bank during the year 2003.

Foreign Direct Investment limit in banks has been rose from 49 % to 74 % during the year 2003. This should facilitate setting up of subsidiaries by foreign banks and attracting investments into private sector banks. With the proposed removal of the rigidities in voting rights, perhaps there could be a spate of takeovers of private banks by foreign banks.

## **7. The Decline of Development Financial Institutions:**

Development Financial Institutions are being transformed into universal banks or merged with commercial banks with a view to reduce

their cost of funds. ICICI has undergone a reverse merger with ICICI Bank, transforming the latter into a universal bank and a financial super market. IFCI is heading for a merger with a commercial bank shortly. Infrastructure Development Finance Company (IDFC) may be taken over by a commercial bank very soon.

Industrial Development Bank of India (IDBI) will transform itself into a universal bank during the year 2004, with the passage of the amendment by the parliament recently.

## **8. The Technology Edge:**

While foreign banks and new generation private banks have sophisticated automation system in place, old generation private banks and public sector banks have also initiated radical changes in scaling up automation levels. Nearly 80 % of the business of these banks has already been computerized. Banks are now focusing on integration of IT strategy and business strategies for enhancement of efficiency and productivity.

According to management consultancy firm Mckinsey and company, Indian banks have the highest Compound Average Growth Rate (CAGR) of profits among banks internationally. The CAGR is 39% in the five years between 1996 and 2001, as against the global average of 18 %. However, Indian banks fail to score points on profitability per customer. Also, return on capital and the actual profitability of the core banking operations are not adequate.

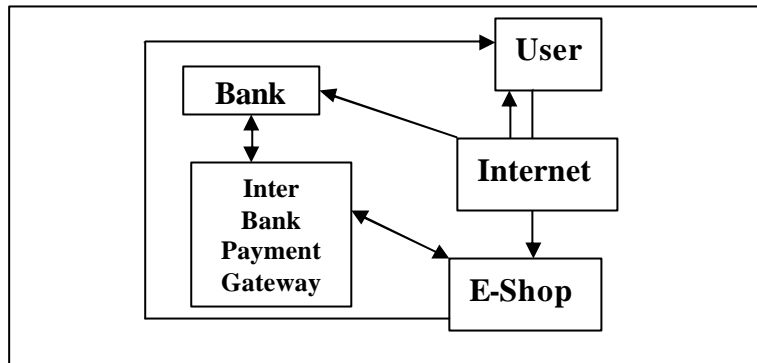
The winning strategies outlined by Mckinsey<sup>44</sup> are:

Clear customer segmentation and product offerings; focus on cost efficiencies and entrepreneurial ability to face stiff competition.

## 1.8 Future Banking

**Chart 1.B**

### **Future Banking**



Source: Professional Banker May-2004.

The changing face of the banking industry is aiming towards a different scenario altogether. The Reserve Bank of India has been in the process of implementing certain payment system applications such as the Public Debt Office – Negotiated Dealing System (PDO – NDS), Securities Settlement System (SSS), Centralized Funds Management System (CFMS), Real Time Gross Settlement System (RTGS), Integrated Accounting System (IAS) and Structural Financial Messaging System (SFMS) which will facilitate settlement of inter-bank payments in secured real time online environment. RBI has been making concerted efforts at increasing the coverage of the INFINET. With this support from RBI and the technological explosions, the future outlook in the banking industry as far as public sector banks are concerned, directly needs the following:

1. Mitigation towards introduction of IT delivery channels that meet the customer requirements by adoption of right technology through established WAN channels to all the branches and probably moving towards core banking.

2. The branches to be recognized to cater the personal needs of their customer who offers maximum value to the profit of the bank.
3. The customers to be mobilized to use various delivery channels so as to reduce the cost of transactions.
4. The branches are re-engineered into financial boutiques by reducing the routine staff and managerial staff, which will bring down the staff cost of the branch and so also decreasing the overhead transaction cost.
5. In the areas where the customers are not exposed to the technologically advanced infrastructure, the branches to be modified into such enclosures where access to all these facilities made available to the customers at subsidized rates. This will convert the present customers into techno-sav customers and help the bank to reap the maximum benefit of the technology.

### **1.9 Indian Banks: Going Innovative:**

In India, banks are spending huge money to acquire latest technology. Banks are adopting the cutting edge technology to fight competition and improve their margins. There are several tech savvy banks in India like ICICI Bank, HDFC Bank, etc. that is still spending more to acquire highly developed technology. Public sector banks are also in the race, upgrading their tech edge; for e.g. State Bank of India is spending around Rs. 500 cr. to acquire ultra modern technology. “Technology in modern banking is not an option, it is a necessity”, according to a banker. Besides private and public sector banks, urban cooperative banks are also going tech savvy.

Today, banks are able to provide products, which were a distant dream in the past. For example RBI has started an innovative payment

and settlement system named Real Time Gross Settlement (RTGS) system by October 2003, which makes the banking, services faster and more efficient for the customers. Funds transfer between banks under the system will be real time basis.

Technology is changing the way banks interface with their customers, resulting in increased customer base for the banks. The customer need not go to a branch for a transaction; he can do it via Internet, mobile phone or even the landline.

### **Core Banking :**

Core Banking is the buzzword today and every bank is trying to adopt it. It is a centralized banking platform through which a bank can control its entire operation. The adoption of core banking solution will help banks to roll out new products and services. This software provides in depth knowledge about customers, which is essential in the present competitive scenario. It will also increase competition and put pressure on margins besides which greater focus on risk management is needed. Punjab National Bank which has a core banking solution says that a core banking solution was chosen as it would enable the bank to provide value-added services to its customers and meet all future requirements and enable launch of new products and services. There is another great story. The Mumbai based Bharat Co-operative Bank, the first Co-operative Bank in India, has recently successfully implemented the enterprise-wide core banking solution. OMNI enterprises, provided by soft technologies, which will cover retail, ATM switch Internet banking, phone banking, FOREx, treasury and support modules.

### **ATMs :**

China has around 65,000 installed ATMs and the global average is of two or three ATMs per branch. Compared to these figures, India is far behind with an installed ATMs base of around 10,000 up to March 2003. Though banks plan to invest heavily in new ATMs in the coming two to three years, it is expected that there is only around 17,000 ATMs by the end of 2004. According to a banker, "Today banks are increasing their ATMs base not for additional services to their customers but for their survival". Bankers also predict that increased base of ATMs will help them to retain customers and prove a vital marketing channel. According to a banker a customer would be able to get a move / air ticket, even an insurance policy from the ATM in future.

Cost per transaction at an ATM is much less than a transaction at the branch and it can be reduced by as much as 50 % of the cost at a branch. There are 5559 ATMs of state Bank group as on 31st March 2006.

### **Internet:**

While Internet banking is in place for the last four years in India, it has just started showing signs of picking up. Today, banks in India are in the process of web-enabling their services in order to offer Internet banking to their customers. Through Internet, banks can provide their services in a cost effective manner. Internet banking has numerous benefits like greater reach to customers, quicker time to market, ability to introduce new products and services quickly and successfully ability to understand its customers' needs greater customer loyalty etc.

Earlier, customers were not using this mode of banking for security reasons but now they have realized that this is a safe and effective way of

banking. However, banks are still disseminating a major portion of information through tele banking and mobile services.

Banks have commenced computerization of their branches at a war footing to provide Internet banking. There are around 68,000 bank branches in India of which only 20 % are computerized. It is expected that by 2006 almost all branches will be computerized.

### **1.10 Historical Perspective: State Bank of India and its Associates:**

#### **☞ State Bank of India (SBI):**

The origin of the State Bank of India dated back to 1806 when the Bank of Calcutta (later called the Bank of Bengal) was established. In 1921 the Bank of Bengal and two other presidency banks (Bank of Madras and Bank to Bombay) were amalgamated to form the Imperial Bank of India. In 1955, the Reserve Bank of India acquired the controlling interest of the Imperial Bank of India and State Bank was created by an Act of Parliament to succeed the Imperial Bank of India. Over the years, the Bank has expanded rapidly and today commands one fifth of the Indian Banking business. Under the State Bank of India (subsidiary banks) Act 1959, the State Bank of India took over eight former State associated banks as its subsidiaries. AS a result of merger of two of these subsidiaries got merged with each other and remaining 7 banks remained subsidiaries of the State Bank of India. These are: State Bank of Bikaner and Jaipur, State Bank of Indore, State Bank of Mysore, State Bank of Patiala, State Bank of Saurashtra, State Bank of Travancore and State Bank of Hyderabad.

Today, the State Bank Group comprising State Bank of India, seven associates, a banking subsidiaries and eight non-banking subsidiaries have resulted in a super market. The SBI group has diversified in activities into insurance credit cards, factoring leasing, mutual funds, merchant banking, home finance, securities trading, etc. In 2000-01, the bank launched India Millennium Deposit (IMD), which was remarkably successful. The bank mobilised Rs. 2571 crores which in return helped the country in meeting the challenge of rising oil price provided strong support to the Rupee and reinforcing the country's self confidence in the aftermath of US sanction.<sup>45</sup> The State Bank group is having nearly 13941 branches with global deposit of Rs. 542409 crores.

- **Associates :**

✍ **State Bank of Bikaner & Jaipur (SBBJ) :**

State Bank of Bikaner & Jaipur was established in 1963, which came into existence after amalgamation of the erstwhile State Bank of Jaipur (established in 1943) with State Bank of Bikaner (established in 1944) as a subsidiary of the State Bank of India. The bank took over the business of the Govind Bank Pvt. Ltd., on 25<sup>th</sup> April 1966. The banks' main areas of operation are Rajasthan, with presence in almost all-important centers in the century. The bank has 805 branches in 19 states. The bank has sponsored 3 RRBs. The bank came out its public issue of Rs. 73.77 crores in 1997, which was over subscribed by 3.83 times. In 1997 the bank came out with an issue of Rs. 73.44 crores, which was over subscribed by 3.83 times. The bank is paying attention to technological upgradation, improving operational efficiency and quality of customer service. With computerisation of 520 branches (up to January, 2003), 90% of banks business has come under computerised operations. In



2001-02, banks business crossed the level of Rs. 17500 crores. The bank got a trophy from the FM for its work relating to Kissan Credit Card.<sup>46</sup>

#### ✍ **State Bank of Hyderabad (SBH):**

State Bank of Hyderabad was constituted as Hyderabad State Bank on 8-8-1941 under the Hyderabad State Bank Act 1941. The bank started with unique distinction of being the Central Bank of the erstwhile State Bank of Hyderabad covering present day Telengana region of Andhra Pradesh, Hyderabad, a part of Karnataka State and Marathwada of Maharashtra to manage its currency Osmania Sikka and Public Debt, apart from the functions of commercial banking. The first branch of the bank was opened at Gun Foundry, Hyderabad on 5<sup>th</sup> April 1942. In 1953 the bank took over the assets and liabilities of the Hyderabad Mercantile Bank Ltd. in the same year, the bank started conducting Government and Treasury business as agent of the RBI. In 1956, the bank was taken over by the Reserve Bank of India as its subsidiary and its name was changed to State Bank of Hyderabad, on 22<sup>nd</sup> October 1956. The bank became subsidiary of the State Bank of India on the 1<sup>st</sup> October 1959 and is now the largest associate bank of State Bank of India. The bank had an uninterrupted record in earning profit since its inception. The bank has entered into its Diamond Jubilee year on 5<sup>th</sup> April 2001. In 2000-01 Internet facility was introduced. The bank has completed 60 years of its existence.<sup>47</sup>

#### ✍ **State Bank of Indore (SBIn):**

The bank was established on 23<sup>rd</sup> March 1920 as the Bank of Indore Limited under the aegis of Holkar Rulers of the State of Indore, at the time when Indore was an important centre of textile industry. The bank was expected to serve to the state and also to trade and industry in

Indore and Malwa. From 1<sup>st</sup> January 1960 the bank became a subsidiary of the State Bank of India and was renamed as State Bank of Indore. The bank acquired the business of the Bank of Dewas Ltd. in 1962 and the Dewas Senior Bank Ltd. in 1965. The bank was upgraded to class “A” category of banks in 1971. In 2001-02 the bank has crossed the level of Rs. 12,000 crores of business. The bank was rated as one of the best-managed public sector banks by financial press.<sup>48</sup>

#### ✍ **State Bank of Mysore (SBM):**

The idea of establishing a state aided bank was envisaged in a resolution, which was adapted at Mysore Economic Conference in June, 1912, at the instance of the banking committee headed by Sir M. Visweswaraya, the great engineering statesman. The bank was established on 19<sup>th</sup> May 1913 and the bank commenced its business on 2<sup>nd</sup> October 1913. In 1953 the Bank of Mysore was appointed as an agent of the RBI for the purposes of conducting Government Business. The bank became the subsidiary of the State Bank of India in March 1960 under the SBI Subsidiary Banks Act, 1959. In 2000-01 Voluntary Retirement Scheme was implemented by the bank.<sup>49</sup>

#### ✍ **State Bank of Patiala (SBP):**

The bank earlier known as a Patiala State Bank, which was established by the then Maharaja Bhupinder Singh of Patiala State in the year 1917 for faster growth of agriculture, trade and industry in the State. In 1948 the bank was brought under the control of the RBI and the bank was renamed as Bank of Patiala. In the same period, bank of Faridkot, The Kalsia Sate Bank and Jind Co-operative Bank were merged with the Bank. In 1960 the bank became an associate of State Bank of India and got its present name State Bank of Patiala. The bank is involved in

making of SBI products like credit cards. The bank has achieved 100 % computerisation of all its outlet in January, 2003, the banks is also selling products of SBI Mutual Funds.<sup>50</sup>

✍ **State Bank of Saurashtra (SBS) :**

The state Bank of Bhavnagar was one of the princely states of the area, which is known as Gujarat State. The “Darbar Saving Bank” was established in 1902. In 1950 when the princely states were integrated into the Indian Union, Bhavnagar Darbar Bank was formed into a Statutory Corporation, called State Bank of Saurashtra, under the Saurashtra State Bank Amalgamation Ordinance in 1950. At the same time 4 princely state banks were merged with this bank. In 1960 Saurashtra became a part of Gujarat and the State Bank of Saurashtra became a subsidiary of the State Bank of India.<sup>51</sup>

✍ **State Bank of Travancore (SBT) :**

The Bank was established on 12<sup>th</sup> September 1945 in the erstwhile Travancore State. The Government of Travancore sponsored the bank. The paid up capital of the Bank was Rs. 1 crore out of which 30 percent by the Government of Travancore and remaining by 4,000 shareholders. The bank became a Scheduled Commercial Bank in 1946. In 1947 the bank was allowed to deal in Foreign Exchange. In 1960, the bank became an / a associate / subsidiary bank of the State Bank of India. Now the SBI is the main shareholder, holding 75 percent of the present equity capital of the bank. Earlier to that the bank took over Indo Mercantile Bank Ltd. in 1959. During the period 1961-65 the Travancore Forward Bank Ltd., The Kottayam Orient Bank Ltd., The Bank of New India Ltd., The Vasudev Vilsaom Bank Ltd., The Cochin Nayar Bank Ltd., The Latin Christian Bank Ltd., The Champakulam Catholic Bank Ltd., The

Bank of Alwaye Ltd. and the Chaldean Syrian Bank Ltd. were merged with the bank. Now the bank is involved in activities like merchant banking, online banking, etc. In 1994 bank entered in merchant banking activity and installed first ATM. In 2000, it launched online banking. In 2000, the bank started an Express Money Transfer Scheme with the help of Rajhi Banking and Investment Corporation through SWIFT to enable NRIs in Saudi Arabia to send their remittances to any branch of the bank within 48 hours. The bank has entered into a contract with M/S. Global Money Exchange Company, Oman.<sup>52</sup>

### **1.11 Trends and Progress Profile of SBI and its Associates:**

To study the growth of SBI and its seven associates (SBBJ, SBH, SBIIn, SBM, SBP, SBS and SBT), various indicators i.e. Capital fund, Deposits, Advances, Investments, Fixed assets, Profits, No. of Branches, No. of Employees, etc have been selected. The year 1996-97 has been selected as base year and indices have been computed for the subsequent years of the period under study. Here, an attempt has been made to study the trend of performance of the units under study during the study period to draw conclusion about the direction and extent of change in the items over the years.

#### **- Branch Network:**

The geochartical spread of State Bank of India and its Associates; branches have been exhibited in tables 1.1 to 1.8 and in charts 1.1 to 1.8.

**Table 1.1**  
**Classification of Branches of SBI (2005-2006)**

<b>Classification of Branches</b>	<b>Rural</b>	<b>Semi-urban</b>	<b>Urban</b>	<b>Metropolitan</b>	<b>Foreign</b>	<b>Total</b>
No. of Branches	4047	2476	1567	1087	33	9210
Percentage of total Branches	43.95	26.88	17.01	11.80	0.36	100

Source: Performance Highlights of Public Sector Banks 2005-06

**SBI :**

SBI has the largest branch network in India with 9210 branches. It reveals the fact that the least number of branches 0.36 percent are located in foreign countries while the highest numbers of branches 43.95 percent are located in rural area. Comparison of semi-urban, urban and metropolitan; metropolitan has the least number of branches i.e. 11.80 percent only.

**Table 1.2**  
**Classification of Branches of SBBJ (2005-2006)**

<b>Classification of Branches</b>	<b>Rural</b>	<b>Semi-urban</b>	<b>Urban</b>	<b>Metropolitan</b>	<b>Foreign</b>	<b>Total</b>
No. of Branches	326	222	147	137		832
Percentage of Total Branches	39.18	26.68	17.67	16.47		100

Source: Performance Highlights of Public Sector Banks 2005-06

**Associates:**

**SBBJ:**

SBBJ has 832 branches all over India. Its branch network has been ranged between 16.47 percent in metropolitan to 39.18 percent in rural area. Among seven associates, it has the second largest branch network in India.

**Table 1.3**  
**Classification of Branches of SBH (2005-2006)**

<b>Classification of Branches</b>	<b>Rural</b>	<b>Semi-Urban</b>	<b>Urban</b>	<b>Metropolitan</b>	<b>Foreign</b>	<b>Total</b>
No. of Branches	287	293	204	160		944
Percentage of Total Branches	30.40	31.04	21.61	16.95		100

Source: Performance Highlights of Public Sector Banks 2005-06.

**SBH:**

SBH has 944 branches all over India. It stands at the first position in branch network among associates. Its branch network has been ranged between 16.95 percent in metropolitan to 31.04 percent in semi-urban. Its rural and semi-urban branch network percentage has negligible difference. It has 293 branches in semi-urban while 287 branches in rural area. It has the highest number of branches i.e. 204 in urban area among all associates.

**Table 1.4**  
**Classification of Branches of SBIIn (2005-2006)**

<b>Classification of Branches</b>	<b>Rural</b>	<b>Semi-urban</b>	<b>Urban</b>	<b>Metropolitan</b>	<b>Foreign</b>	<b>Total</b>
No. of Branches	125	135	143	37		440
Percentage of Total Branches	28.41	30.68	32.50	8.41		100

Source: Performance Highlights of Public Sector Banks 2005-06

**SBIIn:**

SBIIn has 440 branches all over India. It stands at the sixth position in branch network among seven associates. It has been established evenly in rural, semi-urban and urban area. It has 125 branches in rural; 135 branches in semi-urban and 143 of branches in urban area, while in metropolitan, it has only 37 branches. Its branch network percentage

ranged between 8.41 percent in metropolitan to 32.50 percent in semi-urban and urban area.

**Table 1.5**  
**Classification of Branches of SBM (2005-2006)**

<b>Classification of Branches</b>	<b>Rural</b>	<b>Semi-urban</b>	<b>Urban</b>	<b>Metropolitan</b>	<b>Foreign</b>	<b>Total</b>
No. of Branches	211	151	127	152		641
Percentage of Total Branches	32.92	23.56	19.81	23.71		100

Source: Performance Highlights of Public Sector Banks 2005-06

**SBM :**

SBM stands at the fifth position having 641 branches all over India. Its branch network percentage ranged between 19.81 percent in urban to 32.92 percent in rural area. In metropolitan, it has fair number of branches compared to urban. It has 152 branches in metropolitan against 127 branches in urban. Compared to other associates and even to State Bank of India, it has the highest percentage of branches in metropolitan.

**Table 1.6**  
**Classification of Branches of SBP (2005-2006)**

<b>Classification of Branches</b>	<b>Rural</b>	<b>Semi-urban</b>	<b>Urban</b>	<b>Metropolitan</b>	<b>Foreign</b>	<b>Total</b>
No. of Branches	278	209	185	86		758
Percentage of Total Branches	36.68	27.57	24.41	11.34		100

Source: Performance Highlights of Public Sector Banks 2005-06

**SBP :**

SBP has 758 branches all over India. It stands at the third position in branch networking among all associates. Its branch network percentage ranged between 11.34 percent in metropolitan to 36.68 percent in rural area.

**Table 1.7**  
**Classification of Branches of SBS (2005-2006)**

<b>Classification of Branches</b>	<b>Rural</b>	<b>Semi-urban</b>	<b>Urban</b>	<b>Metropolitan</b>	<b>Foreign</b>	<b>Total</b>
No. of Branches	140	139	70	77		426
Percentage of Total Branches	32.86	32.63	16.43	18.08		100

Source: Performance Highlights of Public Sector Banks 2005-06

**SBS :**

SBS stands at the seventh position having 426 branches all over India. Its branch network percentage ranged between 16.43 percent in urban area to 32.86 percent in rural area. It has the least number of branches i.e. 70 branches in urban area among all associates.

**Table 1.8**  
**Classification of Branches of SBT (2005-2006)**

<b>Classification of Branches</b>	<b>Rural</b>	<b>Semi-urban</b>	<b>Urban</b>	<b>Metropolitan</b>	<b>Foreign</b>	<b>Total</b>
No. of Branches	72	446	116	56		690
Percentage of Total Branches	10.43	64.64	16.81	8.12		100

Source: Performance Highlights of Public Sector Banks 2005-06

**SBT:**

SBT has 690 numbers of branches all over India, standing at fourth position among all associates. Its branch network percentage ranged between 8.12 percent in metropolitan to 64.64 percent in semi-urban area. It has only 10.43 percent of branches in rural area. It has 446 numbers of branches in semi-urban area.

**- Capital Fund:**

Table 1.9 and chart 1.9 present the position of Capital Fund in SBI and in its associates during the study period, 1996-97 to 2005-06. Here,



capital fund is the composition of paid up capital and reserves. It showed an upward trend during the study period in sample units.

### **SBI :**

In SBI Capital Fund had increased from Rs. 7977 crores in 1996-97 to Rs. 27644 crores in 2005-06. It gave about 3.47 times growth over base year. The “trend of percentage increase over previous year” had witnessed fluctuating trend during the study period. In 1997-98, it was 20.45 percent while in the next year it was only 8.26 percent. In the year 1999-00, it increased to 16.78 percent but in the subsequent year, it declined to 10.82 percent. In 2001-02, it improved to 13.09 percent and went down to 13.00 percent in 2002-03. It improved in 2003-04 and 2004-05 and reached to 17.60 percent and to 18.99 percent respectively. But, it went down to 14.84 percent in 2005-06.

### **Associates:**

#### **SBBJ :**

In SBBJ Capital Fund increased from Rs. 193 crores in 1996-97 to Rs. 1406 crores in 2005-06. It gave 7.29 times growth over base year. The "trend of percentage increase over previous year" witnessed fluctuating trend during the study period. The "percentage increase over previous year" remained the highest 78.24 percent in the year 1997-98 and remained the lowest 8.32 percent in 2005-06 compared to other years under study.

#### **SBH:**

In SBH, Capital Fund increased from Rs. 297 crores in 1996-97 to Rs. 2114 crores in 2005-06. It gave 7.12 times growth over base year. The "trend of percentage increase over previous year" witnessed

fluctuating trend during the study period. The "percentage increase over previous year" remained the highest 30.98 percent in the year 1997-98 and the lowest 12.20 percent in 2004-05 compared to other years under study.

**Table 1.9**  
**Growth of Capital Fund of SBI & its Associates**

Year	Item	SBI	Associates						
			SBBJ	SBH	SBIIn	SBM	SBP	SBS	SBT
1996-97	Paid up capital & Reserves (Rs. in Crores)	7977	193	297	142	176	433	386	209
	Index on the basis of year 1996-97	100	100	100	100	100	100	100	100
1997-98	Paid up capital & Reserves (Rs. in Crores)	9608	344	389	168	218	567	390	352
	Index on the basis of year 1996-97	120.45	178.24	130.98	118.31	123.86	130.95	101.04	168.42
	Percentage increased over Previous year	20.45	78.24	30.98	18.31	23.86	30.95	1.04	68.42
1998-99	Paid up capital & Reserves (Rs. in Crores)	10402	419	496	194	242	658	412	381
	Index on the basis of year 1996-97	130.4	217.1	167	136.62	137.5	151.96	106.74	182.3
	Percentage increased over Previous year	8.26	21.8	27.5	15.48	11.01	16.04	5.64	8.24
1999-00	Paid up capital & Reserves (Rs. in Crores)	12147	523	618	234	282	781	501	434
	Index on the basis of year 1996-97	152.28	270.98	208.08	164.79	160.23	180.37	129.79	207.66
	Percentage increased over Previous year	16.78	21.82	24.6	20.62	16.53	18.7	21.59	13.91
2000-01	Paid up capital & Reserves (Rs. in Crores)	13462	609	762	311	292	931	515	515
	Index on the basis of year 1996-97	168.76	315.54	256.57	219.01	165.91	215.01	133.42	246.41
	Percentage increased over Previous year	10.82	16.44	23.3	32.9	3.54	19.2	2.8	18.66
2001-02	Paid up capital & Reserves (Rs. in Crores)	15224	752	998	413	352	1142	568	610
	Index on the basis of year 1996-97	190.85	389.64	336.03	290.85	200	263.74	147.15	291.87
	Percentage increased over Previous year	13.09	23.48	30.97	32.8	20.55	22.66	10.29	18.45
2002-03	Paid up capital & Reserves (Rs. in Crores)	17203	903	1251	584	431	1412	625	723
	Index on the basis of year 1996-97	215.66	467.88	421.21	411.27	244.89	326.1	161.92	345.93
	Percentage increased over Previous year	13	20.08	25.35	41.4	22.45	23.64	10.04	18.52
2003-04	Paid up capital & Reserves (Rs. in Crores)	20231	1149	1574	790	582	1731	767	925
	Index on the basis of year 1996-97	253.62	595.34	529.97	556.34	330.68	399.77	198.70	442.58
	Percentage increased over Previous year	17.60	27.24	25.82	35.27	35.03	22.59	22.72	27.94

2004-05	Paid up capital & Reserves (Rs. in Crores)	24072	1298	1766	904	756	2044	794	1130
	Index on the basis of year 1996-97	301.77	672.54	594.61	636.62	429.55	472.06	205.70	540.67
	Percentage increased over Previous year	18.99	12.97	12.20	14.43	29.90	18.08	3.52	22.16
2005-06	Paid up capital & Reserves (Rs. in Crores)	27644	1406	2114	1018	935	2206	977	1332
	Index on the basis of year 1996-97	346.55	728.50	711.78	716.90	531.25	509.47	253.11	637.32
	Percentage increased over Previous year	14.84	8.32	19.71	12.61	23.68	7.93	23.05	17.88

Source: Annual Reports of SBI & its Associates.

### **SBI:**

In SBI, Capital Fund increased from Rs. 142 crores, in 1996-97 to Rs. 1018 crores in 2005-06. It gave 4.11 times growth over base year. The "trend of percentage increase over previous year" witnessed upward movement during the study period. The "percentage increase over previous year" remained the highest 41.40 percent in 2002-03 and the lowest 12.61 percent in 2005-06 compared to other years under study.

### **SBM :**

In SBM Capital Fund increased from Rs. 176 crores in 1996-97 to Rs. 935 crores in 2005-06. It gave 5.31 times growth over the base year. The "trend of percentage increase over previous year" showed fluctuating movement during the study period. The "percentage increase over previous year" remained the highest 35.03 percent in 2003-04 while the lowest 3.54 percent in 2000-01 compared to other years under study.

### **SBP :**

In SBP, Capital Fund increased from Rs. 433 Crores in 1996-97 to Rs. 2206 Crores in 2005-06. It gave 5.09 times growth over the base year. The "trend of percentage increase over previous year" remained fluctuating during the study period. The percentage increase over

previous year remained the highest 30.95 percent in 1997-98 while the lowest 7.93 percent in 2005-06 compared to other years under study.

### **SBS :**

In SBS, Capital Fund increased from Rs. 386 crores in 1996-97 to Rs. 977 crores in 2005-06. It gave 2.53 times growth over the base year. The "trend of percentage increase over previous year" remained fluctuating during the study period. The "percentage increase over previous year" remained the highest 23.05 percent in 2005-06 while the lowest 1.04 percent in 1997-98 compared to other years under study.

### **SBT :**

In SBT, Capital Fund increased from Rs. 209 crores in 1996-97 to Rs. 1332 crores in 2005-06. It gave 6.37 times growth over base year. The "trend of percentage increase over previous year" remained fluctuating during the study period. The "percentage increase over previous year" remained the highest 68.42 percent in 1997-98 while the lowest 8.24 percent in 1998-99 compared to other years under study.

Table 1.9 exhibits the position of Capital Fund in SBI and in its Associates during the study period, 1996-97 to 2005-06. It is apparent from the data that SBI being the largest unit had the highest capital fund base i.e. Rs. 27644 crores in 2005-06 against Rs. 7977 crores in 1996-97.

On the other hand among the associates SBM had the lowest capital fund of Rs. 935 crores in 2005-06 against that of SBI's lowest Capital Fund Rs. 142 crores only in 1996-97.

Growth of capital fund was at the highest rate in case of SBBJ i.e. 728.50 percent compared to all associates and compared to even SBI (346.55 percent). The growth in capital fund remained at the lowest rate in case of SBS i.e. 253.11 percent at the end of the study period.

- **Deposits :**

Table 1.10 and chart 1.10 exhibit the position of Deposits in SBI and in its Associates. It showed an upward trend during the study period, 1996-97 to 2005-06.

**SBI :**

In SBI, Deposits increased from Rs. 110701 crores in 1996-97 to Rs. 380046 crores in 2005-06. It gave 3.43 times growth over the base year. The trend of “percentage increase over previous year” showed fluctuating trend during the study period.

The trend of “percentage increase over previous year” ranged between 3.54 percentages in 2005-06 to 28.95 percentage in 1998-99.

**Associate :**

**SBBJ :**

In SBBJ, Deposits was Rs. 5398 crores in 1996-97 and reached to Rs. 21694 crores in 2005-06. It gave 4.02 times growth over the base year. The "percentage increase over previous year" remained the highest 24.32 percent in 2003-04 while the lowest 12.93 percentages in 2001-02.

**SBH :**

In SBH Deposits was Rs. 7238 crores in 1996-97 and increased to Rs. 34025 crores in 2005-06. It gave 4.70 times growth over base year. The “percentage increase over previous year” marked fluctuating trend

during the study period. It ranged between 14.30 percentages in 2004-05 to 22.87 percent in 2003-04.

**Table 1.10**  
**Growth of Deposits of SBI & its Associates**

Year	Item	SBI	Associates						
			SBBJ	SBH	SBIIn	SBM	SBP	SBS	SBT
1996-97	Deposits (Rs. in Crores)	110701	5398	7238	2797	4366	7229	3700	6464
	Index on the basis of year 1996-97	100	100	100	100	100	100	100	100
1997-98	Deposits (Rs. in Crores)	131091	6525	8649	3369	4769	7737	3995	7468
	Index on the basis of year 1996-97	118.42	120.88	119.49	120.45	109.23	107.03	107.97	115.53
	Percentage increased over Previous year	18.42	20.88	19.49	20.45	9.23	7.03	7.97	15.53
1998-99	Deposits (Rs. in Crores)	169042	7741	10615	4028	5575	8847	4779	8658
	Index on the basis of year 1996-97	152.7	143.4	146.66	144.01	127.69	122.38	129.16	133.94
	Percentage increased over Previous year	28.95	18.63	22.74	19.56	16.9	14.34	19.63	15.94
1999-00	Deposits (Rs. in Crores)	196821	9074	12527	5096	6632	10182	5773	10183
	Index on the basis of year 1996-97	177.8	168.1	173.07	182.2	151.9	140.85	156.03	157.53
	Percentage increased over Previous year	16.44	17.22	18.01	26.52	18.96	15.09	20.8	17.61
2000-01	Deposits (Rs. in Crores)	242828	10326	14842	6698	7609	11574	6668	11573
	Index on the basis of year 1996-97	219.35	191.29	205.06	239.47	174.28	160.11	180.22	179.04
	Percentage increased over Previous year	23.37	13.8	18.48	31.43	14.73	13.67	15.5	13.65
2001-02	Deposits (Rs. in Crores)	270560	11661	17403	7918	8525	13943	7603	13460
	Index on the basis of year 1996-97	244.41	216.02	240.44	283.09	195.26	192.88	205.49	208.23
	Percentage increased over Previous year	11.42	12.93	17.25	18.22	12.04	20.47	14.02	16.3
2002-03	Deposits (Rs. in Crores)	296123	13234	20599	9217	9013	17870	9051	15926
	Index on the basis of year 1996-97	267.5	245.16	284.6	329.53	206.44	247.2	244.62	246.38
	Percentage increased over Previous year	9.45	13.49	18.37	16.4	5.73	28.16	19.04	18.32
2003-04	Deposits (Rs. in Crores)	318619	16453	25311	10512	11273	22473	10675	19721
	Index on the basis of year 1996-97	287.82	304.80	349.70	375.83	258.20	310.87	288.51	305.09
	Percentage increased over Previous year	7.60	24.32	22.87	14.05	25.07	25.76	17.94	23.83
2004-05	Deposits (Rs. in Crores)	367048	19038	28930	13807	13585	26496	12613	24133
	Index on the basis of year 1996-97	331.57	352.69	399.70	493.64	311.15	366.52	340.89	373.34
	Percentage increased over Previous year	15.20	15.71	14.30	31.35	20.51	17.90	18.15	22.37
2005-06	Deposits (Rs. in Crores)	380046	21694	34025	16661	16369	33778	13841	25997
	Index on the basis of year 1996-97	343.31	401.89	470.09	595.67	374.92	467.26	374.08	402.18
	Percentage increased over Previous year	3.54	13.95	17.61	20.67	20.49	27.48	9.74	7.72

Source: Annual Reports of SBI & its Associates

**SBIIn :**

In SBIIn, Deposits increased from Rs. 2797 crores in 1996-97 to Rs. 16661 crores in 2005-06. It gave 5.96 times growth over the base year.

The trend of "percentage increase over previous year" showed fluctuating trend during the study period. It ranged between 14.05 percentages in 2003-04 to 31.43 percentage in 2000-01.

**SBM :**

In SBM, deposits increased to Rs. 16361 crores in 2005-06 from Rs. 4,366 crores in 1996-97. It gave 3.75 times growth over the base year. The trend of "percentage increase over previous year" showed fluctuating trend during the study period. In the beginning three years it showed an upward trend i.e. 9.23 percent in 1997-98, 16.90 percent in 1998-99 and 18.96 percent in 1999-00 while during Next three years, it charted downward trend i.e. 14.73 percent in 2000-01, 12.04 percentage in 2000'-02 and 5.73 percentage in 2002-03. It went up to 25.76 percent in 2003-04 and started moving down to 20.51 percent and 20.49 percent in 2004-05 and in 2005-06 respectively.

**SBP :**

In SBP, Deposits increased from Rs. 7229 crores in 1996-97 to Rs. 33778 crores in 2005'06. It gave 4.67 times growth over base year. All over trend of deposits was upward but "percentage increase over previous year" marked fluctuating trend during the study period. The "percentage increase over previous year" ranged between 7.03 percent in 1997-98 to 28.16 percent in 2002-03.

**SBS :**

In SBS, Deposits increased from Rs. 3700 crores in 1996-97 to Rs. 13841 crores in 2005-06. It gave 3.74 times growth over the base year. "Percentage increase over previous year" ranged between 7.97 percentages in 1997-98 to 20.80 percent in 1999-00.

### **SBT :**

In SBT Deposits was Rs. 6464 crores in 1996-97, which increased to Rs. 25997 crores in 2005-06. It gave 4.02 times growth over the base year. Its “percentage increase over previous year ranged between 7.72 percentage in 2005-06 to 23.83 percentage in 2003-04.

Table 1.10 exhibits the deposits figures in SBI and in its seven Associates during the study period, 1996-97 to 2005-06. SBI had the highest deposits collection compared to seven associates i.e. Rs. 110701 crores in 1996-97 and rose to Rs. 380046 crores in 2005-06. Among the associates SBH had the highest collection of deposits i.e. Rs. 7238 crores in 1996-97 and Rs. 34025 crores in 2005-06.

During the study period SBI's deposits increased at the highest growth rate i.e. 5.96 times in 2005-06 while the lowest growth rate was marked in case of SBI i.e. 3.43 times.

### - **Advances :**

Table 1.11 and chart 1.11 showed position of advances in SBI and in its seven Associates during the study period, 1996-97 to 2005-06. Overall trend of advances is marked being upward during the study period in all the units under study.

### **SBI :**

In SBI, in the beginning of the study period, 1996-97, advances were Rs. 62233 crores. It increased to Rs. 261642 crores at the end of the study period, 2005-06. It gave 4.20 times growth to the advances. Its “percentage increased over previous year” remained the highest 29.29 percentage in 2005-06 while the lowest 6.36 percentage in 2001-02. Its overall trend remarked fluctuating during the study period.



**Table 1.11**  
**Growth of Advances of SBI & its Associates**

Year	Item	SBI	Associates						
			SBBJ	SBH	SBIIn	SBM	SBP	SBS	SBT
1996-97	Advances (Rs. in Crores)	62233	3012	4041	1607	2407	3787	2155	3659
	Index on the basis of year 1996-97	100	100	100	100	100	100	100	100
1997-98	Advances (Rs. in Crores)	74237	3660	4630	1902	2632	4105	2257	4001
	Index on the basis of year 1996-97	119.29	121.51	114.58	118.36	109.35	108.40	104.73	109.35
	Percentage increased over Previous year	19.26	21.51	14.58	18.36	9.35	8.40	4.73	9.35
1998-99	Advances (Rs. in Crores)	82360	3841	5332	2120	2986	4814	2721	4252
	Index on the basis of year 1996-97	132.34	127.52	131.95	131.92	124.05	127.12	126.26	116.21
	Percentage increased over Previous year	10.94	4.95	15.16	11.46	13.44	17.27	20.56	6.27
1999-00	Advances (Rs. in Crores)	98102	4401	6088	2842	3725	5775	3196	5131
	Index on the basis of year 1996-97	157.64	146.12	150.66	176.85	154.76	152.50	148.31	140.23
	Percentage increased over Previous year	19.12	14.59	14.18	34.06	24.76	19.97	17.46	20.67
2000-01	Advances (Rs. in Crores)	113590	5168	7091	3427	4287	6833	3593	6397
	Index on the basis of year 1996-97	182.52	171.58	175.48	213.25	178.11	180.43	166.73	174.83
	Percentage increased over Previous year	15.78	17.42	16.47	20.58	15.09	18.31	12.42	24.63
2001-02	Advances (Rs. in Crores)	120806	5883	8423	4285	4915	8679	4111	7436
	Index on the basis of year 1996-97	194.12	195.32	208.44	266.65	204.20	229.18	190.77	203.22
	Percentage increased over Previous year	6.36	13.84	18.78	25.04	14.65	27.02	14.42	16.24
2002-03	Advances (Rs. in Crores)	137758	6773	9663	5183	5261	10746	4649	9171
	Index on the basis of year 1996-97	221.36	224.87	239.12	322.53	218.57	283.76	215.73	250.64
	Percentage increased over Previous year	14.03	15.13	14.72	20.96	7.04	23.82	13.08	23.33
2003-04	Advances (Rs. in Crores)	157934	8597	11814	6406	6307	13086	5240	11132
	Index on the basis of year 1996-97	253.78	285.42	292.35	398.63	262.03	345.55	243.16	304.24
	Percentage increased over Previous year	14.65	26.93	22.26	23.60	19.88	21.78	12.71	21.38
2004-05	Advances (Rs. in Crores)	202374	12009	15600	9041	8781	15359	6714	14848
	Index on the basis of year 1996-97	325.19	398.71	386.04	562.60	364.81	405.57	311.55	405.79
	Percentage increased over Previous year	28.14	39.69	32.05	41.13	39.23	17.37	28.13	33.38
2005-06	Advances (Rs. in Crores)	261642	15896	20863	11876	11754	22180	8442	18866
	Index on the basis of year 1996-97	420.42	527.76	516.28	739.02	488.33	585.69	391.79	515.61
	Percentage increased over Previous year	29.29	32.37	33.74	31.36	33.86	44.41	25.75	27.06

Source: Annual Reports of SBI & its Associates

### **Associates :**

#### **SBBJ :**

In SBBJ, advances increased from Rs. 3012 crores in 1996-97 to Rs. 15896 crores in 2005-06. It gave 5.28 times growth to the advances. Its “percentage increase over previous year” showed fluctuating trend during the study period maintaining the range 4.95 percent to 39.69 percent in 2004-05.

**SBH :**

In SBH, advances increased to Rs. 20863 crores from Rs. 4041 crores. It gave 5.16 times rise to the advances during the study period. The range for “percentage increase over previous year” was 14.18 percent in 1999-00 to 33.74 percent in 2005-06.

**SBIIn :**

In SBIIn, it was Rs. 1607 crores in 1996-97 and giving 7.39 times growth reached to Rs. 11876 crores at the end of the study period, 2005-06. Its trend for “percentage increase over previous year” remained highly fluctuating during the study period ranging between 11.46 percent in 1998-99 to 41.13 percent in 2004-05.

**SBM :**

In SBM, it increased to Rs. 11754 crores in 2002-03 from Rs, 2407 crores in 2005-06. It gave 4.88 times growth over the base year during the study period. Its “percentage increased over previous year” marked fluctuating trend during the study period. In the beginning three years it showed an upward trend reaching the highest rate 24.76 percent in 1999-00 then onward it started declining year by year reaching the lowest level 7.04 percent in 2002-03.

**SBP :**

In SBP, advances were Rs. 3787 crores in 1996-97 and peaked to Rs. 22180 crores in 2005-06. It gave 5.86 times growth to the advances during the study period. Its “percentage increase over previous year” ranged between 8.40 percent in 1997-98 to 44.41 percent in 2005-06.

### **SBS :**

In SBS, advances ranged between Rs. 2155 crores in 1996-97 to Rs. 8443 crores in 2005-06. It gave 3.92 times growth to the advances over the base year. Its “percentage increase over previous year” showed fluctuating trend during the study period keeping range 4.73 percent in 1997-98 to 28.13 percent in 2004-05.

### **SBT :**

In SBT, advances ranged between Rs. 3659 crores to Rs. 18866 crores during the study period. It gave 5.16 times growth over the base year. Its “percentage increase over previous year” showed fluctuating trend fluctuating between 6.27 percentages to 33.38 percentages during the study period.

Table 1.11 exhibits the position of advances revealing the fact that SBI provided the highest amount of advances during the study period. Among the associates SBH provided the highest amount of advances Rs. 4041 crores while SBIn provided the lowest amount Rs. 1607 crores in 1996-97. At the end of the study period SBP provided the highest amount of advances i.e. Rs. 22180 crores while that of the lowest amount Rs. 8442 crores by SBS in 2005-06.

### **- Net Profit :**

Table 1.12 and chart 1.12 exhibit position of profits in SBI and in its Associates. Profit is the indicator of efficiency. It is the surplus of incomes over expenditures.

**Table 1.12**  
**Growth of Net Profit of SBI & its Associates**

Year	Item	SBI	Associates						
			SBBJ	SBH	SBIIn	SBM	SBP	SBS	SBT
1996-97	Net Profit (Rs. in Crores)	1349.25	40.48	52.45	17.06	40.24	59.03	71.13	40.25
	Index on the basis of year 1996-97	100	100	100	100	100	100	100	100
1997-98	Net Profit (Rs. in Crores)	1861.2	90.48	97.12	27.71	50.54	143.01	78.13	63.3
	Index on the basis of year 1996-97	137.94	223.52	185.17	162.43	125.6	242.27	109.84	157.27
	Percentage increased over Previous year	37.94	23.52	85.17	62.43	25.6	142.27	9.84	57.27
1998-99	Net Profit (Rs. in Crores)	1027.8	91.88	111.52	31.04	33.58	101.2	21.95	43.27
	Index on the basis of year 1996-97	76.18	226.98	212.62	181.95	83.45	171.44	30.86	107.5
	Percentage increased over Previous year	(44.77)	1.55	14.83	12.02	(33.56)	(29.24)	(71.9)	(31.65)
1999-00	Net Profit (Rs. in Crores)	2051.55	120.42	127.81	45.25	48.24	130.69	88.79	66.44
	Index on the basis of year 1996-97	152.05	297.48	243.68	265.24	119.88	221.4	124.83	165.07
	Percentage increased over Previous year	99.59	31.06	14.61	45.78	43.66	29.14	304.5	53.55
2000-01	Net Profit (Rs. in Crores)	1604.25	105.37	150.22	63.99	25.73	161.1	13.71	97.49
	Index on the basis of year 1996-97	118.9	260.3	286.41	375.09	63.94	272.91	19.27	242.21
	Percentage increased over Previous year	(21.8)	(12.5)	17.54	41.42	(46.66)	23.27	(84.56)	46.73
2001-02	Net Profit (Rs. in Crores)	2431.62	164.5	226.49	125.1	65.9	232.94	82.01	120.93
	Index on the basis of year 1996-97	180.22	406.37	431.82	733.29	163.77	394.61	115.3	300.45
	Percentage increased over Previous year	51.57	56.12	50.77	95.5	156.12	44.59	498.18	24.04
2002-03	Net Profit (Rs. in Crores)	3105	203.28	301.4	200.32	115.92	322.02	92.55	171.04
	Index on the basis of year 1996-97	230.13	502.17	574.64	1174.21	288.07	545.52	130.11	424.94
	Percentage increased over Previous year	27.69	23.57	33.07	60.13	75.9	38.24	12.85	41.44
2003-04	Net Profit (Rs. in Crores)	3681.00	301.52	381.20	226.26	176.38	430.36	177.39	244.60
	Index on the basis of year 1996-97	272.82	744.86	726.79	1326.26	438.32	729.05	249.39	607.70
	Percentage increased over Previous year	18.55	48.33	26.48	12.95	52.16	33.64	91.67	43.01
2004-05	Net Profit (Rs. in Crores)	4304.52	205.65	250.90	133.18	206.26	287.07	41.16	247.13
	Index on the basis of year 1996-97	319.03	508.03	478.36	780.66	512.57	486.31	57.87	613.99
	Percentage increased over Previous year	16.94	(31.80)	(34.18)	(41.14)	16.94	(33.30)	(76.80)	1.03
2005-06	Net Profit (Rs. in Crores)	4406.67	145.03	427.04	139.11	216.72	303.11	60.12	258.68
	Index on the basis of year 1996-97	326.60	358.28	814.18	815.42	538.57	513.48	84.52	642.68
	Percentage increased over Previous year	2.37	(29.48)	70.20	4.45	5.07	5.59	46.06	4.67

Source: Annual Reports of SBI & its Associates

### **SBI :**

In SBI profit showed fluctuating trend during the study period. It was Rs. 1349.25 crores in 1996-97. It rose to Rs. 1861.20 crores in 1997-98 giving the growth at the rate of 37.94 percent over previous year but in 1998-99 it declined to Rs. 1027.80 crores. It declined at the rate of (44.77) percent on the basis of previous year profit. It increased to Rs. 2051.55 crores with growth rate 99.59 percent over previous year in 1999-00 but by the next year once more it rolled down to Rs. 1604.25

crores but it gave growth of 1.19 times over the base year. Then onward, it started improving. It was Rs. 2431.62 crores, which was 80.22 percent more over the base year, and compared to previous year profit, it peaked up at the rate of 51.57 percent. It continued to zoom to Rs.3105 crores with growth at the rate of 27.69 percent over previous year profit. It moved up to Rs. 3681.00 crores in 2003-04, to Rs. 4304.52 crores in 2004-05 and to Rs. 4406.67 crores in 2005-06 giving growth rates of 18.55 percent, 16.94 percent and 2.37 percent respectively over previous year.

### **Associates :**

#### **SBBJ :**

SBBJ witnessed mixed trend during the study period. During the first four year, profit increased year by year in the fifth year it declined and in the sixth and seventh year once more it rose. In the eighth year even it moved up but in the ninth tenth year, it significantly dropped down.

In 1996-97 profits was Rs. 40.48 crores which increased to Rs. 90.48 crores with 2.24 times growth over the base year in 1997-98. It rose at 1.55 percent only over previous year to Rs. 91.88 crores in 1998-99. In the year 1999-00, it went up at 31.06 percent over previous year giving index 297.48 percent on the base year to Rs. 120.42 crores. But in the immediate year, 2000-01 it rolled down to Rs. 105.37 crores from Rs. 120.42 crores of the year 1999-00. It improved much and zoomed to Rs. 164.5 crores and Rs. 203.28 crores in 2001-02 and 2002-03 respectively. Between these two years “percentage increase over previous year” remained the highest in the year 2001-02 i.e. 56.12 percent. It showed upward movement in 2003-04 also and reached to Rs. 301.52 Crores giving growth index of 744.86 percent over base year. "Percentage

increase over previous year" was worked out to 48.33 percent. It started moving downward from 2004-05 and reached to Rs. 205.65 Crores and Rs. 145.03 Crores in 2004-05 and 2005-06 respectively. "Percentage increase over previous year" was worked out to (31.80) percent and (29.48) percent respectively.

### **SBH :**

In SBH, profit showed consistently upward trend during the study period 1996-97 to 2005-06, which disclosed sound financial position of the unit. It was Rs. 52.45 crores in 1996-97, which hiked at 85.17 percent in 1997-98 to Rs. 97.12 crores. It rose at 14.83 percent on the basis of the previous year to Rs. 111.52 crores in 1998-99. It persisted the "percentage increase over previous year" and reached to Rs. 127.81 crores. It increased to Rs. 150.22 crores in 2000-01 while in 2001-02 profit was 4.32 times over base year and reached to Rs. 226.49 crores giving growth at 50.77 percent over previous year, which was the second highest growth rate of the study period. Its "index on the basis of the year" 1996-97 was 574.64 percent with profit of Rs. 301.40 crores in 2002-03. It reached to the next to peak-point of Rs. 381.20 Crores in 2003-04 with "index on the base year" of 726.79 percent and growth rate over previous year of 26.48. But, its profit went down to Rs. 250.90 Crores in 2004-05 with "index on the base year" of 478.36 percent. It significantly improved in 2005-06 gaining the peak point profit of Rs. 427.04 Crores with "index on the base year" of 814.18 percent and 70.20 percent increase over previous year.

### **SBIIn :**

In SBIIn, profit marked upward trend during the period 1996-97 to 2003-04. It was Rs. 17.06 crores in 1996-97, which rose at 62.43 percent to Rs. 27.71 crores in 1997-98. It increased to Rs. 31.04 crores in 1998-99 with "index on the basis of the year 1996-97" at 181.95 percent. It reached to Rs. 45.25 crores in 1999-00. In 2000-01, it was 3.75 times of the base year profit while in 2001-02 profit zoomed at 95.50 percent over previous year to Rs. 125.10 crores, which was 7.33 times of the base year. It continued zooming and reached to Rs. 200.32 crores with index on the basis of the year 1996-97 at 1174.21 percent in 2002-03, and to Rs. 226.26 Crores with 1326.26 percent of index on the base year in 2003-04. But, it significantly rolled down to Rs. 133.18 Crores in 2004-05. It improved in 2005-06 achieving the level of profit Rs. 139.11 Crores with the highest index on the base year 815.42 percent with growth rate of 4.45 percent over previous year.

### **SBM :**

In SBM, profit registered fluctuating trend during the study period. It was Rs. 40.24 crores in 1996-97, which rose at 25.60 percent to Rs. 50.54 crores. By the next year, 1998-99, it dropped down at 29.24 percent over previous year to Rs. 33.56 crores. But, in the year 1999-00, it improved and rose at 43.66 percent over previous year to Rs. 48.24 crores. Once more in 2000-01, it declined at (46.66) percent over previous year, with "index on the basis of the year 1996-97" 63.94 percent only to Rs. 25.73 crores. But in the year 2001-02, it vigorously attempted to improve with "index on the basis of the year 1996-97" 163.77 percent achieving profit of Rs. 65.90 crores. It succeeded to gain momentum in earning profit Rs. 115.92 crores in 2002-03, Rs. 176.38

Crores in 2003-04, Rs. 206.26 Crores in 2004-05 and Rs. 216.72 Crores in 2005-06.

**SBP :**

In SBP, profit recorded mixed trend during the study period from 1996-97 to 2005-06. It was Rs. 59.03 crores in 1996-97, which moved upward to Rs. 143.01 crores by the next year. But, in 1998-99, it showed down ward trend moving down at 29.24 percent over previous year profit to Rs. 101.20 crores from Rs. 143.01 crores. But, from the year 1999-00, it started moving up to Rs. 322.02 crores in 2002-03 with "index on the basis of the base year" 545.52 percent and to Rs. 430.36 Crores in 2003-04 with index on the base year of 729.06 percent giving growth rate of 33.64 percent over previous year. It moved down to Rs. 287.07 Crores with (33.30) percent increase over previous year. But, it improved to Rs. 303.11 Crores with index of 513.48 percent and growth rate of 5.59 percent over previous year, in 2005-06.

**SBS :**

In SBS, profit registered fluctuating trend during the study period. It was Rs. 71.13 crores in the year 1996-97, which moved up to Rs. 78.13 crores with increase at 9.84 percent. In the year 1998-99, it decreased to Rs. 21.98 crores with reduction at (71.91) percent over previous year. But, by the next year, it improved to Rs. 88.79 with growth at 304.51 percent over previous year. But immediately next year, it sharply declined at (84.56) percent to Rs. 13.71 crores. In the year 2001-02, it gained once more at 498.18 percent over previous year to Rs. 82.01 crores and gained momentum reaching to Rs. 92.55 crores and Rs. 177.39 Crores of profit in the year 2002-03 and 2003-04 respectively. It went down to Rs. 41.16 Crores in 2004-05 with index of 57.87 percent over



base year. But, it significantly improved, gaining profit of Rs. 60.12 Crores, in 2005-06 with index of 84.52 percent and growth rate of 46.06 percent over previous year.

**SBT :**

SBT witnessed mixed trend during the study period. It was Rs. 40.25 crores in 1996-97, which increased at 57.27 percent over previous year to Rs. 63.30 crores. But by immediate next year it reached to bottom at (31.65) percent over previous year to Rs. 43.27 crores. From 1999-00 onward, it took off to zoom to index on the basis of the base year, 424.94 percent with profit of Rs. 171.04 crores in 2002-03. Mean period, it documented Rs. 66.44 crores Rs. 97.49 crores and Rs. 120.93 crores profit in 1999-00, 2000-01 and 2001-02 respectively. It showed upward movement in 2002-03 onward also and earned profit of Rs. 244.60 Crores, Rs. 247.13 and of Rs. 258.68 Crores. It showed the highest index of 642.68 percent over base year, in 2005-06.

Thus, it can be concluded, the profit remained satisfactory in all the units in the year 1997-98, 1999-00, 2001-02 and 2002-03. Profits have decreased significantly in SBBJ, SBH, SBIIn, SBP and in SBS in the year of 2004-05. Profitability remained almost constant in case of associates SBH, SBIIn and SBT throughout the study period, which indicates sound financial position of the units compared to other units.

- **Number of Branches :**

Table 1.13 and chart 1.13 exhibit positions of number of branches of SBI and of its Associates. Number of branches indicates network expanded all over India.

**Table 1.13**  
Growth of No. of Branches of SBI & its Associates

Year	Item	SBI	Associates						
			SBBJ	SBH	SBIIn	SBM	SBP	SBS	SBT
1996-97	No. of Branches	8888	764	800	372	557	699	380	654
	Index on the basis of year 1996-97	100	100	100	100	100	100	100	100
1997-98	No. of Branches	8925	767	832	379	562	707	384	660
	Index on the basis of year 1996-97	100.42	100.39	104.00	101.88	100.90	101.14	101.05	100.92
	Percentage increased over Previous year	0.42	0.39	4.00	1.88	0.90	1.14	1.05	0.92
1998-99	No. of Branches	8982	780	855	387	579	712	400	664
	Index on the basis of year 1996-97	101.06	102.09	106.88	104.03	103.95	101.86	105.26	101.53
	Percentage increased over Previous year	0.64	1.69	2.77	2.11	3.02	0.71	4.17	0.60
1999-00	No. of Branches	9043	787	874	400	593	714	404	667
	Index on the basis of year 1996-97	101.74	103.01	109.25	107.53	106.46	102.15	106.32	101.99
	Percentage increased over Previous year	0.67	0.90	2.22	3.36	2.41	0.28	1.01	0.45
2000-01	No. of Branches	9078	792	878	409	603	723	407	671
	Index on the basis of year 1996-97	102.14	103.66	109.75	109.95	108.26	103.43	107.11	102.60
	Percentage increased over Previous year	0.39	0.63	0.46	2.25	1.69	1.25	0.74	0.60
2001-02	No. of Branches	9085	792	885	419	604	723	411	674
	Index on the basis of year 1996-97	102.22	103.66	110.63	112.63	108.44	103.43	108.16	103.06
	Percentage increased over Previous year	0.08	-	0.80	2.44	0.17	-	0.98	0.45
2002-03	No. of Branches	9081	793	894	427	604	738	414	671
	Index on the basis of year 1996-97	102.17	103.80	111.75	114.78	108.44	105.58	108.95	102.60
	Percentage increased over Previous year	(0.05)	0.14	1.01	1.91	-	2.08	0.73	(0.45)
2003-04	No. of Branches	9087	804	902	435	621	743	418	668
	Index on the basis of year 1996-97	102.24	105.24	118.06	116.94	111.49	106.29	110.00	102.14
	Percentage increased over Previous year	0.07	1.39	0.89	1.87	2.81	0.68	0.97	(0.45)
2004-05	No. of Branches	9129	824	929	440	633	750	419	670
	Index on the basis of year 1996-97	102.71	107.85	121.60	118.28	113.64	107.30	110.26	102.45
	Percentage increased over Previous year	0.46	2.49	2.99	1.15	1.93	0.94	0.24	0.30
2005-06	No. of Branches	9210	832	944	440	641	758	426	690
	Index on the basis of year 1996-97	103.62	108.90	123.56	118.28	115.08	108.44	112.11	105.50
	Percentage increased over Previous year	0.89	0.97	1.61	-	1.26	1.07	1.67	2.99

Source: Annual Reports of SBI & its Associates

### **SBI :**

SBI had 8888 branches all over India in 1996-97, which increased to 9085 branches in 2001-02 and slightly declined and stood at 9081 branches in 2002-03 and rose to 9210 in 2005-06. “Index on the basis of the year 1996-97” constantly increased and reached to 102.22 percent in 2001-02 but, it declined slightly in 2002-03 and stood at 102.17 percent. But, it increased to 103.62 in 2005-06. “Percentage increase over

previous year” ranged between (0.049) percent in 2002-03 to 0.89 percent in 2005-06.

### **Associates :**

#### **SBBJ :**

SBBJ had 764 branches in 1996-97, which witnessed upward trend and reached at 832 branches at the end the study period, 2005-06. It had given 8.90 percent growth over the base year. Its “percent increase over previous year” showed fluctuating trend during the study period. It ranged between 0.14 percent in 2002-03 to 2.49 percent in 2004-05. It had maintained the position of being the second largest bank among the associates in branch expansion.

#### **SBH :**

SBH had 800 branches all over India in 1996-97, which witnessed upward trend and ultimately stood at 944 branches with growth at 23.56 percent over the base year. Its “percentage increase over previous year” ranged between 0.46 percent in 2000-01 to 4.00 percent in 1997-98 during the study period. It was the first largest bank in branch expansion among all the associates and it maintained its position even at the end of the study period.

#### **SBIIn :**

SBIIn had 372 branches in 1996-97, which continuously increased during the study period. Finally, it stood at 440 branches all over India with growth at 18.28 percent over the base year. It had also improved its position in branch expansion in rival with associate SBS. It was at the seventh position in the beginning of the study period 1996-97 but at the end of the study period 2002-03, it secured sixth position successfully.

Its “percentage increase over previous year” ranged between 1.88 percent in 1997-98 to 3.36 percent in 1999-00.

**SBM :**

SBM had 557 branches all over India in the year of 1996-97. It consistently expanded the branch network up to 2000-01 at the higher and higher rate than the previous year and stood with 603 branches at the end of 2000-01. Its number of branches stood at 604 by immediate next year and reached to 641 branches in 2005-06. It stood at fifth position in branch expansion and maintained its position up to the end of the study period.

**SBP :**

SBP stood at the third position among all the associates in branch network expansion all over India. It had 699 branches in 1996-97, which finally reached to 758 branches all over India. Its “Index on the basis of the year 1996-97” was 108.44 percent in 2005-06. Its “percentage increase over previous year” ranged between 0.28 percent in 1999-00 to 2.08 percent in 2002-03. It successfully maintained its position up to the end of the study period.

**SBS :**

SBS had 380 branches all over India, which reached to 426 branches with growth rate at 12.11 percent over base year, in 2005-06. Though, it failed to maintain its position as the sixth largest bank, which was the position in 1996-97, among all associates. At the end of the study period, 2005-06, it stood at the seventh position in branch network expansion. Its “percentage increase over previous year” ranged between 0.24 percent in 2004-05 to 4.17 percent in 1998-99.

### **SBT :**

SBT had 654 branches in 1996-97, which increased constantly up to 2001-02 and reached to 674 establishments all over India. But in 2002-03, it had to lock up / shut down three branches and finally stood at 671 branches. It had to shutdown three more branches in subsequent year and stood at 668 branches in 2003-04 but it established two branches and twenty branches respectively in respective years and stood at 670 branches and 690 branches in 2004-05 and in 2005-06 respectively. Its “percentage increase over previous year” ranged between -0.45 percent in 2002-03 to 0.92 percent in 1997-98.

### **- Number of Employees :**

Table 1.14 and chart 1.14 exhibit number of employees in SBI and in its associates during the study period 1996-97 to 2005-06.

SBI and its all associates showed fluctuating trend for number of employees during the study period. They ultimately decrease number of employees compared to the beginning years of the study period.

### **SBI :**

In SBI number of employees were 236204 in 1996-97. It rose to 239649 in the immediate year. Then onward, it remarked decreasing trend during the study period. It decreased to 198774 employees in the year 2005-06. The "percentage increase over previous year" remained the highest 1.46 percent in 1997-98 and the lowest (7.87) percent in 2000-01 compared to other years under study.

**Table 1.14**  
**Growth of No. of Employees of SBI & its Associates**

Year	Item	SBI	Associates						
			SBBJ	SBH	SBIIn	SBM	SBP	SBS	SBT
1996-97	No. of Employees	236204	15077	14117	6811	11089	14004	8015	12990
	Index on the basis of year 1996-97	100	100	100	100	100	100	100	100
1997-98	No. of Employees	239649	15046	14269	6831	11217	13108	7993	13049
	Index on the basis of year 1996-97	101.46	99.79	101.08	100.29	101.15	93.60	99.73	100.45
	Percentage increased over Previous year	1.46	(0.21)	1.08	0.29	1.15	6.40	0.27	0.45
1998-99	No. of Employees	237504	14970	14614	6857	11438	13105	8152	13234
	Index on the basis of year 1996-97	100.55	99.29	103.52	100.68	103.15	93.58	101.71	101.88
	Percentage increased over Previous year	(1.16)	(0.50)	2.41	0.39	1.98	(0.02)	1.99	1.43
1999-00	No. of Employees	233433	14778	14740	6928	11419	13165	8132	12953
	Index on the basis of year 1996-97	98.83	98.02	104.41	101.72	102.98	94.01	101.46	99.72
	Percentage increased over Previous year	(1.71)	(1.28)	0.86	1.03	(0.16)	0.46	(0.25)	(2.12)
2000-01	No. of Employees	214845	13392	14825	6560	9969	11944	7492	12172
	Index on the basis of year 1996-97	90.96	88.82	105.02	96.31	89.90	85.29	93.31	93.70
	Percentage increased over Previous year	(7.87)	(9.20)	0.61	(5.40)	(13.08)	(8.72)	(8.15)	(6.02)
2001-02	No. of Employees	209462	13293	13476	6537	9872	11836	7440	12137
	Index on the basis of year 1996-97	88.68	88.17	95.46	95.98	89.03	84.52	92.83	93.43
	Percentage increased over Previous year	(2.28)	(0.65)	(9.56)	(0.33)	(0.87)	(0.77)	(0.48)	(0.27)
2002-03	No. of Employees	208998	13209	13378	6530	9743	11654	7406	12005
	Index on the basis of year 1996-97	88.48	87.61	94.77	95.87	87.86	83.22	92.40	92.42
	Percentage increased over Previous year	(0.20)	(0.56)	(0.69)	(0.11)	(1.17)	(1.30)	(0.43)	(1.01)
2003-04	No. of Employees	207039	13054	13278	6540	9693	11674	7391	12007
	Index on the basis of year 1996-97	87.65	86.58	94.06	96.02	87.41	83.36	92.21	92.43
	Percentage increased over Previous year	(0.94)	(1.17)	(0.75)	0.15	(0.51)	0.17	(0.2)	0.0167
2004-05	No. of Employees	205515	12883	13107	6454	9562	11595	7325	11828
	Index on the basis of year 1996-97	87.01	85.45	92.846	94.76	86.23	82.80	91.39	91.05
	Percentage increased over Previous year	(0.74)	(1.31)	(1.29)	(1.31)	(1.35)	(0.68)	(0.89)	(1.49)
2005-06	No. of Employees	198774	12089	13108	6647	9744	11350	7257	11642
	Index on the basis of year 1996-97	84.15	80.18	92.853	97.59	87.87	81.05	90.54	89.62
	Percentage increased over Previous year	(3.28)	(6.16)	0.01	2.99	1.90	(2.11)	(0.93)	(1.57)

Source: Annual Reports of SBI & its Associates

### **Associates :**

#### **SBBJ :**

In SBBJ number of employees were 15077 in 1996-97. It decreased to 12089 at the end of the study period, 2005-06. The "percentage increase over previous year" remained the highest (0.21) percent in 1997-98 and the lowest (9.20) percent in 2000-01 compared to other years under study.

#### **SBH :**

In SBH number of employees were 14117 in 1996-97 which rose to 14825 in 2000-01 which is 5.02 times growth over base year. Then, onward it remarked downward trend up to the end of study period. The "percentage increase over previous year" remained the highest 2.41 percent in 1998-99 and the lowest (9.56) percent in 2001-02. It had 13108 employees at the end of the study period, 2005-06.

#### **SBIIn :**

In SBIIn number of employees were 6811 in 1996-97, which rose to 6928 in 1999-00. It gave 1.72 times growth over base year. Subsequently, it showed downward trend up to the end of the study period. It decreased to 6530 in 2002-03. It rose to 6540 in 2003-04. But, it decreased to 6454 (in very subsequent year 2004-05). It reached to 6647 at the end of the study period, 2005-06. The "percentage increase over previous year" remained the highest 2.99 percent in 2005-06 and the lowest (5.41) percent in 2000-01.

#### **SBM :**

In SBM number of employees were 11089 in 1996-97, which rose to 11438 in 1998-99. It gave 2.98 times growth over base year. But in

the subsequent years remarked negative trend up to 2004-05. It decreased to 9562 in 2004-05. But, it moved up to 9744 in 2005-06 giving 1.90 percent growth over previous year 2004-05. The "percentage increase over previous year", remained the highest 1.98 percent in 1998-99 and the lowest (13.08) percent in 2000-01.

**SBP :**

In SBP number of employees were 14004 in 1996-97, which decreased to 13105 in 1998-99 but in immediate year, it rose to 13165 but then onward, it remarked downward trend and decreased to 11654 in 2002-03. It rose to 11674 in very subsequent year, 2003-04 but by 2004-05, it started moving down and reached to 11350 at the end of the study period, 2005-06. The "percentage increase over previous year" remained the highest 0.46 percent in 1999-00 and the lowest (8.72) percent in 2000-01.

**SBS :**

In SBS number of employees were 8015 in 1996-97, which decreased to 7993 in the immediate subsequent year but in very immediate year it rose to 8152 in 1998-99. But then onward, it started decreasing and reached to 7257 in 2005-06. The "percentage increase over previous year", remained the highest 1.99 percent in 1998-99 and the lowest (8.15) percent in 2000-01 for the study period.

**SBT :**

In SBT number of employees were 12990 in 1996-97, which rose to 13234 in 1998-99. But, then onward, it remarked downward trend over the study period. It decreased to 12005 in 2002-03. But, it rose to 12007 in very subsequent, 2003-04. Then onward, it started moving down



and reached to 11828 in 2004-05 and to 11642 in 2005-06. The "percentage increase over previous year" remained the highest 1.43 percent in 1998-99 and the lowest (6.02) percent in 2000-01 over the study period.

- **Investments :**

Table 1.15 and chart 1.15 exhibit the investments of SBI and its Associates during the study period, 1996-97 to 2005-06.

**SBI :**

Investments of SBI were Rs. 48827.55 crores in 1996-97. It registered upward movement up to 2004-05 and reached to Rs. 197097.91 crores giving growth of 4.04 times over its base year, 1996-97. It decreased to Rs. 162534.24 crores at the end of the study period, 2005-06 and index on the base year was worked out to 332.87 percent.

**Associates :**

**SBBJ :**

Investments of SBBJ were Rs. 2281.77 crores in 1996-97. It registered mixed movement during the study period. It toned upward up to 2003-04 and stood at Rs. 8442.75 crores showing index on the base year of 370.01 percent. But, it noted downward movement in the last two years of the study period and reached to Rs. 7932.47 crores at the end of the study period, 2005-06.

**Table 1.15**  
**Growth of Investments of SBI & its Associates**

Year	Item	SBI	Associates						
			SBBJ	SBH	SBIIn	SBM	SBP	SBS	SBT
1996-97	Investments (Rs. in Crores)	48827.55	2281.77	2930.92	1092.55	1779.18	2662.24	1545.40	2626.21
	Index on the basis of year 1996-97	100	100	100	100	100	100	100	100
1997-98	Investments (Rs. in Crores)	54982.23	NA	NA	NA	NA	NA	1537.72	NA
	Index on the basis of year 1996-97	112.60						99.50	
1998-99	Investments (Rs. in Crores)	71286.52	3801.70	5910.86	18881.45	2282.93	3589.41	2035.38	4384.01
	Index on the basis of year 1996-97	146.00	166.61	201.67	172.21	128.31	134.83	131.71	166.93
1999-00	Investments (Rs. in Crores)	91878.68	4845.51	7010.22	2400.80	3026.21	4465.55	2570.04	4871.59
	Index on the basis of year 1996-97	188.17	212.36	239.18	219.74	170.09	167.74	166.30	185.50
2000-01	Investments (Rs. in Crores)	122876.48	5324.74	8758.12	3916.52	3550.32	4240.10	3073.42	5452.62
	Index on the basis of year 1996-97	251.65	233.36	298.82	358.48	199.55	159.27	198.88	207.62
2001-02	Investments (Rs. in Crores)	145142.03	6304.96	9827.89	4530.76	4158.84	5704.96	3576.92	6372.16
	Index on the basis of year 1996-97	297.25	276.32	335.32	414.70	233.75	214.29	231.46	242.64
2002-03	Investments (Rs. in Crores)	172347.91	7682.00	12518.67	5137.03	4760.57	8122.06	4759.54	8038.73
	Index on the basis of year 1996-97	352.97	336.67	427.12	470.19	267.57	305.08	307.98	306.10
2003-04	Investments (Rs. in Crores)	185676.48	8442.75	14532.05	5429.02	5486.69	11110.21	5846.38	10778.07
	Index on the basis of year 1996-97	380.27	370.01	495.82	496.91	308.38	417.33	378.31	410.40
2004-05	Investments (Rs. in Crores)	197097.91	8362.48	144559.39	5898.15	5796.19	12312.41	6085.59	10592.12
	Index on the basis of year 1996-97	403.66	366.49	496.75	539.85	325.78	462.48	393.79	403.32
2005-06	Investments (Rs. in Crores)	162534.24	7932.47	14256.01	5111.98	5693.52	12861.78	59214.99	10630.01
	Index on the basis of year 1996-97	332.87	347.65	486.40	467.89	320.01	483.12	383.40	404.77

Source: Annual Reports of SBI & its Associates

### **SBH :**

Investments of SBH showed bullish movement up to 2004-05 and reached to Rs. 14559.39 crores with index on the base year of 496.75 percent from Rs. 2930.92 crores of the base year, 1996-97. It went down to Rs. 14256.01 crores at the end of the study period, 2005-06, which was 4.86 times of the base year investments.

### **SBIIn :**

Investments of SBIIn registered mixed movement during the study period, 1996-97 to 2005-06. It was Rs. 1092.55 crores in 1996-97, which moved up to Rs. 5898.15 crores in 2004-05 showing index on the base

year of 539.85 percent. It moved down to Rs. 5111.98 crores in 2005-06 with index on the base year of 467.89 percent.

**SBM :**

Investments of SBM remarked upward movement from 1996-97 to 2004-05 and reached to Rs. 5796.19 crores with index on the base year of 325.78 percent from Rs. 1779.18 crores in 1996-97. It fell down to Rs. 5693.52 crores, showing index on the base year of 320.01 percent in 2005-06.

**SBP :**

Investments of SBP showed sharply upward movement throughout the study period, 1996-97 to 2005-06. It was Rs. 2662.24 crores in 1996-97, which jumped to Rs. 12861.78 crores giving growth of 4.83 times over its base year, at the end of the study period, 2005-06.

**SBS:**

Investments of SBS remarked mixed trend during the study period, 1996-97 to 2005-06. It showed upward movement from 1996-97 to 2004-05 and reached to Rs. 6085.59 crores from Rs. 1545.40 crores. Index on the base year was worked out to 393.79 percent for 2004-05. But, it went down to Rs. 5924.99 crores in 2005-06, which was 3.83 times over its base year investments.

**SBT :**

Investments of SBT reflected fluctuating movement during the study period 1996-97 to 2005-06. It was Rs. 2626.21 crores in 1996-97, which reached to Rs. 10778.07 crores in 2003-04. It was 4.10 fold investments over its base year. It went down to Rs. 10592.12 crores in

immediate year, 2004-05. It improved its investments and reached to Rs. 10630.03 crores in 2005-06.

- **Fixed Assets:**

Table 1.16 and chart 1.16 show the Fixed Assets of SBI and its Associates during the study period, 1996-97 to 2005-06.

**SBI :**

Fixed Assets of SBI was Rs. 1171 crores in 1996-97, which showed upward movement up to 2000-01 and reached to Rs. 2593 crores in 2000-01. It declined to Rs. 2415 crores in 2001-02 and to Rs. 2389 crores in 2002-03. It showed upward movement from 2003-04 to 2005-06 and showed Rs. 2753 crores of the fixed assets at the end of the study period. "Percentage increases over previous year" ranged between (6.86) percent in 2001-02 to 45.68 percent in 1998-99.

**SBBJ :**

Fixed Assets of SBBJ was Rs. 46 crores in 1997-98, which rose to Rs. 95 crores in 1998-99 but it decreased to Rs. 92 crores in 1999-00 and to Rs. 90 crores in 2000-01. It showed upward movement from 2001-02 to 2005-06 from Rs. 91 crores to Rs. 163 crores. "Percentage increase over previous year" ranged between (3.16) percent in 1999-00 to 106.52 percent in 1998-99.

**SBH :**

Fixed Assets of SBH was Rs. 78 crores in 1997-98, which showed bullish movement during the study period of course, the fixed assets data was not available for the base year. It rose to Rs. 223 crores in 2005-06.

"Percentage increase over previous year" ranged between 3.19 percent in 2000-01 to 43.48 percent in 2003-04.

**Table 1.16**  
**Growth of Fixed Assets of SBI & its Associates**

Year	Item	SBI	Associates						
			SBBJ	SBH	SBIIn	SBM	SBP	SBS	SBT
1996-97	Fixed Assets (Rs. in Crores)	1171	NA	NA	NA	NA	NA	NA	NA
	Percentage increase over previous year.	-	-	-	-	-	-	-	-
1997-98	Fixed Assets (Rs. in Crores)	1506	46	78	27	30	50	28	47
	Percentage increase over previous year.	28.61	-	-	-	-	-	-	-
1998-99	Fixed Assets (Rs. in Crores)	2194	95	84	61	32	50	29	45
	Percentage increase over previous year.	45.68	106.52	7.69	125.93	6.67	-	3.57	(4.26)
1999-00	Fixed Assets (Rs. in Crores)	2478	92	94	61	33	55	29	52
	Percentage increase over previous year.	12.94	(3.16)	11.90	-	3.13	10	-	15.56
2000-01	Fixed Assets (Rs. in Crores)	2593	90	97	55	34	79	32	67
	Percentage increase over previous year.	4.64	(2.17)	3.19	(9.84)	3.63	43.64	10.34	28.85
2001-02	Fixed Assets (Rs. in Crores)	2415	91	103	49	36	93	33	69
	Percentage increase over previous year.	(6.86)	1.11	6.19	(10.91)	5.88	17.72	3.13	2.99
2002-03	Fixed Assets (Rs. in Crores)	2389	102	115	47	38	119	43	72
	Percentage increase over previous year.	(1.08)	12.09	11.65	(4.08)	5.56	27.96	30.3	4.35
2003-04	Fixed Assets (Rs. in Crores)	2645	113	165	61	75	124	59	106
	Percentage increase over previous year.	10.72	10.78	43.48	29.79	97.37	4.20	37.21	47.22
2004-05	Fixed Assets (Rs. in Crores)	2698	124	172	77	92	128	66	107
	Percentage increase over previous year.	2.00	9.73	4.24	26.23	22.67	3.23	11.86	0.94
2005-06	Fixed Assets (Rs. in Crores)	2753	163	223	113	163	173	198	165
	Percentage increase over previous year.	2.04	31.45	29.65	46.75	77.17	35.16	200	54.21

Source: Annual Reports of SBI & its Associates

### **SBIIn :**

Fixed Assets of SBIIn was Rs. 27 crores in 1997-98, which rose to Rs. 61 crores in 1998-99 showing percentage increase over previous year 125.93 percent in 1998-99. It remained stable in 1999-00 but in the subsequent years from 2000-01 to 2002-03 it showed downward movement and it went to bottom line to Rs. 47 crores in 2002-03. It showed upward movement from 61 crores in 2003-04 to Rs. 113 crores in 2005-06. "Percentage increase over previous Year" ranged between (10.91) percent in 2001-02 to 125.93 percent in 1998-99.

### **SBM :**

Fixed Assets of SBM was Rs. 30 crores in 1997-98, which showed upward movement during the study period and reached to Rs. 163 crores in 2005-06. "Percentage Increase over previous year" ranged between 3.03 percent in 2000-01 to 97.37 percent in 2003-04.

### **SBP :**

Fixed Assets of SBP was Rs. 50 crores in 1997-98, which remained the same in the subsequent year, 1998-99 also. Fixed Assets trend of SBP registered upward movement from 1999-00 to 2005-06 and reached to Rs. 173 crores in 2005-06. "Percentage increase over previous year" ranged between 0 in 1998-99 to 43.64 percent in 2000-01.

### **SBS :**

Fixed Assets of SBS was Rs. 28 crores in 1997-98, which rose to Rs. 198 crores in 2005-06 showing continuous upward movement. "Percentage increase over previous year" ranged between 0 in 1999-00 to 2000 percent in 2005-06.

**SBT :**

Fixed Assets of SBT was Rs. 47 crores in 1997-98, which registered mixed movement during the study period and reached to Rs. 165 crores in 2005-06. "Percentage increase over previous year" ranged between (4.26) percent in 1998-99 to 54.21 percent in 2005-06.

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**CHAPTER-2**  
**“CONCEPTUAL FRAMEWORK AND  
MEASUREMENT FOR PERFORMANCE  
APPRAISAL”**

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## **2.1 Concept : ‘Performance’:**

According to Robart Albanese “Performance is used to mean the efforts extended to achieve the targets efficiently and effectively. The achievement of targets involves the integrated use of human, financial and natural resources.”<sup>1</sup>

“Performance is a general term applied to a part or to all of the conduct of activities of an organisation over a period of time; often with reference to past or projected cost efficiency, management responsibility or accountability or the like.”<sup>2</sup>

The above definitions describe that the word ‘Performance refers to presentation with quality and result achieved by the management of company. It considers the accomplishment of objectives as well as goals setting for the company comparing the present progress with the past, although in context of the present. It also covers financial cost and social aspects. Overall activities conclusion is represented by the term ‘Performance’

## **2.2 Measurement of Performance:**

“Measurement is a process of mapping aspects of a domain into other aspects of a range according to some rule of correspondence”<sup>3</sup> While according to Tripathi “Measurement is the assignment of numerals to characteristics of objects, persons, states or events, according to rules. What is measured is not the object, person state or event itself but some characteristics of it. When objects are counted, for example, we do not measure the object itself but also its characteristics of being present. We

never measure people only by their age, height, weight or some other characteristics”<sup>4</sup>

While measuring the company, the first requirement is the thoughts and goals of human beings are mostly realised through the establishment of diverse kinds of relevant associations. The functions of all associations were established for achievement of some goals and objectives. As an output point of view, association needs measurement of performance to find out as to how much the organisation has achieved by its course of action towards its goals or targets.

### **2.3 Concept : ‘Appraisal’:**

‘Appraisal’ is closely related to scrutiny of the working system of a company as a whole.

According to Sudha Nigam, “Appraisal is a technique to evaluate past, current and projected performance of concern”<sup>5</sup> It is a powerful tool to examine, to measure, to interpret and to weigh critically and to draw outputs. Different specialists who examine the specific problem with their unit undertake appraisal. Appraisal can be classified into two: ( I ) Internal ( II ) External. According to Pitt Francis, “Internal appraisal of the company not only means making some of having adequate human, physical and financial resources but seeing that they are optimally employed.”<sup>6</sup>

### **2.4 Concept: ‘Performance Appraisal’ :**

“Performance Appraisal, as a concept is purely a developmental tool for a company. As a developmental tool, it is not merely the end

product or the final assessment. It is important as the whole process of appraisal. The learning opportunity for the appraiser and the appraisee starts with setting of the tasks and targets. It manifests in the whole gamut of appraisal procedure such as self appraisal, appraisal interviews, final appraisal, grading and developmental planning, etc.”<sup>7</sup>

Performance appraisal is a close and a critical study of various measures observed in the operation of business organisation. The concept of human body is similar to the concept and case of a business organisation.

Human body requires medical checkup and examination for maintaining fitness of body; similarly, the performance of a business organisation has got to be assessed periodically. Erich A. Helfert stated, “The person analysing business performance has clearly in mind which tests should be applied and for what specific reasons. One must define the view point to be taken, the objectives of the analysis and possible standard comparison”.<sup>8</sup>

## **2.5 Financial Appraisal:**

“Financial Appraisal is a scientific evaluation of profitability and financial strength of any business concern”<sup>9</sup>

According to Accounting point of view, financial statements are prepared by a business enterprise at the end of every financial year. According to Howard and Upton, “Financial Statements are end products of financial accounting”.<sup>10</sup> They are capsulized periodical reports of financial and operating data accumulated by a firm in its books of accounts-the general ledger. According to Kennedy and McMillan

“Financial Statement Analysis attempt to unveil the meaning and significance of the items composed in Profit and Loss Account and Balance Sheet. So as to assist the management in the formation of sound operating Financial Policies” <sup>11</sup>

For proper interpretation of financial statement, users must have a basic understanding of the conceptual framework and principles underlying their preparation. Otherwise users will not recognise the limits of financial statements.

The financial statement analysis facilitates a sufficient guideline about the behavior of financial variables for measuring the performance of different units in the industry; it also facilitates to indicate the current scenario of improvement in the organisation.

## **2.6 Significance of Performance Appraisal:**

The significance and requirement of performance appraisal rise from the viewpoint of all live participants who are interested in the routine of the unit. These are as under.

### **1. Management Point of View**

Performance appraisal plays a vital role in providing such information to the management, which it needs for planning, decision-making and control e.g. operational analysis provides gross margin, operating expense analysis and profit margin. Asset management outlines asset turnover, working capital under inventory turnover, accounts receivable and payable. Profitability position shows return on assets, Earning Before Interest and Tax (EBIT) and return on assets.

Gresternberg stated that, “Management can measure the effectiveness of its own policies and decisions, determine the advisability of adopting new policies and procedures and documents to owners as a result of their managerial efforts.”<sup>12</sup> Thus, management should examine a great deal of information in the context of various resources placed at the disposal of an undertaking.

## 2. Potential Investors Point of View

According to Erich A. Helfert, “Importance of Performance lies for owners / potential investors should know easily. The financial position of a company by return on net worth, return on common equity, earnings per share, cash flow per share, dividends per share, dividend yield, dividend coverage, price earning ratio, market to book value, pay out / retention.”<sup>13</sup> The potential investors of the business organisation in turn are interested in the current features.

## 3. Creditors Point of View

Creditors doing business with company simply appraise its performance by current ratio, acid test ratio, debt to assets ratio, equity and capitalization. Interest coverage and principal coverage before lending the finance. Performance appraisal describes real features of business organisation to the creditors.

## 4. Government Point of View

Government have significance of performance appraisal of an individual organisation or industry as a whole by the means of various



taxes, revenues, financial assistance, sanctioning subsidy to a unit or industry as well as price fixing policies frame outlines. The key role of performance appraisal for the government lies in planning, decision-making and control process.

5. Employees and Trade Unions Point of View

Employees are resources of the company and are interested to know the financial position and profits of the company. Generally, they analyse by the comparison between past and present performance, profit margin and cash flow of the company. Trade unions are interested to know the data of financial performance pertaining to their demands for increase in wages, salaries, facilities and social welfare.

6. Society and Others Point of View

Society and Others are including in external environment of the company and every business organisation has a greater responsibility towards society. In this context, performance appraisal should be appraised through various types of elements such as customers, investors, media, credit institutions, labour bureaus, taxation authorities, economists are interested for the appraisal of a business organisation. The society as a whole also looks forward to know about the social performance i.e. environmental obligations, social welfare, etc.

## **2.7 Areas of Performance:**

There are such areas where the performance should be modified or improved by effective assessment of various types of activities performed by the business organisation in different areas of operations. Those areas of operations may be termed as the areas of performance. The important areas described under the following heads:

### **1. Performance of Profitability**

The word “Profitability” is modulation of two words ‘Profit’ and ‘Ability’. In other words, it refers to 'Earning Power' or 'Operating Performance' of the concerned investment. The concept of profitability may be defined as “The ability of a given investment to earn a return from its use.”<sup>14</sup>

Measurement of profitability is the overall measure of performance. Profits known as bottom lines are also important for financial institutions. Analysing and interpreting various types of profitability ratios can obtain creditors performance of profitability.

### **2. Performance of Productivity.**

Productivity is usually defined as a ratio of output produced per unit of resource consumed by the process. “Productivity is a measure of performance in producing and distributing goods and services: value added, or sales minus purchases divided by workers employed”<sup>15</sup>

## **2.8 Performance Appraisal : Effectiveness in Planning, Control and in Decision - making :**

The effectiveness of performance appraisal is playing concrete role at corporate level to build up Planning, Control and Decision-making policy. Planning may be broadly defined as “a concept of executive action that embodies the skills of anticipating, influencing and controlling the nature and direction of change”.<sup>16</sup> Planning is a process determining the future course of action. It is applied for management to provide various types of information both quantitative and qualitative. Performance appraisal has taken on increasingly the task of fulfillment of the quantitative information.

Provision of particular information which will enable the management to exercise control over the day to day operations with a view to ensuring maximum efficiency. Control in any process guides activity towards source predetermined goals. Terry has defined “Controlling is determining what is being accomplished that is evaluating the performance and if necessary applying corrected measures so that the performance takes place according to plan.”<sup>17</sup>

Impact of decision-making in performance appraisal provides dual advantages to management (i) efficient and profitable operations (ii) the effective use of resources.

## **2.9 Performance and Efficiency:**

Performance is the execution or accomplishment of work, acts, feats, etc. or a particular action, deed or proceeding is referred to as performance.<sup>18</sup> However, the manner in which or the efficiency with

which something reacts or fulfils its intended purpose is also defined as performance. Success or failure in the economic sense is judged in relation to expectations, return on invested capital and the objective of the business concern.

For understanding the term performance, a clear distinction needs to be drawn between performance measure and performance indicators. Performance measure needs to be based on careful evaluation of the causes and effects of policy intervention where as a performance indicator is less precise and usually provides only an intermediate measure of achievement.

The word “Efficiency” as defined by the Oxford Dictionary states that:

“Efficiency is the accomplishment of or the ability to accomplish a job with minimum expenditure of time and effort”<sup>19</sup>

It refers to the internal process that leads to output. It focuses on the means to achieve the desired end. As expressed by Peter F. Drucker, “Doing the things the right way is efficiency.” This denotes the fulfillment of the objective with minimum sacrifice of the available scarce resource.

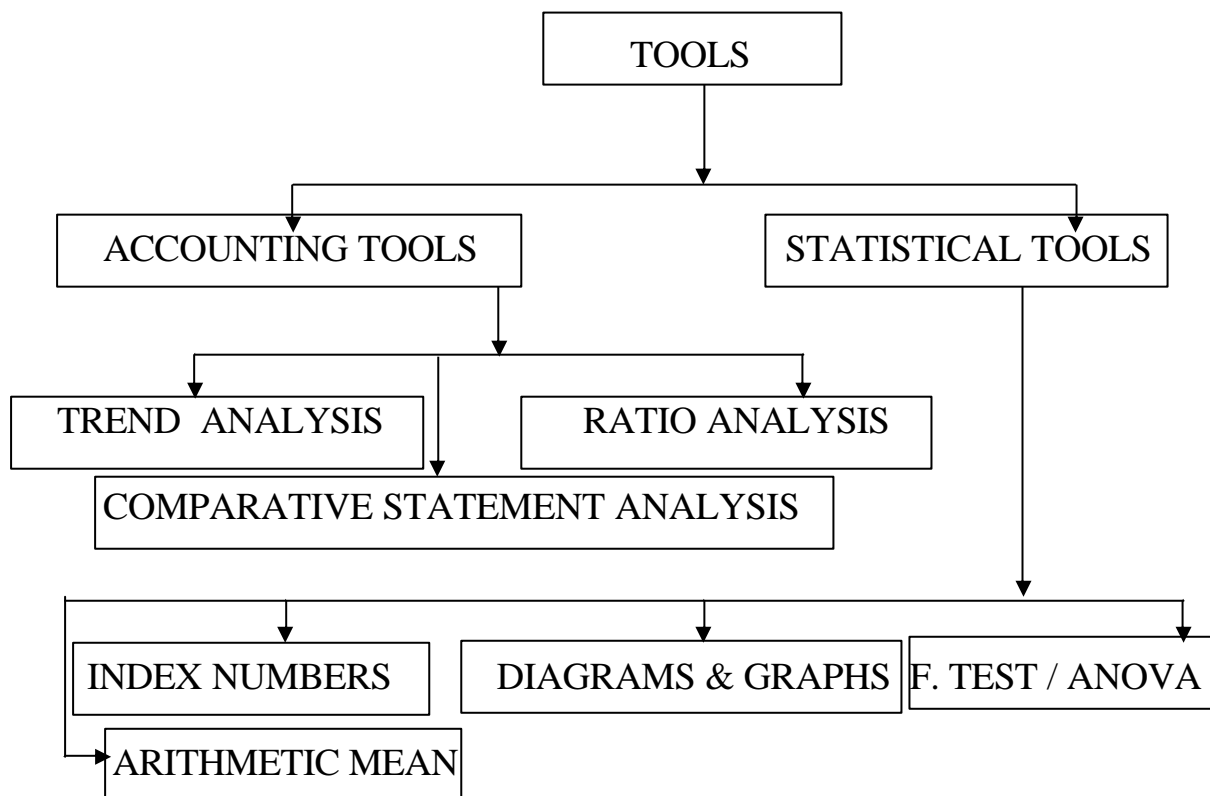
Fantless and speedy compliance to the process or system and procedure is a measure of efficiency. Providing a specified volume and quality of service with the lowest level of resources capable of meeting that specification, performance measures and / or indicators are required. These include measures on productivity, unit costs, volume of service,

etc. These measures help in minimizing the use of resources in achieving the organisational objectives i.e. doing things rightly.

## **2.10 Tools for Performance Appraisal:**

For taking various policy level decisions under varied circumstances, measurement is necessary. The financial health of banks can be diagnosed applying following tools.

Chart - 2.A



### **(I) Accounting Tools:**

For analysing performance of group of banks accounting tools like:

- (a) Trend Analysis
- (b) Ratio Analysis and
- (c) Comparative Statement Analysis have been used. Description of the tools is as follows. :

(a) Trend Analysis

An effective use of financial ratios can be made by observing behavior of ratios over a period of time, is called trend analysis, depicting trends in the operations of a unit. “It is helpful in revealing proportionate changes over a time in selected financial statement data”<sup>20</sup> The trend analysis because of the ratios adds considerable significance to the financial analysis, it studies ratios of several years.<sup>21</sup> The trend figures are index figures giving a bird’s eye view of the comparative data by presenting it over period of time. Trend analysis is a tool to analyse the financial statement of a unit and to put absolute figures of the financial statements in more simplified form over a period of years. “Trend analysis is a horizontal analysis of financial statements, often called as ‘Pyramid Method’ of ratio analysis – a guide to yearly changes”<sup>22</sup> “The ratio analysis gives a reasonably good picture but it is incomplete in an important respect – it ignores the time dimension. The ratios are snapshots of the picture at one point in time but there may be trends in motion that are in the process of rapidly eroding a relatively good present position.”<sup>23</sup> Although the trend analysis of the unit’s ratios itself is informative, but it is more informative to compare the trends in the unit’s ratios with the trends in industry ratios.

For analysing the trend of data depicts in the financial statements, it is necessary to have statements for a number of years. This method involves the interpretation of the percentage relationship that each statement item bears to the same item in the ‘base year’.

Thus, Trend Analysis is useful in evaluation of profit and profitability performance of the unit. It indicates quantitative change in

unit operations. It also highlights the trend pattern, historical development and level of efficiency in unit operation over a time period.

(b) Ratio Analysis

Beaver was the first to use the ratio analysis tools in a modern way of predicting business failure. <sup>24</sup> An absolute figure does not convey anything unless it is related with the other relevant figure. e.g. Trend of Current Liabilities of a unit does not reflect anything about solvency position of the unit. <sup>25</sup> Comparing current liabilities with current assets can reflect the solvency position of the unit. Ratio makes a humble attempt in this direction. “A ratio is simply one number expressed in terms of another. It is found by dividing one number the base into the other. <sup>26</sup> “Generally, there are two methods of expressing relationship in ratios” <sup>27</sup> (1) The ‘Percentage Method’ likes 100 percent etc. “analyst uses ratio to connect different parts of the financial statements in an attempt to find clues about the status of particular aspects of the business.” <sup>28</sup> (2) The ‘Phrase Method’ such as one and half to one and two for one ratio is useful analysis for financial statements. It is conveniently and clearly capsulize the data in a form that is easily understood, interpreted. “Ratios are simply a means of highlighting in arithmetical terms, the relationship between figures drawn from financial statements.” <sup>29</sup> The technique of Ratio Analysis is the process of determining and interpreting numerical relationship based on the financial statements. According to Batty “Accounting Ratio describe the significant relationship which exist between figures shown in a Balance Sheet, in a Profit and Loss Account, in a Budgetary Control.” <sup>30</sup> System or any other part of accounting organization, ratio analysis are significant both in vertical and horizontal analysis. In vertical analysis, ratios help analyst to form a judgment whether performance of the firm at a lot of time is good, questionable or

poor. Use of ratios in horizontal analysis indicates whether the financial condition of the firm is improving or deteriorating and whether the cost, profitability or efficiency is showing an upward or downward trend.

Financial ratios become meaningful to judge financial condition and profitability performance of the unit only when there is comparison. In fact, analysis of ratios involves two types of comparison. Firstly, a comparison is made of present ratios with past and expected future ratios for the same unit when financial ratios for several preceding years recomputed, the analyst can determine the composition of change and determine in the financial position of the firm over the period of time. The second method of comparison involves comparing the ratio of the unit with those of similar type of unit or with industry averages at the same point of time. Such a comparison would provide considerable insight into the relative financial condition and performance of the unit. From all the financial accounts: the balance sheet, income statement and flow of funds statement, it is possible to formulate countless ratios.

Researcher must select only those ratios that provide significant information about a firm's situation for effective financial analysis.

### (c) Comparative Statement Analysis

“Comparative Financial statements are those statements which have been designed in a way so as to provide time perspective to the consideration of various elements of financial position embodied in such statements”. In other words, we can say when the data of few years of statements are presented side by side in columnar form to facilitate the study of the trend of profitability and financial condition of a business



enterprise is known as comparative statements. Generally, the Balance sheet and Profit and Loss Account are prepared in comparative form.

This technique of analysis is easy to understand for the common readers also as it provides quick conclusion to the information users. The presentation of comparative financial statements in annual and other reports enhances the usefulness of such reports and brings out more clearly the nature and trend of current changes affecting the enterprise.

But an important limitation of this method is that it has no scientific background as it simply compares the figures of financial statements with another year's / years' figures. Besides, it doesn't show the relative changes of various items of financial statements like: common size statements. It can't point out trouble spots, increasing expenses, low productivity and falling liquidity position of the business unit. Therefore, it is useful neither for the management nor for other information users for rational decision-making.

## **( II ) Statistical Tools:**

For making the study more scientific and accurate following statistical tools are applied:

- (a) Arithmetic Mean
- (b) Index Numbers
- (c) Diagrammatic and Graphic Presentation of data
- (d) ANOVA Technique / “F” - Test

Brief descriptions of these tools are as follows:

(a) Arithmetic Mean.

The arithmetic mean is very commonly used in various types of study. Adding all values and dividing the total by the number of observations calculate it. In this study, it is calculated by adding relevant item values and dividing it by the total number of years taken.

(b) Index Number

“Index Number is a number which is used to measure the level of a given phenomenon as compared to the level of the same phenomenon at some standard date” <sup>31</sup> According to Croxton and Crowden “Index numbers are devices for measuring differences in magnitude of a group of related variables”. According to Morris Hamburg, “Index Number is nothing more than a relative number, or a relative which expresses the relationship between two figures, where one of the figures is used as a base.” In present study, indices of Income, Expenditure, Spread, Burden, Net Profit, Profitability of sample banks have been found out by taking 1996-'97 as the base year and indices of the rest years have been computed.

(c) Diagrammatic and Graphic Presentation of data

Diagrams and Graphs are visual aids, which give a bird's eye view of a given set of numerical data. They present the data in comprehensible and intelligible form. Diagrams and graphs depict more information than the data presented in the tabular form.

For presenting the data of sampled banks, diagrammatic and graphic presentation of data have been applied.

(d) Analysis of Variance / ("F"-Test)

R.A.Fisher developed Analysis of Variance and a test so developed by him is known as Fisher's test or more commonly 'F'-test .It is also known as ANOVA. It is one of the most important tools of statistical analysis. It is used in various fields like economics, education, sociology, biology, psychology, business and industry. <sup>32</sup> It has been developed specially to test the hypothesis whether the means of several samples have significant differences or not. The analysis of variance furnishes a technique for testing simultaneously the significance of differences among several means. From this technique one is able to determine whether the samples have the same mean as the population from which they have been drawn. According to Levin, "Analysis of variance is the test for the significance of the difference between more than two sample means using analysis of variance. One will be able to make inferences about whether the samples are drawn from population having the same mean."

Levin describes the following three steps in analysis of variance:

1. Determine one estimate of the population variance from the variance among the sample means.
2. Determine a second estimate of the population variance from the variance within the samples.
3. Compare these two estimates. If they are approximately equal in value, accept the null hypothesis.

## **2.11 Objectives of Performance Appraisal:**

Performance Appraisal is a technique to evaluate past, current and projected performance of a unit. Performance appraisal is concerned with the analysis of financial and non-financial data. The present study is concerned with the analysis of financial data. The main purpose of this analysis is to evaluate past performance, financial position, liquidity position, future prospects for earning ability to pay interest and debt on maturity and profitability of a unit. R.F.Salmanson, R.H.Hermanson, and J.D.Edwards have stated that “a modern business firm has many objectives or goals including some social objectives such as providing job opportunities and comfortable working conditions for its employees”.

A study in order to be useful should be object oriented. Thus, appraisal should always be turned to the objectives. In the words of R.N.Anthony, “The overall objective of any economic activity is to earn a satisfactory return on the funds invested in it, consistent with maintaining a sound financial position.”

According to S.K.Das, “The primary objectives of appraisal of financial statements are to determine the measure of efficiency of operations or the profitability from its income statement and to appraise financial strength as compared with similarly situated concern” Performance Appraisal are intended to give an accurate picture of the financial and non-financial condition of a concern in condensed form.

## **2.12 Process of Performance Appraisal:**

Performance appraisal is generally directed towards evaluating the liquidity, stability, profitability, productivity and efficiency of a concern. Performance appraisal involves the following steps:

- (I) Collection of Data.
- (II) Classification and Tabulation of Data
- (III) Application of appropriate Tools

### **( I ) Collection of Data.**

Collection of Data is the first step in evaluating the performance of an enterprise. According to R.I.Levih, “A collection of data is called a data set, and a single observation a data point.” Generally, the sources used to collect the information are broadly classified into two parts: ( a ) Primary Data ( b ) Secondary Data.

#### **( a ) Primary Data**

The primary data refers to the statistical material, which the investigator originates for the purpose of the inquiry in hand. John C.G., ‘Boot and Edwin in B.Cox.’, “When the data used in an analysis are specifically created for that analysis, they are referred to as primary data.”

#### **( b ) Secondary Data.**

“The term secondary data refers to the statistical material which is not originated by the investor himself, but which he obtains from some one else’s records.” According to Boot & Cox, “Secondary data are data which were not gathered specifically to meet the needs of the problem at hand.”

Secondary data can be obtained from:

- (I) Government
- (II) Semi Government bodies
- (III) Trade associations
- (IV) Trade journals
- ( V ) Periodicals and Magazines
- ( VI ) News papers.

The present study is based on secondary data. The raw data for the present analysis have been obtained from the annual reports. The information is supplemented by journals. The data so obtained by secondary sources have been recast and reduced to the relevant information.

## **(II) Classification and Tabulation of Data**

The next step in process of appraisal is to classify and tabulate the data. Herrick and Pluck observe; “The statistician’s first task is to reduce and simplify the detail into such a form that the salient features may be brought out, while still facilitating the interpretation of the assembled data. This procedure is known as classifying and tabulating the data.” Financial data, which have been obtained from secondary data sources, are classified and tabulated in such a manner that the results may be easily interpreted. This has been done in the present study.

## **(III) Application of appropriate Techniques**

The third step in the process of appraisal is the use and application of appropriate techniques. Many analyses have a favorite procedure for coming to some generalisation about the firm being analysed. The tools

used to assess the financial condition and performance of the firm is financial ratios. The second factor, analytical tools used to assess the financial appraisal include sources and uses of funds statement and the cash budget. The third factor, business risk relates to the risk inherent in the operations of the enterprises. All these factors should be used in determining the financial needs of the firm. But the analyst should use some other factors in determining the funds need of the firm.

In the present study, Accounting Tools like Trend analysis and Comparative Statement Analysis & Ratio Analysis and Statistical Tools Arithmetic Mean, Index Numbers, Diagrammatic and Graphic presentation and ANOVA techniques have been used.

### **2.13 Conclusion:**

Above conceptual framework of performance appraisal reveals that the performance appraisal is the measurement of performance and financial appraisal. In fact “Appraisal is a pre-requisite for judging the performance”<sup>33</sup>

Performance appraisal is a close and critical study of various measures observed in the operation of business organisation. For the measurement of performance appraisal, there are two types of distinct areas utilised i.e. performance of ( I ) Profitability ( II ) Productivity. Significance of performance appraisal shows their multi disciplinary importance for business organisation. The effectiveness of performance appraisal through planning, control and decision-making shows another important characteristics of it.

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## **CHAPTER-3**

# **"FORMULATION OF RESEARCH PLAN AND PROCEDURE"**

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### **3.1 Introduction:**

Modern banking system is an innovated form of yesterday's barter system of the human civilization. Banking sector play a very useful and dynamic role in the economic life of every country. Mushrooming growth of banking sector reflects the importance of banking in the Era of Industries, Consumer and Electronics (Era of ICE). Today, banking has become the part of the economic life. It has control over a considerable part of the stock of money. It is the pivot of modern trade and commerce as it mobilises the dormant capital of the country for productive purpose. Hence, it is one of the greatest agencies of commerce. Although, banking in one or another form has been in existence from very early times, modern banking is of recent origin. Banking is one of the consequences of the industrial revolution and the child of economic necessity. Its presence is very helpful to the economic activity and industrial progress of a country. The growth of banking sector has changed the life style of the society.

Indian banking sector has passed through different phases after nationalization of fourteen major banks in 1969. In 1980, another six banks were merged into it. On introducing Liberalization Privatization and Globalization policy (LPG policy) in 1991, in Indian banking sector according to recommendation by Narasimham Committee, headed by M.Narasimham, former RBI governor, Indian banking sector is efforting to prove to be world wide sector. In such a scenario, study of Indian banking sector as a whole or as a part is contemporary issue.

### **3.2 Title of the Research Problem:-**

Today, Indian banking industry is passing through critical financial position and efforting to improve their profitability on one hand and to

cater the social need on the other. Hence, analysis of performance of State Bank of India and its Associate Banks is contemporary.

It is in this regard, as a part of the research study, banking sector has been selected at macro level study while at micro level study State Bank of India and its seven Associate Banks have been selected as a case study of the banking sector.

The title of the problem selected for this study is **“PERFORMANCE APPRAISAL OF STATE BANK OF INDIA AND ITS ASSOCIATE BANKS”**. It consists the following aspects for the purpose of study:

1. Profitability of sample banks.
2. Operational Efficiency of sample banks.
3. Branch Productivity and Employee Productivity in sample banks.
4. Deposits and Advances position in sample banks.

### **3.3 Literature Review:**

For the present research study, researcher has reviewed various researches and publications related to research problem are:

**V.Pitre<sup>1</sup>**, in his article titled: “Measuring Bank Efficiency Productivity vs. Profitability”- studied the major purpose of reforms in the financial sector to increase its efficiency, profitability and competitiveness. He has selected the indicators to measure out-put in banks are per employee profit, volume of business, number of accounts, deposits and credit. The major findings of the study were: ( I ) Number of accounts per employee are higher in RRBs than foreign and national

banks ( II ) Foreign banks are ahead in terms of per employee deposit and credit, highest percentage of officers in total staff ( III ) Around 70-85% of staff members in nationalized banks and RBI are in clerical and subordinate level but as banks are out sourcing jobs and hiring contract workers, cost-benefit figures are changing rapidly. ( IV ) Due to strict prudential norms and other reforms, small borrowers accounts decreased to 7% in 2001 from 22% in 1992.

**Pramod Gupta<sup>2</sup>**, in his article titled: “Indian Banks Going Innovative” reviewed that both public and private banks are spending large amounts of money on technology to provide innovative products and services to their customers with more convenience and satisfaction. Technology is reducing the cost of transaction and helping to increase customer base and enable wider reach. These innovations are happening not only in the retail-banking segment but also in the corporate segment

**Vinay Dutta<sup>3</sup>**, in his article titled: “Lending for Recovery: The Mantra for a Healthy Banking System” by has reviewed that recovery process in the banks is speeding up and many banks have started fixing targets for time bound recoveries. OTS (One Time Settlement), CDR (Corporate Debt Restructuring) and SARFAESI Act. (Securitization and Re construction of Financial Assets and Enforcement of Security Interest) are helping the banks in speedy recovery of the problem loans. There is need for banks to behave in responsible manner while implementing the provisions of these systems. Instead of concentrating only on recovery of bad loans, banks should also acquire skills and expertise in sound credit appraisal and supervisions. He has suggested that banks should build strong credit departments by adopting sound lending principles and

practices, which would lead to healthy banking system and reduce the problem of bad loans.

**K.Srinivas Rao**<sup>4</sup>, attempted to study the productivity in banking. The study covered productivity of the banking industry as a whole in the country. This work heavily stresses on profitability. He concluded that social banking has become an essential ingredient of productivity alongside conventional banking.

**M.R.Vyas**<sup>5</sup>, studied financial performance of regional rural banks in Rajasthan. He analyzed the financial performance with the help of quick ratio, credit deposit ratio, profit to proprietors, capital ratio and working capital analysis. He concluded that regional rural banks had a bright future as an effective instrument in the economic growth and upliftment of down trodden sections of Indian society particularly in rural area.

**S.Garg**<sup>6</sup>, attempted to study the main determinants of cost, profits and profitability of banking sector and also studied the inter group differentials of SBI and its subsidiaries, nationalized banks, private sector banks and foreign banks. He observed that the operating income of all bank groups increased at lower rate as compared to operating expenses, which resulted in a decline in profitability.

**S.Singh**<sup>7</sup>, in his paper noted that profitability of the banking system has been subject to several stresses and strains due to many factors. These being continuous increase in SLR, CRR, persistent emphasis on social goals, growing incidents of industrial sickness, rapid branch expansion in

rural areas, unfavorable changes in the deposit mix and growing incidents of financial disinter mediation.

**H.P.Rao**<sup>8</sup>, in his study made a comparison of business ratios of profit making and loss making rural branches of nationalized banks. He pointed out that the main reason for less profit is the low volume of business. He recommended monitoring the break-even business level for banking sector to be of great importance for improving profitability.

**B.Murugesam & K.Chandrashekar Rao**<sup>9</sup>, in their paper studied profit, productivity, profitability and social objectives in public sector commercial banks in India. They suggested 21 indicators for evaluation of the performance of commercial banks.

**J.Oza**<sup>10</sup>, in his paper made an international comparison of productivity and profitability of public sector banks in India. Analyzing the productivity of public sector banks he observed that there has been substantial growth in productivity per employee.

**B.Satyamurty**<sup>11</sup>, identified 26 ratios categorized into 6 different groups of performance. Their interrelationship in observation can be interpreted for a systematic & needful evaluation of productivity and profitability performance of banks.

**Vipin Shah**<sup>12</sup>, in his empirical work cost and efficiency in banking studied the factors affecting costs, earnings and efficiency of banking services at branch level. He evaluated the relationship between size and costs at bank branch level. He suggested that activity wise cost and efficiency studies at branch level would be helpful for improving



operational efficiency of rural and urban branches. He was of the opinion that the size of the bank was important variable costs, earnings and efficiency of bankings services.

**H.N.Aggarwal<sup>13</sup>**, studied the concept of social obligation of banks. The study recommended that, providing more branch offices to the public, particularly in semi-urban and rural areas, providing greater credit facilities to the public as well as to the priority sector. Helping ( I ) Generation and maintenance of employment opportunities in the country. ( II ) Financing the government securities and popularizing the bill form of credit.

**A.K.Kanthale<sup>14</sup>**, observed in his paper that credit policy of the government has a great impact on the profitability of banks and these remains hardly a factor or determinant of working result, which is independent of credit and monetary policies.

**Nayan Kamal<sup>15</sup>**, recommended a model for evaluation of performance of commercial banks. He suggested, the basis of all the important quantifiable parameters of performance and an integrated performance index needs to be developed, which will act as a model for evaluating the performance of commercial banks.

**A.K.Vashist<sup>16</sup>**, in his study titled “Performance appraisal of commercial banks in India” evaluated the performance of public sector commercial banks with regard to six key indicators i.e. branch expansion, deposits, credit, priority sector, advances, DRI advances and net profit. He developed the composite weighted growth index, which is used for ranking the banks. For improving the performance of commercial banks,

he suggested ( I ) the developing of marketing strategy for deposit mobilization ( II ) profit planning and strength, weaknesses, opportunities and threat analysis in commercial banks

**J.C.Desai**<sup>17</sup>, studied staff productivity in banks. Basic objective of the study was to detect and correct staffing imbalances. He felt that in service industries like banking with wide variations in work mix, a universally applicable and fully scientific formula is difficult to evolve in any area of management.

**Kiran Chopra**<sup>18</sup>, studied the emerging trends in the profitability of selected public sector banks at micro level .She recommended the need for the introduction of management essentials for efficient management of profit and profitability to public sector banks and suggested proper management of both costs and earnings.

**V.B.Angadi and V.J.Devraj**<sup>19</sup>, in their paper studied that difference in cost of working fund, interest earning, social banking, funds management, other than income, expansion of banking business, banking services are the main factors contributing to difference in productivity and profitability ratios of the banks.

**P.N.Joshi**<sup>20</sup>, studied the trend of gross and net profits of scheduled commercial banks. His conclusion is as follows: ( I ) Lower capacity for fund management of the banks was due to statutory liquidity ratios, cash reserve ratio and priority sector lending ( II ) Lowering yield and rising cost rate year by year. ( III ) Declining demand from the corporate sector for bank funds had seriously contributed a lot to the decline trend in profitability.

**K. Ganesh**<sup>21</sup>, in his paper studied effectiveness of monitoring system profit centers, standards for comparison and management information system. The study suggested that the working fund as the base for the purpose of comparing profitability at the branch level is inadequate and he related it to the total business.

**O.P.Mathur**<sup>22</sup>, attempted to describe and analyze the public sector banks in Indian economy by selecting a case study of the State Bank of India. The main findings of the study was that the State Bank of India has accelerated the growth of Indian economy in two different ways ( I ) By rural branch expansion ( II ) By playing a leading role in the priority sector lending and development to backward regions.

**S.G.Shah**<sup>23</sup>, in his paper analyzed weakness of the banks and pointed out the specific areas where action could be taken to improve profitability. He revealed that rising expense and overheads increase in wasteful work practices; declines in productivity were major weaknesses. He suggested these in following areas for improving profitability of banks: (I) To evolve measures that could widen the spread between the cost of funds, services and administration and the return on them. ( II ) To develop supplementary sources of income. ( III ) To find profit centers and cost centers in the bank. ( IV ) To assess the extent to which these element of the structure could be influenced by policy and planning or by changing the nature of operations. ( V ) To recognize the elements that controls or settles the income and cost structure at each such center and for the bank as a whole.

**Makarand<sup>24</sup>**, studied the performance of public sector banks. He selected six quantitative indicators for performance index, which were, branch expansion, priority sector lending, deposit mobilization, export credit, net profit to working funds and wages cost of business development. The main recommendations of his study were ( I ) counseling and expert opinion to the priority sector lending on diversified activities is needed. (II) The lower level staff should also actively be involved in priority sector lending activities. ( III ) Necessary lending power should be vested with the branch managers.

**L.G.Kulkarni<sup>25</sup>**, in his paper compared developmental responsibility and profitability of banks. He reviewed that one of the important reasons for the decline in profitability of banks is the developmental responsibility undertaken by them. He suggested that carrying of developmental business could be possible as well as profitable only by reducing costs, improving systems and improving productivity.

**H.C.Sarkar<sup>26</sup>**, in his research paper studied the profits of Indian public sector banks over a time and suggested that banks need greater manual viability in their routine operations so as to achieve the dual objective of profit with growth.

**V.V.Divatia and T.R. Venkatchalam<sup>27</sup>**, studied operational efficiency and profitability of banks and proposed to create a composite index. They used the size of bank as represented by its total deposit as a rough yardstick of its performance. A set of 8 indicators is chosen which is further classified into indicators of ( a ) Operational efficiency in terms of productivity ( b ) Operational efficiency in social objectives ( c ) Profitability.

**O.B.Sayeed**<sup>28</sup>, in his Ph.D. research examined correlates of organizational health productivity and effectiveness in the SBI. The study is related to productivity and effectiveness. It is focus on the psychological aspect.

**R.C.Bhatia**<sup>29</sup>, studied the economic performance of the Indian Banking System. In his study profitability of banking system measured the ratio of profit as a percentage of capital and profit as a percentage of assets. The major findings of the study were: ( I ) The profit performance of the Indian banks during the period 1950 to 1960 showed an upward trend ( II ) Number of bank offices and the deposit concentration ratio showed an insignificant effect on its performance during 1950 to 1968.(III ) There was significant difference in the levels of intermediation of different banking sectors in India during the period under review. ( IV ) None of the sector showed any significant profitability differences ( V ) Output performance of the Indian banking system can be improved by the suggestion, that the banking rules in India should not emphasis on direct regulation of the rate of return as much as the regulation of the asset portfolio of banks.

**S.G.Shah**<sup>30</sup>, in his various studies discussed bank profitability and productivity. He expressed concurrence about slow growth in productivity and efficiency, wrong work practice, doubtful and overdue debts and increased expenses and overheads. He disapproved the attitude of Indian banks that higher profitability can result from increased spread and that innovations have a limited role. He emphasised on reduction of cost, creation of team spirit, improvement in the management for improving bank profitability and productivity.

**P.Singh**<sup>31</sup>, compared the Indian nationalized banks in terms of changes in their profit and profitability, in the pre nationalization and post nationalization periods. He concluded that recruitment, promotion, branch expansion, deployment of personal and business growth had a very favourable impact of profitability of banks, if they are carried out in judicious manner. He suggested that key to profitability should lie essentially in higher volume of business per employee and higher volume of business per branch.

**Banking Commission reviewed**<sup>32</sup>, Indian banks operating methods and procedures, and made recommendations for improving and modernizing operating methods and procedures. It studied issues relating to customer service, credit procedures, internal control system, cost structure, and profitability. It also examined other relevant aspects of banking, like training and employee appraisal, information system and productivity and management development. It suggests measures to improve profitability. Banking commission recommended fixing of man-hours for different types to jobs for measuring productivity of employees. It suggested that branch profitability was not the appropriate method hence an integrated costing and financial reporting system is needed. It also suggested the use of various ratios for the measurement of the operational efficiency of branches.

**Maharashtra State Government**<sup>33</sup>, made first attempt to publish literature on productivity in banking industries in 1966. A seminar on productivity in Indian Banking Industry was organized during the Indian productivity year 1966. As it was the first attempt, it cleared only conceptual aspect of productivity in banking industry.

**R.Srinivasan** <sup>34</sup>, in his study on priority sector lending has attempted to study priority sector lending, and its impacts on the performance of banks. He studied 14 major Indian banks. He concluded that mass lending at concessional interest has reduced the earnings of banks.

**Jagwant Singh** <sup>35</sup>, has analyzed productivity of Indian banks. He has used 17 indicators that can be categorized into three main indicators i.e. per employee indicators, per branch indicators and financial indicators. He observed that United Commercial Bank was the one bank that from all angles was giving poor performance after nationalization. SBI was able to make considerable improvement in its productivity. He recommended that all the banks should set up productivity cells.

**A.M.Sadare** <sup>36</sup>, analyzed public sector banks, private sector and foreign banks for a period of six years from 1985 to 1990. He concluded that policy supports as well as effectiveness is important factors for improving the profitability to banks.

**N.A.Shanbhag** <sup>37</sup>, in his paper evaluated various target based social obligations assigned to banks from time to time after their nationalization. He suggested regrouping of the priority sector with the contemporary relevance.

**J.Pande and G.S.Lall** <sup>38</sup>, in their paper attempted to develop internal management techniques for improving the profitability of the Indian banks. They identified most important sector influencing the

profitability i.e. productivity development of funds, quality of advances, information system, organizational set up and branch expansion policy.

A Ph.D.thesis on: “Appraisal of Financial Performance of State Bank of India by Vijaykumar Bhatasana examined the financial performance of State Bank of India in the light of factors like profitability, employee productivity, branch productivity and other social issues like priority sector lending.

A Ph.D. thesis on: “Comparative Analysis of Financial Efficiency of the selected banks under the study” by Mrs.Swati Doshi, studied the financial efficiency with the aspects like profitability, financial strength and operational efficiency in selected public sector banks, in Gujarat Urban Scheduled Co-operative banks, in private sector banks and in foreign banks.

### **3.4 Objectives Of The Research Study**

1. To analyze profitability of sample banks.
2. To measure branch productivity and employee productivity of sample banks.
3. To make comparative study of the trends of deposits and advances of sample banks.
4. To search out the major problems and prospects of the banking sector.
5. To suggest an appropriate strategy for improvement of financial performance of sample banks.



### **3.5 Period of the Research Study:**

The study of the above-mentioned title of the problem has been made covering the period of ten consecutive years from 1<sup>st</sup> April 1996 to 31<sup>st</sup> March 2006.

On submission of the 1<sup>st</sup> report by the Narasimham Committee in 1991, the process of reforms in Indian Banking Sector began. It recommended reforms relating to the structure, organization and functioning of the financial system to be implemented during next six years period ending on 1995-96, Afterwards, in 1997 Narsimham Committee working group produced 2<sup>nd</sup> report to review the progress in reforms in the banking sector, with special reference to the recommendations made in 1991 on the financial system.

It also planned out a program on banking sector reforms, necessary to strengthen Indian's banking system and make it internationally competitive. It also recommended new theories like: on assessing capital adequacy ratio, market risk should be taken into consideration; to increase risk weight of investment in Government Securities; risk weight assets theory; independent loan review mechanism to identify potential NPAs; issue of NPA swap bonds; general provision on standard assets, etc. The above-mentioned recommended theories were being implemented from the year 1997.

In this regard, the period selected for the study of the above mentioned title is contemporary to analyze its impact on Indian banking sector as a whole and on State Bank of India and its Associate Banks as a case study.

### **3.6 Source of the Data:**

The present research study is based on the financial statements draw up in Form “A” and “B” respectively of the Third Schedule to the Banking Regulation Act, 1949, State Bank of India Act, 1995, State Bank of India (Subsidiary Banks) Act, 1959, and the regulations there under have been taken into consideration.

The financial data for sample banks, have been collected directly from Banks’ published annual reports and various issue of Indian Banks’ Association namely “Performance Highlights of Public Sector Banks”. Other indirect information has been obtained from other publications bulletins, periodicals, various book volumes on banks and on financial statement analysis and from newspapers. Data have also been searched out from the websites: [capitalmarket.com](http://capitalmarket.com), [statebankofindia.com](http://statebankofindia.com), [sbi.co.in](http://sbi.co.in), [iba.org.in](http://iba.org.in), etc.

### **3.7 Methodology of the Research Study**

The financial health of banks can be diagnosed by analyzing profitability, productivity and trends of deposits and advances. For making such analysis more meaningful various tools or techniques for analyzing the financial data are used. These tools can be classified into two:

- I. Accounting Tools**
- II. Statistical Tools**

#### **I. Accounting Tools**

For analyzing financial performance and measuring financial efficiency to banks, accounting tools like:

1. Trend Analysis
2. Ratio Analysis
3. Comparative Statement Analysis, have been used.

## **II. Statistical Tools**

For making the study more scientific and accurate Statistical tools like:

1. Arithmetic Mean
2. Index Numbers
3. Diagrammatic and Graphic presentation of data
4. “F”-Test / ANOVA technique, have been used

### **3.8 Hypotheses for the Research Study:**

“A hypothesis is a special proposition, formulated to be tested in a certain given situation as a part of research which states what the researcher is looking for.”<sup>39</sup> In the research study two hypotheses have been tested, they are as under:

- I. Hypotheses for Profitability Analysis
- II. Hypotheses for Productivity Analysis

#### **I. Hypotheses for Profitability Analysis**

Ho<sub>1</sub> : There is no significant difference among sample banks for interest earned as % to total income.

Ho<sub>2</sub> : There is no significant difference in a sample bank over study period for interest earned as % to total income.

Ho<sub>3</sub> : There is no significant difference among sample banks for non-interest income as % to total income.

Ho<sub>4</sub> : There is no significant difference in a sample bank over study period for non-interest income as % to total income.

Ho<sub>5</sub> : There is no significant difference among sample banks for interest expended as % to total expenditure.

Ho<sub>6</sub> : There is no significant difference in a sample bank over study period for interest expended as % to total expenditure.

Ho<sub>7</sub> : There is no significant difference among sample banks for spread as % to working fund.

Ho<sub>8</sub> : There is no significant difference in a sample bank over study period for spread as % to working fund.

Ho<sub>9</sub> : There is no significant difference among sample banks for net profit as % to working fund.

Ho<sub>10</sub> : There is no significant difference in a sample bank over study period for net profit as % to working fund.

## **II. Hypotheses for Productivity Analysis**

Ho<sub>1</sub>: There is no significant difference among sample banks for income per employee.

Ho<sub>2</sub> : There is no significant difference in a sample bank over study period for income per employee.

Ho<sub>3</sub>: There is no significant difference among sample banks for expenditure per employee.

Ho<sub>4</sub> : There is no significant difference in a sample bank over study period for expenditure per employee.

Ho<sub>5</sub>: There is no significant difference among sample banks for spread per employee.

Ho<sub>6</sub> : There is no significant difference in a sample bank over study period for spread per employee.

Ho<sub>7</sub>: There is no significant difference among sample banks for income per branch.

Ho<sub>8</sub> : There is no significant difference in a sample bank over study period for income per branch.

Ho<sub>9</sub>: There is no significant difference among sample banks for expenditure per branch.

Ho<sub>10</sub> : There is no significant difference in a sample bank over study period for expenditure per branch.

Ho<sub>11</sub>: There is no significant difference among sample banks for spread per branch.

Ho<sub>12</sub> : There is no significant difference in a sample bank over study period for spread per branch.

Ho<sub>13</sub>: There is no significant difference among sample banks for deposits per employee.

Ho<sub>14</sub> : There is no significant difference in a sample bank over study period for deposits per employee.

Ho<sub>15</sub>: There is no significant difference among sample banks for deposits per branch.

Ho<sub>16</sub> : There is no significant difference in a sample bank over study period for deposits per branch.

Ho<sub>17</sub>: There is no significant difference among sample banks for advances per employee.

Ho<sub>18</sub> : There is no significant difference in a sample bank over study period for advances per employee.

Ho<sub>19</sub>: There is no significant difference among sample banks for advances per branch.

Ho<sub>20</sub> : There is no significant difference in a sample bank over study period for advances per branch.

## **Universe of Study**

The universe of the study consists of all banks irrespective of private, public, semi-state or nationalized whatever the type of ownership of the banking organization active and situated in India.

## **Sample of the Research Study**

Since the size of population is of very wide range, the researcher has selected one of the leading, largest nationalized public sector banks i.e. State Bank of India and its Associated banks for research study, from the entire universe, named as follows:

1. State Bank of India (SBI)

### **Associate Banks :**

2. State Bank of Bikaner & Jaipur (SBBJ)

3. State Bank of Hyderabad (SBH)

4. State Bank of Indore (SBIn)

5. State Bank of Mysore (SBM)

6. State Bank of Patiala (SBP)

7. State Bank of Saurashtra (SBS)

8. State Bank of Travancore (SBT)

### **3.9 Chapter Plan:**

The present research study is presented in seven chapters, which are as follows:

#### **Chapter-One : “Development of the Banking Industry”**

This chapter traces the History of bank: International level – National – India – level – Structure of Indian Money Market – Challenges of Indian Banking Sector – Reforms in Banking Sector – Finished and Unfinished Agenda of Narasimham Committee – Brief History of State Bank of India and its Associate Banks – Growth and overall business of State Bank of India and its Associate Banks.

#### **Chapter-Two : “Conceptual Frame Work and Measurement for Performance Appraisal”**

This chapter covers: Concept: Performance – Measurement of Performance – Concept: Appraisal, Performance Appraisal – Financial Appraisal–Significance of Performance Appraisal – Areas of Performance – Performance Appraisal: Effectiveness in planning, control and in decision making – Performance and Efficiency – Techniques for Performance Appraisal – Objectives of Performance Appraisal – Process of Performance Appraisal – Conclusion.

#### **Chapter-Three : “Formulation of Research Plan and Procedure”**

This chapter deals with: Introduction – Title of the Research Problem – Literature Review – Objectives of the Research Study – Period of the Research Study –Source of the Data – Methodology of the Research Study – Hypotheses for the Research Study – Chapter Plan – Limitations of the Research Study.

#### **Chapter-Four : “Profitability Performance Analysis”**

This chapter contains: Introduction – Concept: Profit and Profitability – Profitability and Efficiency – Techniques to measure Profitability – Trend Analysis of Income, Interest Earned, Non-Interest Income, Total Expenditure, Interest Expended, Operating Expenses, Other Expenses, Spread, Burden, Net Profit, Profitability, etc. It also covers Ratios of Interest Earned as % to Total Income, Non-interest Income as % to Total Income, Interest Expended as % to Total Expenditure, Spread as % to Working Fund, Net Profit as % to Working Fund – Application of “F” Test (ANOVA Test) .

#### **Chapter-Five : “Productivity Performance Analysis”**

This chapter covers: Introduction – Concept: Productivity – Significance of Productivity and Innovation – Concept: Productivity and Efficiency, Productivity and Profitability, Productivity and Performance – Productivity in Service Sector: Bank – Employee Productivity Ratios – Branch Productivity Ratios – Application of “F” Test (ANOVA Test).

#### **Chapter-Six : “Comparative Analysis of Deposits and Advances”**

This chapter deals with: Introduction – Role of Bank Deposits in Economic Development – Trends of Deposits – Productivity of Deposits – Role of Bank Advances in Economic Development – Trends of Advances – Productivity of Advances – Comparative Study of Deposit and Advances.

#### **Chapter-Seven : “Epilogue”**

This chapter reviews: Introduction – Trend Analysis and profitability – Productivity Performance – Performance of Deposits and Advances – Overall Conclusion – Suggestions.



### **3.10 Limitations of The Study:**

1. The study is restricted to one of public sector banks i.e. State Bank of India and its Associate Banks only. It's quite a small sample, which may not be representing all the common characteristics of the universe.
2. This study is based on secondary data taken from published annual reports and accounts of the banks under study. The reliability of such data is sometimes doubtful as the figures may be polished or grouping and regrouping of figures is also possible. Besides, unit insiders' view can't be revealed in the study.
3. There are different sophisticated methods and techniques for analyzing the profitability and productivity of the sample banks. Application of all the methods and techniques is not possible for the researcher because of time and economic limitations.
4. This research is empirical type of research so it doesn't offer or develop any new concept or reinterpret any existing concept.
5. This research study is restricted to seven consecutive years only because of non-availability of data. The trend and conclusion drawn with the help of this ten years data only, so, it may not support the past and future performance of the sample banks.

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**CHAPTER - 4**  
**"PROFITABILITY PERFORMANCE  
ANALYSIS"**

<b>4.1</b>	<b>Introduction</b>	<b>117</b>
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#### **4.1 Introduction :**

Profitability has been considered as one of the important objectives / mottoes of any commercial activity. The justification for the survival of a business is profit and profit earning capacity in future. The principle motivating force behind undertaking a business is profit.<sup>1</sup> Perhaps, the most important reason for keeping accounts, so far as the management of the business is concerned is that the information contained in them provides the means of measuring the progress of the business for testing its pulse and indicating when and where remedial action, if necessary, shall be taken. Profit is a signal for the allocation of resources and a yardstick for judging managerial efficiency. No business can survive without earning profit.

#### **4.2 Concept : 'Profit' and 'Profitability' :**

The word 'Profit' has had French / Latin origin in 'Proficere' (being useful or proficient), 'Profectus' and 'Profectum' (to make progress). Thus, profit is in index of proficiency or progress, as typified by 'the gain resulting from the employment of capital', the excess of returns over expenditure; pecuniary gain in any transaction / occupation.

Profit means excess of income over expenditure in given period of time. Hence, the excess of output over input factors expressed in monetary term represents profit.<sup>2</sup>

The profit of a business may be measured by studying the profitability of investment in it. The term profitability simply indicates

the profit earning capacity of a firm. The ability is also referred to the earning power or operation capacity of the concerned investment.

The term profitability may be defined as the ability of a given investment to earn a return from its use.

Profit is the soul of the business without which it is lifeless. In other words, profit is the cream of the business without it, it may not serve the purpose.

Western and Brigham opined that “to the financial management, ‘Profit is the test of efficiency and a measure of control’; to the owners, ‘a measure of the worth of their investment’; to the creditors, ‘the margin of safety’; to the government, ‘a measure of taxable capacity and a basis of legislative action’ and to the country, ‘Profit is an index of economic progress, national income generated and the rise in the standard of living.’”

The income (output) as compared to the capital employed (input) indicates profitability of a firm.<sup>3</sup>

Profitability is the ability of the firm to generate earning.<sup>4</sup>

The concept of profitability may be defined as the ability of a given investment to earn a return from its use.<sup>5</sup>

Thus, profitability is a relationship of the earning to the total resources. Profitability is an indication of the efficiency with which the operation of the enterprise is carried on.



Thus, profitability indicates the capacity of management to generate surplus in the process of business operations. Sometimes, the terms 'Profitability' and 'Profit' are used synonymously but there is difference between the two. Profitability has a sense of relativity, where as the term profit is used in absolute sense.

Profitability is the result of financial as well as operational efficiency. It is the outcome of all business activities. Measurement of profitability is a multi-stage concept. A measure of profitability is the overall measure of efficiency.

Profitability is a concept based on profits but since it is a relative concept, profits are to be expressed in relation to some other variables.

The state of profitability is a variable thinking like temperature and humidity of a day. A meteorologist can even link the definition of profitability, by an accountant or an analyst, to temperature reading and a study of humidity. The present weather of a day is recorded so that prospects can be forecasted.

The degree of profitability helps in establishing a quantitative relationship between profit and volumes of sales or the level of investment. The measurement of profitability is as essential as the earning of profit itself for a business concern. Some managerial decisions like network expansion rising of additional finance and problems of bonus and dividend payments rest upon this particular measurement. Financial appraisal provides essential data for measuring profitability of a business concern.

When the profitability aspect of a public sector enterprise is analysed, the analyst should have to be doubly careful, due to being the conflicting objectives of these units. The basic objective behind establishment of public sector enterprise is not only to earn profit but also to fulfill the social objective. Naturally, the movement of profit in these enterprises on both the ways cannot be counted as any reflection on the operational efficiency. However this particular reason cannot be taken for granted when the funds are misutilised because of which an organization is not earning profit. As far as possible, these public sector enterprises should utilize the funds available to meet the social objectives and to earn profit. Hence profitability analysis is also an important aspect of a public sector enterprise irrespective of the conflicting objectives. Whether the bank is private, public, semi-state or nationalized, whatever the type or ownership of the banking organization, its prime objective for survival will be the achievement of a financial surplus from its trading activities.

The measurement of profitability requires calculation of several inter connected ratios which vary according to the purpose of analysis. Profitability can be measured according to the utility of the ratio. The utility of profitability for a creditor, for management and for the shareholders should definitely be different.

Here, the question can be rose and the views of stakeholders should also be placed on defining what is realistic level of surplus.

In view of the many uncontrollable and semi-controllable factors such as legislation, world money market rates, it is realistic for a bank to

plan for a profit within a range of say + or – 5 to 10 %, planning at the same time not to exceed or fail to achieve levels of profitability that are likely to stimulate serious adverse reaction from important groups of stakeholders i.e., to see that the profit objective and achievement is justifiable.<sup>6</sup>

Banks are commercial ventures. The main objective of any commercial venture is to earn profit and to enlarge profit by making the most efficient use of the resources available to them. The same thing is applicable in case of banks also. Banks adopt all types of methods and services to develop their business to maximize their earning. In India, the profit objective has not remained a dominant element for public sector banks. The Indian nationalized banks are not run with the object of earning maximum profit as they have to make their due contribution towards the fulfillment of the socioeconomic objective laid down by the Reserve Bank of India. This does not, however, mean that there should not be any profit motive at all. Nationalisation does not absolve the banks from their obligation to maintain proper financial and monetary discipline.<sup>7</sup> In India, public sector banks provide a variety of social services that cannot be undertaken on the basis of pure profit consideration. The pre-nationalisation trend of banking growth in the country proves the adage, “where enterprise leads, finance follows.” The emergence of sectoral regional and state wise imbalance was quite obvious.<sup>8</sup>

The basic objective of Indian nationalized banks is not to maximize their profit but to earn reasonable profit in order to maintain sound financial health.

### **4.3 Profitability and Efficiency :**

Profitability is not synonymous with efficiency though it is an index of efficiency; it is regarded as a measure of efficiency and management guide to greater efficiency. No doubt, profitability is an important yardstick of efficiency, but the extent of profitability cannot be taken as a final proof of efficiency. Sometime satisfactory profits can make inefficiency and conversely a proper degree of efficiency can be accompanied by an absence of profit. The net profit figure simply reveals a satisfactory balance between the value received and value given. The change in operational efficiency is merely one of many factors on which profitability of an enterprise largely depends between cost and profitability. Moreover, there are many other factors besides efficiency, which affects the profitability.

### **4.4 Techniques to Measure Profitability:**

Measurement of profit is essential for taking various policy level decisions under different circumstances. Measurement of profitability provides overall performance of a company. It is also useful for forecast measurement of a unit's performance.

According to Murthy V.S. "The most important measurement of profitability of a company is ratio i.e. profitability of assets, variously referred to as earning power of the company return on total investment or total resources committed to operation."<sup>9</sup>

According to Block and Hirt "The income statement is the major device for measuring the profitability of a firm over a period of time."<sup>10</sup>

Thus, the profitability of a unit can be evaluated or measured from number of perspectives and there are various quantitative as well as qualitative techniques that can be employed for this purpose. The following major techniques may be used to measure profitability:

- (i) Trend Analysis
- (ii) Ratio Analysis

(i) **Trend Analysis :**

Trend Analysis is helpful in making comparative study of the changes in an item or groups of item over a period of time and to draw conclusion.

The following steps are followed:

1. Select a base year.
2. Assign a weight of 100 percent to the base year for the related item.
3. Compute index number for other years under study based on base year for the related item.

To chalk out the trends in the profits and profitability of groups of banks under study, the following indicators have been selected:

- (i) Income
- (ii) Expenditure
- (iii) Spread
- (iv) Burden
- (v) Net profit
- (vi) Profitability

### **Trends of Income :**

Table 4.1 and chart 4.1 presents the data and chart related to trends of income, its index on the base year and percentage increase over previous year of SBI and its associates for the period from 1996-97 to 2005-06.

### **SBI :**

Income of SBI was Rs. 17593.73 crores at the end of the base year 1996-97 which showed an upward trend during the study period and reached to Rs. 43183.61 crores at the end of the study period 2005-06. Index on the base year revealed the fact that the income of the unit was about 2.5 times at the end of the study period. It showed favourable position of the unit. It revealed the fact that the unit might have expanded network, launched new service products, which attracted clients. In short, overall income performance improved during the study period.

Percentage increase over previous year showed fluctuating trend during the study period. It ranged between 3.38 percent in 2003-04 to 19.75 percent in 1998-99. It was 6.28 percent in 1997-98 and hiked to 19.75 percent in the subsequent year only but then onward in the subsequent years of the study period, it slowed down the growth of income.

### **Associates :**

### **SBBJ :**

Income of SBBJ was Rs. 864.76 crores in 1996-97, which rose to Rs. 2325.04 crores at the end of the year 2005-06. Index on the base year showed continuously an upward trend during the study period. It was 268.87 percent at the end of the study period, which indicated that it increased by 168.87 percent compared to the base year.

**Table 4.1**  
**Trends of Incomes**  
**(Base year 1996-97)**

Group of Banks / Years	1996-97	1997-98	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06
<b>SBI</b>										
Income (Rs. in crores)	17593.73	18699.06	22392.23	25770.25	30021.19	33984.57	36827.28	38072.95	39547.91	43183.61
Index on the base year	100.00	106.28	127.27	146.27	170.64	193.16	209.32	216.40	224.78	245.45
% Increase over previous year	-	6.28	19.75	15.09	16.50	13.20	8.37	3.38	3.87	9.19
<b>SBBJ</b>										
Income (Rs. in crores)	864.76	1013.48	1127.45	1336.05	1505.97	1658.26	1778.10	2065.06	2224.00	2325.04
Index on the base year	100.00	117.20	130.38	154.50	174.15	191.76	205.62	238.80	257.18	268.87
% Increase over previous year	-	17.20	11.25	18.50	12.72	10.11	7.23	16.14	7.70	4.55
<b>SBH</b>										
Income (Rs. in crores)	1101.72	1204.85	1416.06	1748.93	1981.86	2283.61	2528.85	2920.37	2746.73	3338.75
Index on the base year	100.00	109.36	128.53	158.75	179.89	207.28	229.54	265.07	249.31	303.05
% Increase over previous year		9.36	17.53	23.51	13.32	15.23	10.74	15.48	(5.95)	21.55
<b>SBIIn</b>										
Income (Rs. in crores)	430.82	479.91	583.51	694.40	872.39	1162.56	1288.43	1406.89	1288.10	1598.41
Index on the base year	100.00	111.39	135.44	161.18	202.50	269.85	299.06	326.56	298.99	371.02
% Increase over previous year		11.39	21.59	19.00	25.64	33.26	10.82	9.19	(8.44)	24.09
<b>SBM</b>										
Income (Rs. in crores)	687.04	709.09	817.04	964.27	1086.42	1204.39	1330.99	1397.47	1553.78	1693.32
Index on the base year	100.00	103.21	118.92	140.35	158.13	175.30	193.73	203.40	226.16	246.47
% Increase over previous year		3.21	15.22	18.02	12.67	10.86	10.51	4.99	11.19	8.98
<b>SBP</b>										
Income (Rs. in crores)	999.75	1038.09	1150.07	1335.28	1514.50	1769.07	2109.16	2518.70	2488.93	2808.58
Index on the base year	100.00	103.83	115.04	133.56	151.49	176.95	210.97	251.13	248.96	280.93
% Increase over previous year		3.83	10.80	16.10	13.42	16.81	19.23	19.42	(1.18)	12.84
<b>SBS</b>										
Income (Rs. in crores)	566.10	596.11	691.04	811.23	880.45	1016.24	1119.24	1283.99	1246.23	1312.27
Index on the base year	100.00	105.30	122.07	143.30	155.53	179.52	197.71	226.81	220.14	231.81
% Increase over previous year		5.30	15.93	17.39	8.53	15.42	10.13	14.72	(2.94)	5.30
<b>SBT</b>										
Income (Rs. in crores)	1032.91	1130.51	1172.01	1354.18	1509.62	1684.08	1884.60	2209.80	2416.84	2649.70
Index on the base year	100.00	109.45	113.47	131.10	146.15	163.04	182.46	213.94	233.98	256.53
% Increase over previous year		9.45	3.67	15.54	11.48	11.56	11.91	17.26	9.37	9.63

Source: Annual Reports of SBI and its Associates

Percentage increase over previous year showed fluctuating trend during the study period. In the year of 1997-98 it increased to 17.20 percent compared to the base year, 1996-97 but in the immediate year 1998-99 it went down to 11.25 percent and then in very subsequent year 1999-00, it zoomed to 18.50 percent. Then onward it remarked downward trend up

to 2002-03 and went to bottom to 7.23 percent in 2002-03. It improved in the subsequent year and reached to 16.14 percent in 2003-04 but in the subsequent year it showed downward movement and reached to 4.55 percent in 2005-06.

### **SBH :**

Income of SBH was Rs. 1101.72 crores during the year 1996-97, which increased to 3338.75 crores showing 3.03 fold rise over the base year. It remarked upward trend during the study period, which is reflected by the data: “Index on the base year.” Data: “Percentage increase over previous year” showed fluctuating trend during the study period. It varied between (5.95) percent in 2004-05 to 23.51 percent in 1999-00.

### **SBIIn :**

Income of SBIIn was Rs. 430.82 crores in 1996-97, which hiked to 1598.41 crores in 2005-06. Index on the base year showed rise of 371.02 percent over the base year. Percentage increase over previous year showed fluctuating trend during the study period. It ranged between (8.44) percent in 2004-05 to 33.26 percent in 2001-02. It remarked highly ups and downs during the study period.

### **SBM :**

Income of SBM was Rs. 687.04 crores during the year 1996-97 which increased to Rs. 1693.32 crores at the end of the study period, 2005-06. Index on the base year moved upward year by year and reached to 246.47 percent at the end of the study period 2005-06. Percentage increase over previous year observed fluctuating trend during the study period. In the beginning of the study period from 1997-98 to 1999-00, it



noted upward trend reaching to 18.02 percent in 1999-00 but in the subsequent years, it reflected downward trend and went down to 4.99 percent in 2003-04. Then it improved and hiked to 11.79 percent in 2004-05 but at the end of the study period, 2005-06, it went down to 8.98 percent.

**SBP :**

Income of SBP was Rs. 999.75 crores in 1996-97, which rose to Rs. 2808.58 crores in 2005-06. Index on the base year showed upward trend during the study period. It was 280.93 percent at the end of the study period, 2005-06, which indicated that the income of the unit became 2.80 times at the end of the study period. Percentage increase over previous year perceived fluctuating trend. It ranged between (1.18) percent in 2004-05 to 19.42 percent in 2003-04.

**SBS :**

Income of SBS was Rs. 566.10 crores in 1996-97, which came to 1312.27 crores in 2005-06. Index on the base year indicated that it was 2.32 times over the base year. Percentage increase over previous year reflected fluctuating trend during the study period. It ranged between (2.94) percent in 2004-05 to 17.39 percent in 1999-00. At the end of the study period, 2005-06 it was worked out to 5.30 percent from (2.94) percent of 2004-05.

### **SBT :**

Income of SBT was Rs. 1032.91 crores in 1996-97, which rose to Rs. 2649.70 crores in 2005-06. Index on the base year noted upward trend during the study period and at the end of the study period, it became 2.57 times over the base year. Percentage increase over previous year noticed fluctuating trend during the study period. It ranged between 3.67 percent in 1998-99 to 17.26 percent in 2003-04 but at the end of the study period it came to 9.63 percent.

### **Trends of Interest Earned :**

Table 4.2 and chart 4.2 present the data related to trends of interest earned, its index on the base year, percentage increase over previous year and interest earned as percentage of total income of SBI and its Associates for the period from 1996-97 to 2005-06. Interest earned is the part of the total income earned. Any increase in interest earned indicates increase in lending, increase in rate of interest on lending, launching of new lending products, etc.

### **SBI:**

Interest earned of SBI was Rs. 14950.66 crores in the base year, 1996-97, which rose to Rs. 35794.93 at the end of the study period, 2005-06, which was 2.39 fold over the base year. Percentage increase over previous year remarked fluctuating trend during the study period. It ranged between (2.02) percent in 2003-04 to 20.36 percent in 1998-99. Interest earned as percentage of total income also showed fluctuating trend during the study period. It ranged between 80.01 percent in 2003-04 to 87.72 percent in 2001-02. It indicated aggregate 84 percent of the total income earned, was out of interest earned.

**Associates:****SBBJ :**

Interest earned of SBBJ was Rs. 736.54 crores in 1996-97, which rose to Rs. 1965.68 crores at the end of the study period 2005-06, which became 2.67 times over base year.

**Table 4.2**  
**Trends of Interest Earned**  
**(Base year 1996-97)**

Group of Banks / Years	1996-97	1997-98	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06
<b>SBI</b>										
Int. earned (Rs. in crores)	14950.66	15878.89	19107.54	22200.93	26003.37	29810.09	31087.02	30460.49	32428.00	35794.93
Index on the base year	100.00	106.21	127.83	148.49	173.93	199.39	207.93	203.74	216.90	239.42
% increase over previous year		6.21	20.36	16.16	17.13	14.64	4.28	2.02	6.46	10.38
Int. earned as % of total income	84.98	84.92	85.33	86.15	86.62	87.72	84.41	80.01	82.00	82.89
<b>SBBJ</b>										
Int. earned (Rs. in crores)	736.54	850.83	963.85	1115.97	1266.83	1357.47	1438.20	1573.57	1740.89	1965.78
Index on the base year	100.00	115.52	130.86	151.52	172.00	184.30	195.26	213.64	236.36	266.89
% increase over previous year		15.52	13.28	15.79	13.52	7.15	5.95	9.41	10.63	12.92
Int. earned as % of total income	85.17	83.95	85.49	83.53	84.12	81.86	80.88	76.20	78.28	84.55
<b>SBH</b>										
Int. earned (Rs. in crores)	955.48	1034.55	1225.77	1482.39	1693.79	1918.30	2067.27	2212.94	2325.09	2748.87
Index on the base year	100.00	108.28	128.29	155.15	177.27	200.77	216.36	231.61	243.34	287.70
% increase over previous year	85.02	8.28	18.48	20.94	14.26	13.26	7.77	7.05	5.07	18.23
Int. earned as % of total income	86.73	85.87	86.56	84.76	85.46	84.00	81.75	75.78	84.65	82.33
<b>SBI</b>										
Int. earned (Rs. in crores)	378.22	407.32	494.76	560.04	709.74	887.77	986.47	1046.20	1109.83	1322.69
Index on the base year	100.00	107.69	130.81	148.07	187.65	234.72	260.82	276.61	293.44	349.71
% increase over previous year	-	7.69	21.47	13.19	26.73	25.08	11.12	6.05	6.08	19.18
Int. earned as % of total income	87.79	84.87	84.79	80.65	81.36	76.36	76.56	74.36	86.16	82.75
<b>SBM</b>										
Int. earned (Rs. in crores)	599.79	612.56	696.98	800.09	915.35	971.12	1037.13	1057.05	1167.77	1346.76
Index on the base year	100.00	102.13	116.20	133.40	152.61	161.91	172.92	176.24	194.70	224.54
% increase over previous year	-	2.13	13.78	14.80	14.40	6.09	6.80	1.92	10.47	15.33
Int. earned as % of total income	87.30	86.39	85.31	82.97	84.25	80.63	77.92	75.64	75.16	79.53
<b>SBP</b>										
Int. earned (Rs. in crores)	907.61	940.10	1018.08	1163.54	1344.26	1504.60	1763.65	1888.25	2133.23	2461.53
Index on the base year	100.00	103.58	112.17	128.20	148.11	165.78	194.32	208.05	235.04	271.21
% increase over previous year	-	3.58	8.29	14.29	15.53	11.93	17.22	7.06	12.97	15.39
Int. earned as % of total income	90.78	90.56	88.52	87.14	88.76	85.05	83.62	74.97	85.71	87.64

<b>SBS</b>										
Int. earned (Rs. in crores)	486.01	502.84	599.81	697.17	768.16	842.78	904.35	978.03	1132.22	1176.76
Index on the base year	100.00	103.46	123.42	143.45	158.05	173.41	186.08	201.24	232.96	242.13
% increase over previous year	-	3.46	19.29	16.23	10.18	9.72	7.31	8.15	15.77	3.93
Int. earned as % of total income	85.85	84.35	86.80	85.94	87.25	82.93	80.80	76.17	90.85	89.67
<b>SBT</b>										
Int. earned (Rs. in crores)	908.73	981.76	1019.36	1159.52	1315.36	1453.90	1584.44	1739.85	2008.32	2298.62
Index on the base year	100.00	108.04	112.17	127.60	144.75	160.00	174.36	191.46	221.00	252.95
% increase over previous year	-	8.04	3.82	13.76	13.44	10.54	8.98	9.81	15.43	14.45
Int. earned as % of total income	87.98	86.84	86.98	85.63	87.13	86.33	84.07	78.73	83.10	86.75

Source: Annual Reports of SBI and its Associates

Percentage increase over previous year showed fluctuating trend during the study period. It ranged between 5.95 percent in 2002-03 to 15.79 percent in 1999-00. Interest earned as percentage of total income also showed fluctuating trend during the study period. It ranged between 76.20 percent in 2003-04 to 85.49 percent in 1998-99. It indicated aggregate 82 percent of the total income earned was out of interest earned.

### **SBH:**

Interest earned of SBH was Rs. 955.48 crores in 1996-97, which rose to 2748.87 crores in 2005-06, which became 2.88 times over base year. Percentage increase over previous year showed fluctuating trend during the study period, which ranged between 5.07 percent in 2004-05 to 20.94 percent in 1999-00. Interest earned as percentage of total income also showed fluctuating trend during the study period. It ranged between 75.78 percent in 2003-04 to 86.73 percent in 1996-97. It indicated aggregate 82 percent of the total income earned was out of interest earned.

### **SBIIn :**

Interest earned of SBIIn was Rs. 378.22 crores in 1996-97, which rose to Rs. 1322.69 crores in 2005-06, which became 3.50 times over base year. Percentage increase over previous year showed fluctuating trend during the study period, which ranged between 6.05 percent in 2003-04 to 26.73 percent in 2000-01. Interest earned as percentage of total income ranged between 74.36 percent in 2003-04 to 87.79 percent in 1996-97. It indicated aggregate 81 percent of the total income earned was out to interest earned.

### **SBM :**

Interest earned of SBM was Rs. 599.79 crores in 1996-97, which rose to Rs. 1346.76 crores in 2005-06, which became 2.25 times over base year. Percentage increase over previous year showed fluctuating trend during the study period, which ranged between 1.92 percent in 2003-04 to 15.33 percent in 2005-06. From 1997-98 to 1999-00 it showed upward trend, which increased from 2.13 percent to 14.80 percent but then onward, from 2000-01 to 2003-04, it remarked downward trend and decreased to 1.92 percent. It showed upward movement at the end of the study period and reached to 15.33 percent in 2005-06. Interest earned as percentage of total income ranged between 75.16 percent in 2004-05 to 87.30 percent in 1996-97. It indicated aggregate 80 percent of the total income earned was out of interest earned.

### **SBP :**

Interest earned of SBP was Rs. 907.61 crores in the base year, 1996-97, which rose to Rs. 2461.53 crores at the end of the study period. It gave 2.71 times increase over previous year. Percentage increase over previous year remarked fluctuating trend during the study period. It

showed upward trend in the beginning five years and rose to 15.53 percent in 2000-01 from 3.58 percent in 1997-98. It dropped down to 11.93 percent in the immediate year 2001-02 but in 2002-03, it rose to 17.22 percent. It significantly went down to 7.06 percent in 2003-04 but at the end of the study period, it improved and reached to 12.97 percent in 2004-05 and to 15.39 percent in 2005-06.

Interest earned as percentage of total income also stated fluctuating trend during the study period. It ranged between 74.97 percent in 2003-04 to 90.78 percent in 1996-97. It indicated aggregate 86 percent of the total income was out of interest earned.

### **SBS :**

Interest earned of SBS was Rs. 486.01 crores in 1996-97, which rose to Rs. 1176.76 crores at the end of the study period 2005-06. It rose to 2.42 times over base year. Percentage increase over previous year remarked fluctuating trend during the study period. It ranged between 3.46 percent in 1997-98 to 19.29 percent in 1998-99. Interest earned as percentage of total income also remarked fluctuating trend during the study period. It ranged between 76.17 percent in 2003-04 to 90.85 percent in 2004-05. It indicated aggregate 84 percent of total income was out of interest earned.

### **SBT :**

Interest earned of SBT was Rs. 908.73 crores in 1996-97, which rose to Rs. 2298.62 crores in 2005-06. It rose by 2.53 times over base year. Its percentage increase over previous year remarked fluctuating trend during the study period. It ranged between 3.82 percent in 1998-99 to 15.43 percent 2004-05. Interest earned as percentage of total income also showed fluctuating trend during the study period. It ranged between

78.73 percent in 2003-04 to 87.98 percent in 1996-97. It indicated aggregate 83 percent of the total income was out of interest earned.

### **Trends of Non-Interest income:**

Table 4.3 and chart 4.3 presents the data and chart trends of Non-interest income, its index on the base year, percentage increase over previous year and non-interest income as percentage of total income of SBI and its Associates for the period from 1996-97 to 2005-06. Non-interest income is the part of the total income earned. Non-interest income is also known as 'other income'. There are two components of other income or non-interest income: fee and treasury income. Usually, around 70 % of the total is fee income.<sup>11</sup> Any increase in non-interest income indicates decrease in lending, decrease in rate of interest on lending, decrease in interest earned, etc. and vice-versa.

### **SBI :**

Non-interest income of SBI was Rs. 2643.07 crores in 1996-97, which rose to Rs. 7612.46 crores at the end of 2003-04. It decreased to Rs. 7119.90 crores in 2004-05 but it increased to Rs. 7388.68 crores in 2005-06.

**Table 4.3**  
**Trends of Non-Interest Income**  
**(Base year 1996-97)**

Group of Banks/Years	1996-97	1997-98	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06
<b>SBI</b>										
Non Int. Income (Rs. in crores)	2643.07	2820.17	3284.69	3569.32	4017.82	4174.49	5740.26	7612.46	7119.90	7388.68
Index on the base year	100.00	106.70	124.28	135.04	152.01	157.94	217.18	288.00	269.38	279.55
% increase over previous year		6.70	16.48	8.66	12.57	3.90	37.51	32.62	(6.47)	3.78
Non Int. Income as % of total income	15.02	15.08	14.67	13.85	13.38	12.28	15.59	24.99	21.96	20.64
<b>SBBJ</b>										
Non Int. Income (Rs. in crores)	128.22	162.65	163.59	220.07	239.14	300.79	339.90	491.49	483.11	359.26
Index on the base year	100.00	126.85	127.59	171.63	186.51	234.59	265.09	383.32	376.78	280.19
% increase over previous year		26.85	0.58	34.52	8.67	25.78	13.00	44.60	(1.71)	(25.64)
Non Int. Income as % of total income	14.83	16.05	14.51	16.47	15.88	18.14	19.12	31.23	27.75	18.28
<b>SBH</b>										
Non Int. Income (Rs. in crores)	146.24	170.29	190.29	266.53	288.07	365.32	461.58	707.43	421.64	589.88
Index on the base year	100.00	116.45	130.12	182.26	196.98	249.81	315.63	483.75	288.32	403.36
% increase over previous year		16.45	11.74	40.07	8.08	26.82	26.35	53.26	(40.40)	39.90
Non Int. Income as % of total income	13.27	14.13	13.44	15.24	14.54	16.00	18.25	31.97	18.13	21.46
<b>SBIn</b>										
Non Int. Income (Rs. in crores)	52.60	72.59	88.75	134.36	162.66	274.79	301.96	360.69	178.27	275.71
Index on the base year	100.00	138.00	168.73	255.44	309.24	522.41	574.07	685.72	338.92	524.16
% increase over previous year		38.00	22.27	51.39	21.06	68.93	9.89	19.45	(50.58)	54.66
Non Int. Income as % of total income	12.21	15.13	15.21	19.35	18.64	23.64	23.44	34.48	16.06	20.85
<b>SBM</b>										
Non Int. Income (Rs. in crores)	87.25	96.53	120.06	164.19	171.07	233.26	293.86	340.42	386.01	346.56
Index on the base year	100.00	110.64	137.60	188.18	196.07	267.35	336.80	390.17	442.42	397.20
% increase over previous year		10.64	24.37	36.76	4.19	36.35	25.98	15.84	13.39	(10.22)
Non Int. Income as % of total income	12.70	13.61	14.69	17.03	15.75	19.37	22.08	32.20	33.06	25.73



<b>SBP</b>										
Non Int. Income (Rs. in crores)	92.14	97.99	131.99	171.73	170.24	264.48	345.50	630.45	355.70	347.05
Index on the base year	100.00	106.35	143.25	186.38	184.76	287.04	374.97	684.23	386.04	376.66
% increase over previous year		6.35	34.70	30.11	(0.87)	55.36	30.63	82.47	(43.58)	(2.43)
Non Int. Income as % of total income	9.22	9.44	11.48	12.86	11.24	14.95	16.38	33.39	16.67	14.10
<b>SBS</b>										
Non Int. Income (Rs. in crores)	80.09	93.28	91.23	114.07	112.28	173.46	214.89	305.97	114.02	135.51
Index on the base year	100.00	116.47	113.91	142.43	140.19	216.58	268.31	382.03	142.36	169.20
% increase over previous year		16.47	(2.20)	25.04	(1.57)	54.99	23.88	42.38	(37.27)	18.85
Non Int. Income as % of total income	14.15	15.65	13.20	14.06	12.75	17.07	19.20	31.28	10.07	11.52
<b>SBT</b>										
Non Int. Income (Rs. in crores)	124.19	148.75	152.65	194.66	194.26	230.18	300.16	469.95	408.5	351.08
Index on the base year	100.00	119.78	122.92	156.74	156.42	185.35	241.69	378.41	328.95	282.70
% increase over previous year		19.78	2.62	27.51	(0.20)	18.50	30.40	56.57	(13.07)	(14.06)
Non Int. Income as % of total income	12.02	13.16	13.02	14.37	12.87	13.67	15.93	27.01	20.34	15.27

Source: Annual Reports of SBI and of its Associates

It rose to 2.80 times over base year in 2005-06. Percentage increase over previous year remarked fluctuating trend during the study period. It ranged between (6.47) percent in 2004-05 to 37.51 percent in 2002-03. Non-interest income as percentage of total income also remarked fluctuating trend during the study period. It ranged between 12.28 percent in 2001-02 to 24.99 percent in 2003-04. It indicates that aggregate 16 percent of the total income is out of non-interest income source, which indicates favourable financial position of the unit.

### **Associates :**

#### **SBBJ :**

Non-interest income of SBBJ was Rs. 128.22 crores in 1996-97, which reached to Rs. 359.26 crores in 2005-06. It rose about 2.80 times

over its base year. Percentage increase over previous year observed fluctuating trend during the study period. It ranged between (25.64) percent in 2005-06 to 44.60 percent in 2003-04. Non-interest income as percentage of total income also remarked fluctuating trend during the study period. It ranged between 14.51 percent in 1998-99 to 31.23 percent in 2003-04. It indicates aggregate 18 percent of total income was out of non-interest income.

### **SBH :**

Non-interest income of SBH was Rs. 146.24 crores in 1996-97, which reached to Rs. 589.88 crores in 2005-06. It rose to 4.03 times over its base year. Percentage increase over previous year remarked fluctuating trend during the study period. It ranged between (40.40) percent in 2004-05 to 53.26 percent in 2003-04. Non-interest income as percentage of total income also remarked fluctuating trend during the study period. It ranged between 13.27 percent in 1996-97 to 31.97 percent in 2003-04. It indicates aggregate 18 percent of total income was out of non-interest income.

### **SBIIn :**

Non-interest income of SBIIn was Rs. 52.60 crores in 1996-97, which rose to Rs. 360.69 crores in 2003-04 but it went down to Rs. 178.27 crores in 2004-05 it increase to Rs. 275.71 crores in 2005-06. It rose to 5.24 times over its base year. Percentage increase over previous year remarked fluctuating trend during the study period. It ranged between (50.58) percent in 2004-05 to 68.93 percent in 2001-02. Its non-interest income as percentage of total income also remarked fluctuating trend during the study period. It ranged between 12.21 percent in 1996-

97 to 34.48 percent in 2003-04. It indicates aggregate 19 percent of the total income was out of non-interest income during the study period.

### **SBM :**

Non-interest income of SBM was Rs. 87.25 crores in 1996-97, which reached to Rs. 346.56 crores in 2005-06. It showed that it increased by 3.97 times over its base year. Its percentage increase over previous year remarked fluctuating trend during the study period. It ranged between (10.22) percent in 2005-06 to 36.76 percent in 1999-00. Its non-interest income as percentage of total income remarked mixed trend during the study period. It remarked upward trend 12.70 percent in 1996-97 to 17.03 percent in 1999-00. Then, it dropped down to 15.75 percent in 2000-01 but in the immediate year 2001-02, it rose to 19.37 percent and reached to peak point to 33.06 percent in 2004-05. It indicates that around 20 percent of the total income was out of non-interest income.

### **SBP :**

Non-interest income of SBP was Rs. 92.14 crores in 1996-97, which rose to peak point Rs. 630.45 crores in 2003-04. It showed that it increased by 6.84 times over its base year. But it went down to 355.70 crores in 2004-05 and to 347.05 crores in 2005-06. Its percentage increase over previous year remarked fluctuating trend during the study period. It ranged between (43.58) percent in 2004-05 to 82.47 percent in 2003-04. Its non-interest income as percentage of total income also remarked fluctuating trend during the study period. It ranged between 9.22 percent in 1996-97 to 33.39 percent in 2003-04. It indicates that aggregate 14 percent of total income was out of non-interest income.

### **SBS :**

Non-interest income of SBS was Rs. 80.09 crores in 1996-97, which rose to peak point Rs. 305.97 crores in 2003-04. It rose by 3.82 times over its base year. But it decreased to Rs. 114.02 crores in 2004-05 and to 135.51 crores in 2005-06. Its percentage increase over previous year remarked fluctuating trend during the study period. It ranged between (37.27) percent in 2004-05 to 54.49 percent in 2001-02. Its non-interest income as percentage of total income also remarked fluctuating trend during the study period. It ranged between 10.07 percent in 2004-05 to 31.28 percent in 2003-04. It indicates that aggregate 16 percent of the total income was out of non-interest income.

### **SBT :**

Non-interest income of SBT was Rs. 124.19 crores in 1996-97, which rose to Rs. 469.95 crores in 2003-04, to Rs. 408.52 crores in 2004-05 and to Rs. 351.08 crores in 2005-06. It rose to 2.83 times over base year, in 2005-06. Its percentage increase over previous year remarked fluctuating trend during the study period. It ranged between (14.06) percent in 2005-06 to 56.57 percent in 2003-04. Its non-interest income as percentage of total income also remarked fluctuating trend during the study period. It ranged between 12.02 percent in 1996-97 to 27.01 percent in 2003-04. It indicates that aggregate 17 percent of the total income was out of non-interest income during the study period.

### **Trends of Total Expenditure :**

The term 'Total Expenditure' refers the renouncing aspect of the revenue transaction. It is the part of revenue application of fund or the out flow of goods and services, which are matched with revenue to determine profit or loss of the business unit. Most of the expenses of

banking industry are pre-estimated expenditure. They are fixed for the short time duration.

The main bank expenditure are grouped under the following main heads:

- (i) Interest expended
- (ii) Operating expenses (salaries, allowances, provident fund, bonus, etc.)
- (iii) Other expenses

Generally, bank incurs the expenditure for payment of interest on deposits and borrowings. RBI decides the rate of interest on deposits and borrowings. So, the banks have very little control over it, but banks can control operating expenses incurred for human resource. (personnals, managers, clerks)

Banks can also reduce the expenditure and loss by implementing cost reduction techniques, controlling non-performing assets, improving organizational structure and by using information technology. Reduction in expenditure will result into increase in profitability of banks.

Table 4.4 and chart 4.4 present the trends of total expenditure, its index on the base year and percentage increase over previous year of SBI and its Associates for the period from 1996-97 to 2005-06. Trends of various components of expenditure incurred by SBI and its Associates during the period 1996-97 to 2005-06 are presented in table 4.5, 4.6 and 4.7 respectively.

**Table 4.4**  
**Trends of Total Expenditure**  
**(Base year 1996-97)**

Group of Banks/ Years	1996-97	1997-98	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06
<b>SBI</b>										
Total Exp. (Rs. in crores)	16244.48	16837.86	21364.42	23718.70	28416.94	31552.95	33722.28	34391.95	35243.39	38776.94
Index on the base year	100.00	103.65	131.52	146.01	174.93	194.24	207.59	211.71	216.96	238.71
% Increase over previous year		3.65	26.89	11.02	19.81	11.04	6.87	1.99	2.48	10.03
<b>SBBJ</b>										
Total Exp. (Rs. in crores)	824.29	923.01	1035.57	1215.63	1400.61	1493.76	1574.83	1763.54	2018.36	2180.01
Index on the base year	100.00	111.98	125.63	147.48	169.22	181.92	191.05	213.95	244.86	264.47
% Increase over previous year		11.98	12.19	17.39	15.22	6.65	5.42	11.98	14.45	8.01
<b>SBH</b>										
Total Exp. (Rs. in crores)	1049.27	1107.73	1304.53	1621.12	1831.63	2057.13	2227.45	2539.17	249.83	2911.71
Index on the base year	100.00	105.57	124.33	154.50	174.56	196.05	212.29	241.99	237.86	277.80
% Increase over previous year		5.57	17.77	24.27	12.98	12.31	8.28	13.99	(1.71)	16.66
<b>SBIIn</b>										
Total Exp. (Rs. in crores)	413.75	452.19	552.47	649.15	808.40	1037.46	1088.11	1180.64	1154.92	1459.30
Index on the base year	100.00	109.29	133.53	156.89	195.38	250.75	262.99	285.35	279.13	352.70
% Increase over previous year		9.29	22.18	17.49	24.53	28.34	4.88	8.50	(2.18)	26.36
<b>SBM</b>										
Total Exp. (Rs. in crores)	646.80	658.56	783.46	916.03	1060.71	1138.49	1215.06	1221.09	1347.53	1476.61
Index on the base year	100.00	101.82	121.13	141.62	163.99	176.02	187.86	188.79	208.33	228.29
% Increase over previous year		1.82	18.96	16.92	13.80	7.34	6.73	0.50	10.35	9.58
<b>SBP</b>										
Total Exp. (Rs. in crores)	940.73	895.68	1048.87	1204.59	1353.40	1536.14	1787.14	2088.34	2201.86	2505.47
Index on the base year	100.00	95.15	111.50	128.05	143.87	163.29	189.97	221.99	234.06	266.33
% Increase over previous year		(4.85)	17.18	14.84	12.35	13.50	16.34	16.85	5.44	13.79
<b>SBS</b>										
Total Exp. (Rs. in crores)	494.97	517.98	665.68	722.44	866.74	934.23	1026.69	1106.62	1205.08	1252.15
Index on the base year	100.00	104.65	134.49	145.96	175.11	188.74	207.42	223.57	243.47	252.97
% Increase over previous year		4.65	28.51	8.53	19.97	7.78	9.90	7.22	8.90	3.91
<b>SBT</b>										
Total Exp. (Rs. in crores)	992.67	1067.21	1128.75	1287.74	1412.13	1563.15	1713.56	1965.20	2169.71	2391.02
Index on the base year	100.00	107.51	113.71	129.72	142.26	157.47	172.62	197.97	218.57	240.87
% Increase over previous year		7.51	5.77	14.08	9.67	10.69	9.62	14.69	10.41	10.20

Source: Annual Reports of SBI and its Associates

**SBI :**

Total expenditure of SBI was Rs. 16244.48 crores for the base year. It remarked upward movement during the study period and came to Rs. 38776.94 crores at the end of the study period 2005-06. It had compounded its total expenditure by about 2.38 times over the base year.

In 1997-98, it increased by 3.65 percent compared to the previous year, 1996-97. It increased in 1998-99, by 26.89 percent, in 1999-00 by 11.02 percent, in 2000-01 by 19.81 percent, in 2001-02 by 11.04 percent and in 2002-03 by 6.87 percent compared to their respective previous years. Percentage increase over previous year slowed down in the subsequent years, it increased by 1.99 percent in 2003-04, by 2.48 percent in 2004-05 and by 10.03 percent in 2005-06. It reflects total expenditure of SBI overall increased but there was a high fluctuation in total expenditure incurred by SBI during the study period.

### **Associates :**

#### **SBBJ :**

Total expenditure of SBBJ was Rs. 824.29 crores in 1996-97. It perceived increasing movement during the study period and reached to Rs. 2180.01 crores at the end of the study period 2005-06. Its total expenditure had come by about 2.64 times over the base year. In 1997-98, it rose by 11.98 percent compared to the previous year, 1996-97. Then, it increased by 12.19 percent in 1998-99, by 17.39 percent in 1999-00, by 15.22 percent in 2000-01, by 6.65 percent and in 2001-02, by 5.42 percent in 2002-03, by 11.98 percent in 2003-04, by 14.45 percent in 2004-05 and by 8.01 percent in 2005-06 compared to their respective previous years. It reflects total expenditure of SBBJ didn't fluctuate much up to 2000-01 but in 2001-02 and in 2002-03. It dropped down to 6.65 percent and to 5.42 percent respectively.

#### **SBH :**

Total expenditure of SBH was Rs. 1049.27 crores for the base year 1996-97. It observed almost upward movement during the study period and rose to 2911.71 crores in 2005-06. It showed 2.78 percent rise over

the base year. It rose by 5.57 percent in 1997-98 compared to the previous year 1996-97. Then, it increased by 17.77 percent in 1998-99, by 24.27 percent in 1999-00, by 12.98 percent in 2000-01, by 12.31 percent in 2001-02, by 8.28 percent in 2002-03, by 13.99 percent in 2003-04, by (1.71) percent in 2004-05 and by 16.66 percent in 2005-06 compared to their respective previous years.

### **SBIIn :**

Total expenditure of SBIIn was Rs. 413.75 crores for the base year, 1996-97. It went up during the study period and came to Rs. 1459.30 crores at the end of the year 2005-06. It reflects that there was a rising of 3.53 percent over the base year. In 1997-98, it rose by 9.29 percent compared to the previous year 1996-97. In the subsequent years, it hiked by 22.18 percent in 1998-99, by 17.49 percent in 1999-00, by 24.53 percent in 2000-01, by 28.34 percent in 2001-02, by 4.88 percent in 2002-03, by 8.50 percent in 2003-04, by (2.18) percent in 2004-05 and by 26.36 percent in 2005-06 compared to their respective previous years. It is noticed high fluctuation in total expenditure at the end of the study period.

### **SBM :**

Total expenditure of SBM was Rs. 646.80 crores for the year 1996-97. It had gone up during the study period and reached to Rs. 1476.61 crores at the end of the study period, 2005-06. It had compounded its total expenditure by about 2.28 times over the base year. It rose by 1.82 percent in 1997-98, by 18.96 percent in 1998-99, by 16.92 percent in 1999-00, by 15.80 percent in 2000-01, by 7.34 percent in 2001-02, by 6.73 percent in 2002-03, by 0.50 percent in 2003-04, by 10.35 percent in 2004-05 and by 9.58 percent in 2005-06 compared to their respective



previous years. It reflects total expenditure of SBM overall increased but there was a high fluctuation in total expenditure increased in SBM during the study period.

**SBP :**

Total expenditure of SBP was Rs. 940.73 crores for the year 1996-97, which rose to Rs. 2505.47 crores at the end of 2005-06. It showed that it rose to 2.66 times over the base year. It came down to (4.85) percent in 1997-98 compared to the previous year 1996-97. Then, it hiked by 17.18 percent in 1998-99, by 14.84 percent in 1999-00, by 12.35 percent in 2000-01, by 13.50 percent in 2001-02, by 16.34 percent in 2002-03, by 16.85 percent in 2003-04, by 5.44 percent in 2004-05 and by 13.79 percent in 2005-06 compared to their respective previous years. It notes, total expenditure of SBP overall increased during the study period.

**SBS :**

Total expenditure of SBS was Rs. 494.97 crores for the base year. It remarked upward trend during the study period and rise to Rs. 1252.15 crores at the end of the study period, 2005-06. It gave 2.53 percent rise at the end of the study period showing upward movement. It increased by 4.65 percent compared to the base year in 1996-97. In the subsequent years, it rose by 28.51 percent in 1998-99, by 8.53 percent in 1999-00, by 19.97 percent in 2000-01, by 7.78 percent in 2001-02, by 9.90 percent in 2002-03, by 7.22 percent in 2003-04, by 8.90 percent in 2004-05 and by 3.91 percent in 2005-06 compared to their respective previous years. It is perceived from the table that total expenditure of SBS increased with high ups and downs during the study period.

### **SBT :**

Total expenditure of SBT was Rs. 992.67 crores at the end of the base year. It rose to Rs. 2391.02 crores at the end of the study period giving 2.41 times rose over base year. Its percentage increase over previous year remarked fluctuating trend during the study period. It increased by 7.51 percent in 1997-98 compared to base year, 1996-97. It rose by 5.77 percent in 1998-99, by 14.08 percent in 1999-00, by 9.67 percent in 2000-01, by 10.69 percent in 2001-02, by 9.62 percent in 2002-03, by 14.69 percent in 2003-04, by 10.41 percent in 2004-05 and by 10.20 percent in 2005-06 compared to their respective previous years.

### **Trends of Interest Expended :**

Table 4.5 represents the trends in interest expended, its index on the base year, percent increase over previous year and interest paid as percentage of total expenditure of SBI and its Associates for the period from 1996-97 to 2005-06. Banks expend interest on deposits and borrowings. RBI determines the rate of interest for deposits and borrowings. So, banks have very little control over it. But there is no control over collection of deposits so the more deposits results into the more amount of interest expended. Hence, increase in amount of interest expended will be either due to increase in rate of interest on deposits or increase in amount of deposits or vice versa.

Table 4.5 and chart 4.5 represent the data and chart related to trends in interest expended.

**Table 4.5**  
**Trends of Interest Expended**  
**(Base year 1996-97)**

Group of Banks/ Years	1996-97	1997-98	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06
<b>SBI</b>										
Int. paid (Rs. in crores)	9591.43	10473.21	13044.44	15272.58	17755.58	20728.84	21109.46	19274.17	18483.38	20159.29
Index on the base year	100.00	109.19	136.00	159.23	185.12	216.12	220.09	200.95	192.71	210.18
% increase over previous year		9.19	24.55	17.08	16.26	16.75	1.84	(8.69)	(4.10)	9.07
Int. paid as % of total income	59.04	62.20	61.06	64.39	62.48	65.70	62.60	56.04	52.44	51.99
<b>SBBJ</b>										
Int. paid (Rs. in crores)	465.80	536.90	633.54	742.35	810.88	867.18	886.83	857.13	871.98	972.88
Index on the base year	100.00	115.26	136.01	159.37	174.08	186.17	190.39	184.01	187.20	208.86
% increase over previous year		15.26	18.00	17.18	9.23	6.95	2.27	(3.35)	1.73	11.57
Int. paid as % of total income	56.51	58.17	61.18	61.07	57.89	58.05	56.31	48.60	43.20	44.63
<b>SBH</b>										
Int. paid (Rs. in crores)	607.39	650.72	760.73	962.35	1082.54	1268.64	1319.51	1371.59	1362.72	1654.55
Index on the base year	100.00	107.13	125.25	158.44	178.23	208.87	217.24	225.82	224.36	272.40
% increase over previous year		7.13	16.91	26.50	12.49	17.19	4.01	3.95	(0.65)	21.42
Int. paid as % of total income	57.89	58.74	58.31	59.36	59.10	61.67	59.24	54.02	54.60	56.82
<b>SBIIn</b>										
Int. paid (Rs. in crores)	229.33	249.23	300.26	372.33	476.18	595.55	619.29	592.79	607.63	781.17
Index on the base year	100.00	108.68	130.93	162.36	207.64	259.69	270.04	258.49	264.96	340.63
% increase over previous year		8.68	20.47	24.01	27.89	25.07	3.99	(4.28)	2.50	28.56
Int. paid as % of total exp.	55.43	55.11	54.35	25.01	58.90	57.40	56.91	50.21	52.61	53.53
<b>SBM</b>										
Int. paid (Rs. in crores)	369.85	381.27	450.94	518.97	601.74	655.88	650.52	602.65	623.03	735.09
Index on the base year	100.00	103.09	121.93	140.32	162.70	177.34	175.89	162.94	168.45	198.75
% increase over previous year		3.09	18.28	15.08	15.95	9.00	(0.82)	(7.36)	3.38	17.99
Int. paid as % of total exp.	57.18	57.89	57.56	56.65	56.73	57.61	53.54	49.35	46.23	49.78
<b>SBP</b>										
Int. paid (Rs. in crores)	586.41	585.52	634.69	695.09	739.40	847.63	974.61	1066.05	1156.96	1464.87
Index on the base year	100.00	99.85	108.23	118.53	126.09	144.55	166.20	181.79	197.30	249.80
% increase over previous year		(0.15)	8.39	9.52	6.38	14.64	14.98	9.38	8.53	26.61
Int. paid as % of total exp.	62.34	65.42	60.51	57.70	54.63	55.18	54.53	51.05	52.54	58.47
<b>SBS</b>										
Int. paid (Rs. in crores)	307.92	313.73	377.16	455.80	516.55	562.72	584.83	574.25	624.22	697.60
Index on the base year	100.00	101.89	122.49	148.03	167.75	182.75	189.93	186.49	202.72	226.55
% increase over previous year		1.89	20.22	20.85	13.32	8.94	3.93	(1.81)	8.70	11.76
Int. paid as % of total exp.	62.21	60.57	56.66	63.09	59.60	60.23	56.96	51.89	51.80	55.71
<b>SBT</b>										
Int. paid (Rs. in crores)	661.32	713.57	781.08	877.59	920.24	1029.47	1061.59	1056.52	1112.16	1343.49
Index on the base year	100.00	107.90	118.11	132.70	139.15	155.67	160.53	159.75	168.17	203.15
% increase over previous year		7.90	9.46	12.35	4.86	11.87	3.12	(0.48)	5.27	20.80
Int. paid as % of total exp.	66.62	66.86	69.20	68.15	65.17	65.86	61.95	53.76	51.26	56.19

Source: Annual Reports of SBI and its Associates

### **SBI :**

Interest expended of SBI was Rs. 9591.43 crores in the year 1996-97. It perceived mixed trend during the study period and reached to Rs. 21109.46 crores in 2002-03. It decreased to Rs. 18483.38 crores in 2004-05 but it increased to Rs. 20159.29 crores in 2005-06. Its index on the base year registered 2.20 folds effect over its base year in 2003-04 but 2.10 folds increase in 2005-06. It increased by 9.19 percent in 1997-98 compared to the previous year, 1996-97. In the subsequent years, it rose by 24.55 percent, 17.08 percent, 16.26 percent, 16.75 percent, 1.84 percent, (8.69) percent, (4.10) percent and 9.07 percent in 1998-99, 1999-00, 2000-01, 2001-02, 2002-03, 2003-04, 2004-05 and 2005-06 respectively, compared to their respective previous years.

Interest paid as percentage of total expenditure worked out 59.04 percent for 1996-97, 62.20 percent for 1997-98, 61.06 percent for 1998-99, 64.39 percent for 1999-00, 62.48 percent for 2000-01, 65.70 percent for 2001-02, 62.60 percent for 2002-03, 56.04 percent for 2003-04, 52.44 percent for 2004-05 and 51.99 percent for 2005-06. It registered fluctuating trend during the study period. It indicates aggregate 60 percent of the total expenditure was incurred for the interest payment on deposits and borrowings.

### **Associates:**

#### **SBBJ:**

Interest expended of SBBJ was Rs, 465.80 crores for the base year. It noted mixed trend during the study period and reached to Rs. 972.88 crores at the end of the study period, 2005-06. Index on the base year varied from 100 percent to 208.86 percent during the study period. Its percentage increase over previous year registered fluctuating trend during

the study period. It was 15.26 percent, 18.00 percent, 17.18 percent, 9.23 percent, 6.95 percent, 2.27 percent, (3.35) percent, 1.73 percent and 11.57 percent in the years 1997-98, 1998-99, 1999-00, 2000-01, 2001-02, 2002-03, 2003-04, 2004-05 and 2005-06 respectively.

Interest paid as percentage of total expenditure worked out 56.51 percent, 58.17 percent, 61.18 percent, 61.07 percent, 57.89 percent, 58.05 percent, 56.31 percent, 48.60 percent, 43.20 percent and 44.63 percent for 1996-97, 1997-98, 1998-99, 1999-00, 2000-01, 2001-02, 2002-03, 2003-04, 2004-05 and for 2005-06 respectively.

It indicates that aggregate 55 percent of the total expenditure was incurred for the interest payment.

### **SBH :**

Interest expended of SBH was Rs. 607.39 crores in 1996-97. It registered upward trend up to 2003-04 and reached to Rs, 1371.59 crores in 2003-04. It went down to Rs. 1362.72 crores in 2004-05 and moved up to Rs. 1654.55 crores in 2005-06. Its index on the base year varied from 100 percent to 272.40 percent, which indicates that at the end of the study period interest expended amount rose by 2.72 times over the base year. Its percentage increase over previous year was 7.13 percent, 16.91 percent, 26.50 percent, 12.49 percent, 17.19 percent, 4.01 percent, 3.95 percent, (0.65) percent and 21.42 percent in the years 1997-98, 1998-99, 1999-00, 2000-01, 2001-02, 2002-03, 2003-04, 2004-05 and in 2005-06 respectively. Interest paid as percentage of total expenditure remarked fluctuating sign during the study period. It was 57.89 percent for 1996-97, 58.74 percent for 1997-98, 58.31 percent for 1998-99, 59.36 percent for 1999-00, 59.10 percent for 2000-01, 61.67 percent for 2001-02, 59.24 percent for 2002-03, 54.02 percent for 2003-04, 54.60 percent for 2004-

05 and 56.82 percent for 2005-06. It indicates aggregate 58 percent of the total expenditure was incurred for interest payment.

### **SBIIn :**

Interest expended of SBIIn was Rs, 229.33 crores for the base year, in 1996-97 and rose to Rs. 781.17 crores in 2005-06. Its index on the base year varied from 100 percent to 340.63 percent during the study period. In 1997-98, it increased by 8.68 percent compared to the previous year 1996-97. In the subsequent years, it rose by 20.47 percent, by 24.01 percent, by 27.89 percent, by 25.07 percent, by 3.99 percent, by (4.28) percent, by 2.50 percent and by 28.56 percent in 1998-99, 1999-00, 2000-01, 2001-02, 2002-03, respectively compared to their respective previous years.

Interest paid as percentage of total expenditure registered fluctuating trend during the study period. It was 55.43 percent, 55.11 percent, 54.35 percent, 57.36 percent, 58.90 percent, 57.40 percent, 56.91 percent, 50.21 percent, 52.61 percent and 53.53 percent in years 1996-97, 1997-98, 1998-99, 1999-00, 2000-01, 2001-02, 2002-03, 2003-04, 2004-05 and in 2005-06 respectively. It indicates aggregate 53 percent of total expenditure was incurred on interest payment.

### **SBM :**

Interest expended of SBM was Rs. 369.85 crores in 1996-97, which rose to Rs. 735.09 crores in 2005-06. Its index on the base year varied from 100 percent to 198.75 percent during the study period. It increased by 3.09 percent in 1997-98, by 18.28 percent in 1998-99, by 15.08 percent in 1999-00, by 15.95 percent in 2000-01, by 9.00 percent in 2001-02, by (0.82) percent in 2002-03, by (7.36) percent in 2003-04, by 3.38 percent in 2004-05 and by 17.99 percent in 2005-06 compared to

their respective previous years. Interest paid as percentage of total expenditure was worked out to 57.18 percent for 1996-97, 57.89 percent for 1997-98, 57.56 percent for 1998-99, 56.65 percent for 1999-00, 56.73 percent for 2000-01, 57.61 percent for 2001-02, 53.54 percent for 2002-03, 49.35 percent for 2003-04, 46.23 percent for 2004-05 and 49.78 percent for 2005-06. It indicates aggregate 54 percent of total expenditure was incurred on interest payment.

### **SBP**

Interest expended of SBP was Rs. 586.41 crores in 1996-97, which rose to Rs, 1464.87 crores in 2005-06. Its index on the base year varied from 100 percent to 249.80 percent during the study period. Its percentage increase over previous year was (0.15) percent, 8.39 percent, 9.52 percent, 6.38 percent, 14.64 percent, 14.98 percent, 9.38 percent, 8.53 percent and 26.61 percent for 1996-97, 1997-98, 1998-99, 1999-00, 2000-01, 2001'02, 2002-03, 2003-04, 2004-05 and for 2005-06 respectively.

Interest paid as percentage of total expenditure registered highly fluctuating trend during the study period. It was worked out 62.34 percent for 1996-97, 65.42 percent for 1997-98, 60.51 percent for 1998-99, 57.70 percent for 1999-00, 54.63 percent for 2000-01, 55.18 percent for 2001-02, 54.53 percent for 2002-03, 51.05 percent for 2003-04, 52.54 percent for 2004-05 and 58.47 percent for 2005-06. It indicates aggregate 57 percent of the total expenditure incurred for interest payment.

### **SBS :**

Interest expended of SBS was Rs. 307.92 crores for 1996-97. It registered mixed movement and reached to Rs. 697.60 crores in 2005-06. Its index on the base year ranged from 100 percent to 226.55 percent

during the study period. It rose by 1.89 percent in 1997-98, by 20.22 percent in 1998-99, by 20.85 percent in 1999-00, by 13.32 percent in 2000-01, by 8.94 percent in 2001-02, by 3.93 percent in 2002-03, by 9.38 percent in 2003-04, by 8.70 percent in 2004-05 and by 11.76 percent in 2005-06 compared to their respective previous years. Interest paid as percentage of total expenditure was 62.21 percent for 1996-97, 60.57 percent for 1997-98, 56.66 percent for 1998-99, 63.09 percent for 1999-00, 59.60 percent for 2000-01, 60.23 percent for 2001-02, 56.96 percent for 2002-03, 51.89 percent for 2003-04, 51.80 percent for 2004-05 and 55.71 percent for 2005-06. It registered fluctuating trend during the study period. It indicates aggregate 58 percent of the total expenditure was incurred for interest payment.

**SBT :**

Interest expended of SBT was Rs. 661.32 crores for 1996-97, which rose to Rs. 1343.49 crores in 2005-06. Its index on the base year ranged from 100 percent to 203.15 percent during the study period. Its percentage increase over previous year was 7.90 percent, 9.46 percent, 12.35 percent, 4.86 percent, 11.87 percent, 3.12 percent (0.48) percent, 5.27 percent and 20.80 percent for 1997-98, 1998-99, 1999-00, 2000-01, 2001-02, 2002-03, 2003-04, 2004-05 and for 2005-06 respectively. Interest paid as percentage of total expenditure was worked out 66.62 percent for 1996-97, 66.86 percent for 1997-98, 69.20 percent for 1998-99, 68.15 percent for 1999-00, 65.17 percent for 2000-01, 65.86 percent for 2001-02, 61.95 percent for 2002-03, 53.76 percent for 2003-04, 51.26 percent for 2004-05 and 56.19 percent for 2005-06. It indicates aggregate 63 percent of the total expenditure was incurred for interest payment.



### **Trends of Operating Expenses:**

Table 4.6 and chart 4.6 show the trends of operating expenses, its index on the base year, percent increase over previous year and operating expenses as percentage of total expenditure of SBI and its Associates for the period from 1996-97 to 2005-06. Operating expenses of banks include salaries, allowances, provident fund, bonus, etc. Increase in operating expenses indicates increase in burden and decrease in profitability.

### **SBI :**

Operating expenses of SBI was Rs. 3322.93 crores for the base year, 1996-97. It stated upward movement during the study period and reached to Rs. 11725.10 crores at the end of the study period 2005-06. Its index on the base year varied from 100 percent to 352.85 percent during the study period. Its percentage increase over previous year was 7.67 percent, 16.57 percent, 7.97 percent, 34.25 percent, 14.28 percent, 10.40 percent, 62.52 percent, 8.97 percent and 16.39 percent for 1997-98, 1998-99, 1999-00, 2000-01, 2001-02, 2002-03, 2003-04, 2004-05 and for 2005-06 respectively. Operating expenses as percentage of total expenditure remained at 20.46 percent in 1996-97, 21.13 percent in 1997-98, 19.41 percent in 1998-99, 18.88 percent in 1999-00, 21.16 percent in 2000-01, 16.33 percent in 2001-02, 16.87 percent in 2002-03, 26.88 percent in 2003-04, 28.58 percent in 2004-05 and 30.24 percent in 2005-06. It registered fluctuating trend during the study period. It indicates aggregate 22 percent of the total expenditure was incurred for operating expenses.

**Table 4.6**  
**Trends of Operating Expenses**  
**(Base year 1996-97)**

Group of Banks/ Years	1996-97	1997-98	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06
<b>SBI</b>										
Operating Exp. (Rs. in crores)	3322.93	3557.75	4147.40	4477.87	6011.65	5152.78	5688.72	9245.32	10074.17	11725.10
Index on the base year	100.00	107.07	124.81	134.76	180.91	155.07	171.20	278.22	303.17	352.85
% increase over previous year		7.67	16.57	7.97	34.25	14.28	10.40	62.52	8.97	16.39
Int. paid as % of total exp.	20.46	21.13	19.41	18.88	21.16	16.33	16.87	26.88	28.58	30.24
<b>SBBJ</b>										
Operating Exp. (Rs. in crores)	185.27	214.60	251.04	265.48	328.15	289.06	319.70	526.58	622.38	759.79
Index on the base year	100.00	115.83	135.50	143.29	177.12	156.02	172.56	284.22	335.93	410.10
% increase over previous year		15.83	16.98	5.75	23.61	11.91	10.60	64.71	18.19	22.08
Int. paid as % of total exp.	22.48	23.25	24.24	21.84	23.43	19.35	20.30	29.86	30.84	34.85
<b>SBH</b>										
Operating Exp. (Rs. in crores)	179.12	196.10	279.81	250.83	321.41	283.23	306.71	534.57	670.79	816.12
Index on the base year	100.00	109.48	156.21	140.03	179.44	158.12	171.23	298.44	374.49	455.63
% increase over previous year		9.48	42.68	(10.36)	28.14	(11.88)	8.29	74.29	25.48	21.67
Int. paid as % of total exp.	17.07	17.70	21.45	15.47	17.55	13.77	13.77	21.05	26.88	28.03
<b>SBIIn</b>										
Operating Exp. (Rs. in crores)	85.34	95.43	119.02	133.45	155.37	152.99	166.18	281.87	328.38	397.19
Index on the base year	100.00	111.82	139.47	156.37	182.06	179.27	194.73	330.29	384.79	465.42
% increase over previous year		11.82	24.73	12.12	16.43	(1.53)	8.62	69.62	16.50	20.95
Int. paid as % of total exp.	20.63	21.10	21.54	20.56	19.22	14.75	15.27	23.87	28.43	27.22
<b>SBM</b>										
Operating Exp. (Rs. in crores)	142.29	154.47	187.83	223.16	280.77	241.53	248.25	369.90	479.10	520.37
Index on the base year	100.00	108.56	132.01	156.83	197.32	169.74	174.47	259.96	336.71	365.71
% increase over previous year		8.56	21.60	18.80	25.82	(13.98)	2.79	49.00	29.52	8.61
Int. paid as % of total exp.	22.00	23.46	23.97	24.36	26.47	21.21	20.43	30.29	35.55	35.24
<b>SBP</b>										
Operating Exp. (Rs. in crores)	164.72	180.74	190.50	211.23	287.96	247.87	262.32	448.90	479.00	611.55
Index on the base year	100.00	109.73	115.65	128.24	174.82	150.48	159.25	272.52	290.80	371.27
% increase over previous year		9.73	5.40	10.89	36.82	(13.92)	5.83	71.13	6.71	27.67
Int. paid as % of total exp.	17.51	20.19	18.16	17.54	21.28	16.14	14.68	21.50	21.75	24.41
<b>SBS</b>										
Operating Exp. (Rs. in crores)	106.34	124.70	143.97	142.89	170.01	147.47	154.60	256.99	253.87	308.36
Index on the base year	100.00	117.27	135.39	134.37	159.87	138.68	145.38	241.67	238.73	289.98
% increase over previous year		17.27	15.45	(0.75)	18.98	(13.25)	4.83	66.23	(1.21)	21.46
Int. paid as % of total exp.	21.48	24.07	21.63	19.78	19.61	15.79	15.06	23.22	21.07	24.63
<b>SBT</b>										
Operating Exp. (Rs. in crores)	167.07	151.54	173.30	221.48	276.97	245.00	269.40	452.45	502.64	632.37
Index on the base year	100.00	90.70	103.73	132.57	165.78	146.65	161.25	270.81	300.86	378.51
% increase over previous year		(9.30)	14.37	27.80	25.05	(11.54)	9.96	67.95	11.09	25.81
Int. paid as % of total exp.	16.83	14.20	15.35	17.20	19.61	15.67	15.72	23.02	23.17	26.45

Source: Annual Reports of SBI and its Associates

### **Associates:**

#### **SBBJ:**

Operating expenses of SBBJ was Rs. 185.27 crores in 1996-97. It remarked upward trend during the study period and reached to Rs. 759.79 crores at the end of the study period, 2005-06. Index on the base year varied from 100 percent to 410.10 percent during the study period. It rose by 15.83 percent in 1997-98 compared to the previous year, 1996-97, by 16.98 percent in 1998-99, by 5.75 percent in 1999-00, by 23.61 percent in 2000-01, by 11.91 percent in 2001-02, by 10.60 percent in 2002-03, by 64.71 percent in 2003-04, by 18.19 percent in 2004-05 and by 22.08 percent in 2005-06 compared to their respective previous years. Operating expenses as percentage of total expenditure remained at 22.48 percent in 1996-97, 23.25 percent in 1997-98, 24.24 percent in 1998-99, 21.84 percent in 1999-00, 23.43 percent in 2000-01, 19.35 percent in 2001-02, 20.30 percent in 2002-03, 29.86 percent in 2003-04, 30.84 percent in 2004-05 and 34.85 percent in 2005-06. It indicates aggregate 25 percent of the total expenditure was incurred for operating expenses.

#### **SBH:**

Operating expenses of SBH was Rs. 179.12 crores in 1996-97. It perceived increasing movement during the study period and reached to Rs. 816.12 crores at the end of the study period, 2005-06. Index on the base year ranged from 100 percent to 455.63 percent during the study period. It increased by 9.48 percent in 1997-98, compared to previous year. In the subsequent years, in 1998-99 by 42.68 percent, in 1999-00 by (10.36) percent, in 2000-01, by 28.14 percent, in 2001-02 by (11.88) percent, in 2002-03 by 8.29 percent in 2003-04 by 74.29 percent, in 2004-05 by 25.48 percent and in 2005-06 by 21.67 percent compared to their respective previous years. Operating expenses as percentage of total

expenditure remained at 17.07 percent in 1996-97, 17.70 percent in 1997-98, 21.45 percent in 1998-99, 15.47 percent in 1999-00, 17.55 percent in 2000-01, 13.77 percent in 2001-02, 13.77 percent in 2002-03, 21.05 percent in 2003-04, 26.88 percent in 2004-05 and 28.03 percent in 2005-06. It indicates aggregate 19 percent of the total expenditure was incurred for operating expenses.

### **SBIIn :**

Operating expenses of SBIIn was Rs. 85.34 crores in 1996-97. It registered mixed movement during the study period and came to Rs. 397.19 crores at the end of the study period. Index on the base year ranged from 100 percent to 465.42 percent during the study period. It increased by 11.82 percent in 1997-98 compared to the previous year, 1996-97. It rose by 24.73 percent in 1998-99, by 12.12 percent in 1999-00, by 16.43 percent in 2000-01, by (1.53) percent in 2001-02, by 8.62 percent in 2002-03, by 69.62 percent in 2003-04, by 16.50 percent in 2004-05 and by 20.95 percent in 2005-06 compared to their respective previous years. Operating expenses as percentage of total expenditure remained at 20.63 percent in 1996-97, 21.10 percent in 1997-98, 21.54 percent in 1998-99, 20.56 percent in 1999-00, 19.22 percent in 2000-01, 14.75 percent in 2001-02, 15.27 percent in 2002-03, 23.87 percent in 2003-04, 28.43 percent in 2004-05 and 27.22 percent in 2005-06. It indicates aggregate 21 percent of the total expenditure was incurred for operating expenses.

### **SBM :**

Operating expenses of SBM was Rs. 142.29 crores in 1996-97. It remarked upward trend during the study period and reached to Rs. 520.37 crores at the end of the study period. Index on the base year ranged from

100 percent to 365.71 percent during the study period. In 1997-98, it increased by 8.56 percent, in 1998-99 by 21.60 percent, in 1999-00 by 18.80 percent, in 2000-01 by 25.82 percent, in 2001-02 by (13.98) percent, in 2002-03 by 2.79 percent, in 2003-04 by 49 percent, in 2004-05 by 29.52 percent and in 2005-06 by 8.61 percent compared to their respective previous years.

Operating expenses as percentage of total expenditure remained at 22 percent in 1996-97, 23.46 percent in 1997-98, 23.97 percent in 1998-99, 24.36 percent in 1999-00, 26.47 percent in 2000-01, 21.21 percent in 2001-02, 20.43 percent in 2002-03, 30.29 percent in 2003-04, 35.55 percent in 2004-05 and 35.24 percent in 2005-06. It indicates aggregate 26 percent of the total expenditure was incurred for operating expenses.

### **SBP :**

Operating expenses of SBP was Rs. 164.72 crores for the base year. It rose to Rs. 611.55 crores at the end of the study period. Index on the base year varied from 100 percent to 371.27 percent during the study period. Its percentage increase over previous year remarked fluctuating trend during the study period. It rose by 9.73 percent in 1997-98, by 5.40 percent in 1998-99, by 10.89 percent in 1999-00, by 36.32 percent in 2000-01, by (13.92) percent in 2001-02 by 5.83 percent in 2002-03, by 71.13 percent in 2003-04, by 6.71 percent in 2004-05 and by 27.67 percent in 2005-06 compared to their respective previous years. Operating expenses as percentage of total expenditure was worked out to 17.51 percent for 1996-97, 20.19 percent for 1997-98, 18.16 percent for 1998-99, 17.54 percent for 1999-00, 21.28 percent for 2000-01, 16.14 percent for 2001-02, 14.68 percent for 2002-03, 21.50 percent for 2003-04, 21.75 percent for 2004-05 and 24.41 percent for 2005-06. It indicates

aggregate 19 percent of total expenditure was incurred for operating expenses.

**SBS :**

Operating expenses of SBS was Rs. 106.34 crores for the base year, 1996-97, which rose to Rs. 308.36 crores at the end of the study period, 2005-06. Index on the base year varied from 100 percent to 289.98 percent during the study period. In 1997-98, it increased by 17.27 percent, in 1998-'99 by 15.45 percent, in 1999-00 by (0.75) percent, in 2000-01 by 18.98 percent, in 2001-02 by (13.25) percent, in 2002-03 by 4.83 percent, in 2003-04 by 66.23 percent, in 2004-05 by (1.21) percent and in 2005-06 by 21.46 percent compared to their respective previous years. Operating expenses as percentage of total expenditure remained at 21.48 percent in 1996-97, 24.07 percent in 1997-98, 21.63 percent in 1998-99, 19.78 percent in 1999-00, 19.61 percent in 2000-01, 15.79 percent in 2001-02, 15.06 percent in 2002-03, 23.22 percent in 2003-04, 21.07 percent in 2004-05 and 24.63 percent in 2005-06. It indicates that aggregate 21 percent of total expenditure was incurred for operating expenses.

**SBT :**

Operating expenses of SBT was Rs. 167.07 crores for the base year. It remarked fluctuating trend during the study period and reached to Rs. 632.37 crores in 2005-06. Its index on the base year ranged from 100 percent to 378.51 percent during the study period. Its percentage increase over previous year registered fluctuating trend during the study period. It was (9.30) percent in 1997-98, 14.37 percent in 1998-99, 27.80 percent in 1999-00, 25.05 percent in 2000-01, (11.54) percent in 2001-02, 9.96 percent in 2002-03, 67.95 percent in 2003-04, 11.09 percent in 2004-05

and 25.81 percent in 2005-06. Operating expenses as percentage of total expenditure also registered fluctuating trend during the study period, which was 16.83 percent in 1996-97, 14.20 percent in 1997-98, 15.35 percent in 1998-99, 17.20 percent in 1999-00, 19.61 percent in 2000-01, 15.67 percent in 2001-02, 15.72 percent in 2002-03, 23.02 percent in 2003-04, 23.17 percent in 2004-05 and 26.45 percent in 2005-06. It indicates that aggregate 19 percent of the total expenditure was incurred for operating expenses.

### **Trends of Other Expenses:**

Table 4.7 and chart 4.7 reveal the trend of other expenses, its index on the base year, percentage increase over previous year and other expenses as percentage of total expenditure of SBI and its Associates for the period from 1996-97 to 2005-06. Other expenses of banks have been calculated applying the following formula.

### **Formula:**

Other expenses = Total expenditure – Total interest expended – Operating expenses

**Table 4.7**  
**Trends of Other Expenses**  
(Base year 1996-97)

Group of Banks / Years	1996-97	1997-98	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06
<b>SBI</b>										
Other Exp. (Rs. in crores)	3330.12	2806.90	4172.58	3968.25	4649.71	5671.33	6924.10	5872.46	6685.84	6892.55
Index on the base year	100.00	84.29	125.30	119.16	139.63	170.30	207.92	176.34	200.77	206.98
% increase over previous year		(15.71)	48.65	(4.90)	17.18	21.97	22.09	(15.19)	13.85	3.09
Other exp. as % of total exp.	20.50	16.67	19.53	16.73	16.36	17.97	20.53	17.08	18.97	17.77
<b>SBBJ</b>										
Other Exp. (Rs. in crores)	173.22	171.51	150.99	207.80	261.58	337.52	368.30	379.83	524.00	447.34
Index on the base year	100.00	99.01	87.17	119.96	151.01	194.85	212.62	219.28	302.51	258.25
% increase over previous year		(0.99)	(11.96)	37.62	25.88	29.03	9.12	3.13	37.96	(14.63)
Other exp. as % of total exp.	21.01	18.58	14.58	17.09	18.68	22.60	23.39	21.54	25.96	20.52
<b>SBH</b>										
Other Exp. (Rs. in crores)	262.76	260.91	263.99	407.94	427.68	505.26	601.23	633.01	462.32	441.04
Index on the base year	100.00	99.30	100.47	155.25	162.76	192.29	228.81	240.91	175.95	167.85
% increase over previous year		(0.70)	1.18	54.52	4.84	18.14	18.99	5.29	(26.96)	(4.60)
Other exp. as % of total exp.	25.04	23.55	20.24	25.16	23.35	24.56	26.99	24.93	18.52	15.15
<b>SBIIn</b>										
Other Exp. (Rs. in crores)	99.08	107.53	133.19	143.37	176.85	288.92	302.64	305.98	218.91	280.94
Index on the base year	100.00	108.53	134.43	144.70	178.49	291.60	305.45	308.82	220.94	283.55
% increase over previous year		8.53	23.86	7.64	23.35	63.37	4.75	1.10	(28.46)	28.34
Other exp. as % of total exp.	23.95	23.78	24.11	22.09	21.88	27.85	27.81	25.92	18.95	19.25
<b>SBM</b>										
Other Exp. (Rs. in crores)	134.66	122.82	144.69	173.90	178.20	241.08	316.29	248.54	245.40	230.02
Index on the base year	100.00	91.21	107.45	129.14	132.33	179.03	234.88	184.57	182.24	170.82
% increase over previous year		8.79	17.81	20.19	2.47	35.29	31.20	(21.42)	(1.26)	(6.27)
Other exp. as % of total exp.	20.82	18.65	18.47	18.98	16.80	21.18	26.03	20.35	18.21	15.58
<b>SBP</b>										
Other Exp. (Rs. in crores)	189.06	128.82	223.68	298.27	326.04	440.64	550.21	573.39	565.90	429.05
Index on the base year	100.00	68.14	118.31	157.76	172.45	233.07	291.02	303.28	299.32	226.94
% increase over previous year		(31.86)	73.63	33.34	9.31	35.15	24.86	4.21	(1.31)	(24.18)
Other exp. as % of total exp.	20.10	14.39	21.33	24.76	24.09	28.68	30.79	27.46	25.70	17.12
<b>SBS</b>										
Other Exp. (Rs. in crores)	80.71	79.55	144.55	123.75	180.18	224.04	287.26	275.38	326.99	246.19
Index on the base year	100.00	98.56	179.10	153.33	223.24	277.59	355.92	341.20	405.14	305.03
% increase over previous year		(1.44)	81.72	(14.39)	45.59	24.35	28.22	(4.14)	18.74	(241.71)
Other exp. as % of total exp.	16.31	15.36	21.71	17.13	20.79	23.98	27.98	24.88	27.13	19.66
<b>SBT</b>										
Other Exp. (Rs. in crores)	164.28	202.10	174.37	188.67	214.92	288.68	382.57	456.23	554.91	415.16
Index on the base year	100.00	123.02	106.14	114.85	130.83	175.72	232.88	277.71	337.78	252.71
% increase over previous year		23.02	(13.72)	8.21	13.91	34.31	32.53	19.25	21.63	(25.18)
Other exp. as % of total exp.	16.55	18.94	15.45	14.65	15.22	18.47	22.33	23.22	25.58	17.36

Source: Annual Reports of SBI and its Associates



## **SBI :**

Other expenses of SBI were Rs. 3330.12 crores in 1996-97. It registered fluctuating trend during the study period. Index on the base year, 1996-97 was 84.29 percent in 1997-98, 125.30 percent in 1998-99, 119.16 percent in 1999-00, 139.63 percent in 2000-01, 170.30 percent in 2001-02, 207.92 percent in 2002-03, 176.30 percent in 2003-04, 200.77 percent in 2004-05 and 206.98 percent in 2005-06. Percentage increase over previous year remarked highly fluctuating trend during the study period. It decreased by (15.71) percent in 1997-98, it increased by 48.65 percent in 1998-99, afterwards, in 1999-00, it decreased by (4.90) percent but, in the subsequent years, in 2000-01, 2001-02, 2002-03, it remarked upward movement by 17.18 percent, 21.97 percent and 22.09 percent respectively. It decreased to (15.19) percent in 2003-04 then it increased by 13.85 percent in 2004-05 and by 3.09 percent in 2005-06. Other expenses as percentage of total expenditure remarked fluctuating trend during the study period. It was 20.50 percent in 1996-97, 16.67 percent in 1997-98, 19.53 percent in 1998-99, 16.73 percent in 1999-00, 16.36 percent in 2000-01, 17.97 percent in 2001-02, 20.53 percent in 2002-03, 17.08 percent in 2003-04, 18.97 percent in 2004-05 and 17.77 percent in 2005-06. It indicates aggregate 18 percent of the total expenditure was incurred for other expenses.

## **Associates:**

### **SBBJ**

Other expenses of SBBJ were Rs. 173.22 crores for the base year. It remarked fluctuating trend during the study period. It registered downward trend during the period from 1996-97 to 1998-99 then after, it registered upward trend and reached to Rs. 447.34 crores in 2005-06. It varied between 87.17 percent in 1998-99 to 302.51 percent in 2004-05.

Its percentage increase over previous year were (0.99) percent in 1997-98, (11.96) percent in 1998-99, 37.62 percent in 1999-00, 25.88 percent in 2000-01, 29.03 percent in 2001-02, 9.12 percent in 2002-03, 3.13 percent in 2003-04, 37.96 percent in 2004-05 and (14.63) percent in 2005-06. Its other expenses as percentage of total expenditure also remarked fluctuating trend during the study period. It registered downward trend from 1996-97 to 1998-99 and came to 14.58 percent in 1998-99. It started rising from the subsequent year, 1999-00 and reached to 23.39 percent in 2002-03. It decreased to 21.54 percent in 2003-04. It rose to 25.96 percent in 2004-05 but decreased to 20.52 percent in 2005-06. Its aggregate other expenses was 20 percent from the total expenditure incurred.

### **SBH :**

Other expenses of SBH were Rs. 262.76 crores in 1996-97, which remarked fluctuating movement during the study period. It decreased to Rs. 260.91 in 1997-98 but then onward it showed upward trend and reached to Rs. 633.01 crores in 2003-04. Its index on the base year varied between 99.30 percent in 1997-98 to 240.91 percent in 2003-04. Percentage increase over previous year reflected fluctuating trend during the study period. Its percentage increase over previous year was (0.70) percent in 1997-98, 1.18 percent in 1998-99, 54.52 percent in 1999-00, 4.84 percent in 2000-01, 18.14 percent in 2001-02, 18.99 percent in 2002-03, 5.29 percent in 2003-04, (26.96) percent in 2004-05 and (4.60) percent in 2005-06. Other expenses as percentage of total expenses also reflected fluctuating trend during the study period. It was 25.04 percent in 1996-97, 23.55 percent in 1997-98, 20.24 percent in 1998-99, 25.16 percent in 1999-00, 23.35 percent in 2000-01, 24.56 percent in 2001-02, 26.99 percent in 2002-03, 24.93 percent in 2003-04, 18.52 percent in

2004-05 and 15.15 percent in 2005-06. It indicates aggregate 23 percent amount, out of total expenditure was expended for other expenses.

### **SBIIn :**

Other expenses of SBIIn were Rs. 99.08 crores in 1996-97. It registered upward trend during the study period and reached to Rs. 305.98 crores in 2003-04, It decreased to Rs. 218.91 crores in 2004-05 but it increased to Rs. 280.94 crores in 2005-06. Index on the base year varied from 100 percent to 308.82 percent during the study period. It increased by 8.53 percent in 1997-98 compared to previous year 1996-97. It increased by 23.86 percent in 1998-99, by 7.64 percent in 1999-00, by 23.35 percent in 2000-01, by 63.37 percent in 2001-02, by 4.75 percent in 2002-03, by 1.10 percent in 2003-04, by (28.46) percent in 2004-05 and by 28.34 percent in 2005-06 compared to their respective previous years. Other expenses as percentage of total expenses remarked fluctuating trend during the study period. It was 23.95 percent in 1996-97, 23.78 percent in 1997-98, 24.11 percent in 1998-99, 22.09 percent in 1999-00, 21.88 percent in 2000-01, 27.85 percent in 2001-02, 27.81 percent in 2002-03, 25.92 percent in 2003-04, 18.95 percent in 2004-05 and 19.25 percent in 2005-06. It indicates aggregate 24 percent of the total expenditure was expended for other expenses.

### **SBM :**

Other expenses of SBM were Rs. 134.66 crores in 1996-97. It registered fluctuating trend during the study period and reached to Rs. 316.29 crores in 2002-03. Then, on ward, it registered downward trend and reached to Rs. 230.02 crores at the end of the study period, 2005-06. Index on the base year fluctuated form 91.21 percent in 1997-98 to 234.88 percent in 2002-03. It decreased by (8.79) percent in 1997-98. In

1998-99 by 17.81 percent, in 1999-00 by 20.19 percent, in 2000-01 by 2.47 percent, in 2001-02 by 35.29 percent and in 2002-03 by 31.20 percent increased compared to their respective previous years. It showed downward movement from 2003-04 and decreased by (21.42) percent in 2003-04, by (1.26) percent in 2004-05 and by (6.27) percent in 2005-06 compared to their respective previous years. Other expenses as percentage of total expenditure remarked fluctuating trend during the study period. It was 20.82 percent in 1996-97, 18.65 percent in 1997-98, 18.47 percent in 1998-99, 18.98 percent in 1999-00, 16.80 percent in 2000-01, 21.18 percent in 2001-02, 26.03 percent in 2002-03, 20.35 percent in 2003-04, 18.21 percent in 2004-05 and 15.58 percent in 2005-06. It indicates aggregate 20 percent of the total expenditure was expended for other expenses.

### **SBP :**

Other expenses of SBP were Rs. 189.06 crores in 1996-97. It remarked fluctuating trend during the study period and reached to Rs. 573.39 crores in 2003-04. It decreased to Rs. 565.90 crores in 2004-05 and to Rs. 429.05 crores in 2005-06. Index on the base year varied between 68.14 percent in 1997-98 to 303.28 percent in 2003-04. Percentage increased over previous year decreased to (31.86) percent in 1997-98. It increased in 1998-99 by 73.63 percent, in 1999-00 by 33.34 percent in 2000-01 by 9.31 percent, in 2001-02 by 35.15 percent, 2002-03 by 24.86 percent, in 2003-04 by 4.21 percent, in 2004-05 by (1.31) percent and in 2005-06 by (24.18) percent compared to their respective previous years. Other expenses as percentage of total expenses remarked fluctuating trend during the study period. It was 20.10 percent in 1996-97, 14.39 percent in 1997-98, 21.33 percent in 1998-99, 24.76 percent in 1999-00, 24.09 percent in 2000-01, 28.68 percent in 2001-02, 30.79

percent in 2002-03, 27.46 percent in 2003-04, 25.70 percent in 2004-05 and 17.22 percent in 2005-06. It indicates aggregate 24 percent expenses out of total expenditure incurred for other expenses.

### **SBS :**

Other expenses of SBS were Rs. 80.71 crores in 1996-97. It remarked fluctuating trend during the study period and reached to peak point Rs. 326.99 crores in 2004-05. Index on the base year varied between 98.56 percent in 1997-98 to 405.14 percent in 2004-05. It decreased by 1.44 percent in 1997-98 compared to previous year, 1996-97 but in 1998-99 it increased by 81.72 percent and in subsequent year, 1999-00, it decreased by (14.39) percent then onward, it registered upward movement, i.e. in 2000-01 rose by 45.59 percent, in 2001-02 by 24.35 percent and in 2002-03 by 28.22 percent and it went down to (4.14) percent in 2003-04, increased by 18.74 percent in 2004-05 and went down to (24.71) percent in 2005-06 compared to their respective previous years. Its other expenses as percentage of total expenditure remarked fluctuating trend during the study period. It was 16.31 percent in 1996-97, 15.36 percent in 1997-98, 21.71 percent in 1998-99, 17.13 percent in 1999-00, 20.79 percent in 2000-01, 23.98 percent in 2001-02, 27.98 percent in 2002-03, 24.88 percent in 2003-04, 27.13 percent in 2004-05 and 19.66 percent in 2005-06. It indicates aggregate 21 percent of total expenditure was incurred for other expenses.

### **SBT**

Other expenses of SBT were Rs. 164.28 crores in 1996-97. It registered mixed movement during the study period and reached to Rs. 554.91 crores in 2004-05. Index on the base year varied from 100 percent to 337.78 percent during the study period. It increased by 23.02 percent

in 1997-98 compared to its previous year but in 1998-99, it decreased by (13.72) percent compared to its previous year 1999-00 but afterwards in subsequent years, it showed upward movement and increased by 8.21 percent in 1999-00, 13.91 percent in 2000-01, 34.31 percent in 2001-02, 32.53 percent in 2002-03, 19.25 percent in 2003-04, 21.63 percent in 2004-05 and (25.18) percent in 2005-06 compared to their respective previous years. Other expenses as percentage of total expenditure remarked fluctuating trend during the study period. It was 16.55 percent in 1996-97, 18.94 percent in 1997-98, 15.45 percent in 1998-99, 14.65 percent in 1999-00, 15.22 percent in 2000-01, 18.47 percent in 2001-02, 22.33 percent in 2002-03, 23.22 percent in 2003-04, 25.58 percent in 2004-05 and 17.36 percent in 2005-06. It indicates aggregate 18 percent of total expenditure was expended for other expenses.

### **Trends of Spread:**

Financial performance of banks is based on the concept 'spread'. Spread is nothing but surplus of interest income over interest expenses. This ratio is also known as "Interest expenditure to interest income ratio". In other words "spread" is the difference between the interest earned and interest paid by the bank." It is the difference between the income earned by deployment of funds and the cost of funds.<sup>12</sup> Another author defines spread as "the difference between the average gross interest received on average earning assets and the average gross interest paid on average liabilities."<sup>13</sup> This ratio is reflective of efficiency in the use of funds.

The spread of a bank improves or increases if there is an increase in interest income or a decrease in interest expenses or more than proportionate increase in interest income than proportionate increase in

interest expenditure and vice-versa. If interest expenditure is more than interest income, shows danger signal for a bank, as it means interest margins getting squeezed.

Table 4.8 and chart 4.8 provide the data relating to trends of spread, its index on the base year and percentage increase over previous year of SBI and its Associates for the period from 1996-97 to 2005-06.

**SBI :**

Spread of SBI was Rs. 5359.23 crores in 1996-97. It showed upward movement during the study period and reached to Rs. 15635.64 crores at the end of the study period, 2005-06. Its index on the base year varied from 100 percent to 291.75 percent during the study period. It increased by 0.87 percent in 1997-98 compared to its previous year 1996-97. It increased by 12.15 percent, in 1998-99 by 14.28 percent in 1999-00, by 19.04 percent in 2000-01, by 10.10 percent in 2001-02, by 9.87 percent in 2002-03, by 12.11 percent in 2003-04, by 24.66 percent in 2004-05 and by 12.13 percent in 2005-06 compared to their respective previous years.

**Associates:**

**SBBJ :**

Spread of SBBJ was Rs. 270.74 crores in 1996-97. It showed upward trend during the study period and came to Rs. 992.90 crores in 2005-06. Index on the base year ranged from 100 percent to 366.74 percent during the study period. It increased by 15.95 percent in 1997-98, by 5.23 percent, in 1998-99, by 13.11 percent in 1999-00, by 22.04 percent in 2000-01, by 7.53 percent in 2001-02, by 12.46 percent in 2002-

03, by 29.94 percent in 2003-04, by 21.28 percent in 2004-05 and by 14.27 percent in 2005-06 compared to their respective previous years.

**Table 4.8**  
**Trends of Spread**  
**(Base year 1996-97)**

Group of Banks/ Years	1996-97	1997-98	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06
<b>SBI</b>										
Spread (Rs. in crores)	5359.23	5405.68	6063.10	6928.34	8247.79	9081.25	9977.56	11186.32	13944.62	15635.64
Index on the base year	100.00	100.87	113.13	129.28	153.90	169.45	186.18	208.73	260.20	291.75
% increase over previous year		0.87	12.15	14.28	19.04	10.10	9.87	12.11	24.66	12.13
<b>SBBJ</b>										
Spread (Rs. in crores)	270.74	313.93	330.32	373.63	455.96	490.29	551.38	716.44	868.91	992.90
Index on the base year	100.00	115.95	122.01	138.00	168.41	181.09	203.66	264.62	320.94	366.74
% increase over previous year		15.95	5.23	13.11	22.04	7.53	12.46	29.94	21.28	14.27
<b>SBH</b>										
Spread (Rs. in crores)	348.09	383.83	465.04	520.04	611.25	649.66	747.76	841.35	962.37	1094.32
Index on the base year	100.00	110.27	133.60	149.40	175.60	186.24	214.82	241.70	276.47	314.38
% increase over previous year		10.27	21.16	11.83	17.54	6.29	15.10	12.52	14.38	13.71
<b>SBIIn</b>										
Spread (Rs. in crores)	148.89	158.08	194.50	187.71	233.55	292.23	367.18	453.41	502.20	541.52
Index on the base year	100.00	106.17	130.63	126.07	156.86	196.27	246.61	304.53	337.30	363.70
% increase over previous year		6.17	22.45	(3.49)	24.42	25.12	25.65	23.48	10.76	7.83
<b>SBM</b>										
Spread (Rs. in crores)	229.94	231.29	246.04	281.11	313.62	315.24	386.61	454.40	544.74	611.67
Index on the base year	100.00	100.59	107.00	122.25	136.39	137.10	168.14	197.62	236.91	266.01
% increase over previous year		0.59	6.37	14.25	11.57	0.52	22.64	17.53	19.88	12.29
<b>SBP</b>										
Spread (Rs. in crores)	321.20	354.58	383.38	468.46	604.86	656.97	789.04	822.20	976.27	996.67
Index on the base year	100.00	110.39	119.36	145.85	188.31	204.54	245.65	255.98	303.94	310.30
% increase over previous year		10.39	8.13	22.19	29.11	8.62	20.10	4.20	18.74	2.09
<b>SBS</b>										
Spread (Rs. in crores)	178.09	189.11	222.65	241.37	251.62	280.06	319.51	403.77	508.00	479.16
Index on the base year	100.00	106.91	125.02	135.53	141.29	157.26	179.41	226.72	285.25	269.05
% increase over previous year		6.91	17.73	8.41	4.25	11.30	14.08	26.37	25.81	5.68
<b>SBT</b>										
Spread (Rs. in crores)	247.41	268.19	238.28	281.93	395.12	424.43	522.85	683.33	896.16	955.13
Index on the base year	100.00	108.40	96.31	113.95	159.70	171.55	211.33	276.19	362.22	386.05
% increase over previous year		8.40	(11.15)	18.32	40.15	7.42	23.19	30.69	31.15	6.58

Source: Annual Reports of SBI and its Associates



**SBH :**

Spread of SBH was Rs. 348.09 crores in 1996-97. It registered upward movement during the study period and rose to Rs. 1094.32 crores at the end of the study period, 2005-06. Its index on the base year varied from 100 percent to 314.38 percent during the study period. It increased by 10.27 percent in 1997-98, by 21.16 percent in 1998-99, by 11.83 percent in 1999-00, by 17.54 percent in 2000-01, by 6.29 percent in 2001-02, by 15.10 percent in 2002-03, by 12.52 percent in 2003-04, by 14.38 percent in 2004-05 and by 13.71 percent in 2005-06 compared to their respective previous years. Thus, it remarked fluctuating trend during the study period.

**SBIIn :**

Spread of SBIIn was Rs. 148.89 crores in 1996-97. It reflected mixed trend during the study period and reached to Rs. 541.52 crores at the end of the study period, 2005-06. Index on the base year ranged from 100 percent to 363.70 percent during the study period. It increased by 6.17 percent in 1997-98, by 22.45 percent in 1998-99, by (3.49) percent in 1999-00, by 24.42 percent in 2000-01, by 25.12 percent in 2001-02, by 25.65 percent in 2002-03, by 23.48 percent in 2003-04, by 10.76 percent in 2004-05 and by 7.83 percent in 2005-06 compared to their respective previous years. Thus, it remarked fluctuating trend during the study period.

**SBM :**

Spread of SBM was Rs. 229.94 crores in 1996-97. It showed upward movement during the study period and came to Rs. 611.67 crores at the end of the study period, 2005-06. Index on the base year ranged from 100 percent to 266.01 percent during the study period. It increased

by 0.59 percent in 1997-98, 6.37 percent in 1998-99, 14.25 percent in 1999-00, 11.57 percent in 2000-01, 0.52 percent in 2001-02, 22.64 percent in 2002-03, 17.53 percent in 2003-04, 19.88 percent in 2004-05 and by 12.29 percent in 2005-06 compared to their respective previous years.

**SBP :**

Spread of SBP was Rs. 321.20 crores in 1996-97, which remarked upward trend during the study period and reached to Rs. 996.67 crores at the end of the study period, 2005-06. Index on the base year varied from 100 percent to 310.30 percent during the study period. Its percentage increase over previous year showed fluctuating trend during the study period. It increased by 10.39 percent in 1997-98, by 8.13 percent in 1998-99, by 22.19 percent in 1999-00, by 29.11 percent in 2000-01, by 8.62 percent in 2001-02, by 20.10 percent in 2002-03, by 4.20 percent in 2003-04, by 18.74 percent in 2004-05 and by 2.09 percent in 2005-06 compared to their respective previous years.

**SBS :**

Spread of SBS was Rs. 178.09 crores in the base year, 1996-97. It reached to Rs. 508.00 crores in 2004-05 but decreased to 479.16 crores in 2005-06. Index on the base year varied from 100 percent to 285.25 percent during the study period. Its percentage increase over previous year remarked fluctuating trend during the study period. It increased by 6.19 percent in 1997-98, by 17.73 percent in 1998-99, by 8.41 percent in 1999-00, by 4.25 percent in 2000-01, by 11.30 percent in 2001-02, by 14.08 percent in 2002-03, by 26.37 percent in 2003-04, by 25.81 percent in 2004-05 and by (5.68) percent in 2005-06 compared to their respective previous years.

### **SBT :**

Spread of SBT was Rs. 247.41 crores in 1996-97, which rose to Rs. 955.13 crores at the end of the study period, 2005-06. Index on the base year ranged from 100 percent to 386.05 percent during the study period. Its percentage increase over previous year remarked fluctuating trend during the study period. It increased by 8.40 percent in 1997-98, by (11.15) percent in 1998-99, by 18.32 percent in 1999-00, by 40.15 percent in 2000-01, by 7.42 percent in 2001'02, by 23.19 percent in 2002-03, by 30.69 percent in 2003-04, by 31.15 percent in 2004-05 and by 6.58 percent in 2005-06 compared to their respective previous years.

### **Trends of Burden:**

Excess of non-interest expenditure over non-interest income of a bank is known as burden. In other words, burden means difference between non-interest expenditure (consisting establishment expenditure and other expenditure) and non-interest income (comprising of commission, brokerage and other miscellaneous receipts) of banks. Profits may be defined as the difference between spread and burden. Burden is in nature of operating cost. It represents non-interest expenses that are not covered by non-interest income. The magnitude of the burden of commercial banks, is affected by the following factors:

1. Efficiency of manpower management.
2. Efficiency of general bank management.
3. Efficiency of ancillary business.

Banks always try to maintain burden at the minimum so as to get higher profit.

Burden is calculated applying the following formula:

Burden = Non-interest expenditure – Non-interest income

Where: Non-interest expenditure = Total expenditure – Interest expended

Table 4.9 represents the data for burden, index on the base year and percentage increase over previous year of SBI and its Associates for the period from 1996'97 to 2005-06.

**SBI :**

Burden of SBI was Rs. 4009.98 crores in the year 1996-97, which increased in the subsequent years and reached to Rs. 11228.97 crores at the end of the study period. Index on the base year varied from 100 percent to 280.03 percent during the course of the study. In 1997-98, it decreased by 11.61 percent compared to its previous year 1996-97. Then, it increased by 42.06 percent in 1998-99, by (3.15) percent in 1999-00, by 36.23 percent in 2000-01, by 0.09 percent in 2001-02, by 3.35 percent in 2002-03, by 9.21 percent in 2003-04, by 28.44 percent in 2004-05 and by 16.48 percent in 2005-06 in comparison to their respective previous years.

**Associates:**

**SBBJ:**

Burden of SBBJ was Rs. 230.27 crores in 1996-97, which decreased to Rs. 223.46 crores in the subsequent years 1997-98 but from the immediate subsequent year, it remarked fluctuating trend and rose to Rs. 847.87 crores at the end of the study period, 2005-06. Index on the

**Table 4.9**  
**Trends of Burden**  
**(Base year 1996-97)**

Group of Banks/ Years	1996-97	1997-98	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06
<b>SBI</b>										
Burden (Rs. in crores)	4009.98	3544.48	5035.29	4876.80	6643.54	6649.62	6872.56	7505.32	9640.11	11228.97
Index on the base year	100.00	88.39	125.57	121.62	165.68	165.83	171.39	187.17	240.40	280.03
% increase over previous year		(11.61)	42.06	(3.15)	36.23	0.09	3.35	9.21	28.44	16.48
<b>SBBJ</b>										
Burden (Rs. in crores)	230.27	223.46	238.44	253.21	350.59	325.79	348.10	414.92	663.27	847.87
Index on the base year	100.00	97.04	103.55	109.96	152.25	141.48	151.17	180.19	288.04	368.21
% increase over previous year		(2.96)	6.70	6.19	38.46	(7.07)	6.85	19.20	59.85	27.83
<b>SBH</b>										
Burden (Rs. in crores)	295.64	286.72	353.51	392.24	461.02	423.17	446.36	460.15	711.47	667.28
Index on the base year	100.00	96.98	119.57	132.67	155.94	143.14	150.98	155.65	240.65	225.71
% increase over previous year		(3.02)	23.29	10.96	17.54	(8.21)	5.48	3.09	54.62	(6.21)
<b>SBIIn</b>										
Burden (Rs. in crores)	131.82	130.37	163.46	142.46	169.56	167.12	166.86	227.16	369.02	402.42
Index on the base year	100.00	98.90	124.00	108.07	128.63	126.78	126.58	172.33	279.94	305.28
% increase over previous year		(1.10)	25.38	(12.85)	19.02	(15.98)	(0.16)	36.14	62.45	9.05
<b>SBM</b>										
Burden (Rs. in crores)	189.70	180.76	212.46	232.87	287.90	249.35	270.68	278.02	338.49	394.96
Index on the base year	100.00	95.29	112.00	122.76	151.77	131.44	142.69	146.56	178.43	208.20
% increase over previous year		(4.71)	17.54	9.61	23.63	(13.39)	8.55	2.71	21.75	16.68
<b>SBP</b>										
Burden (Rs. in crores)	262.18	211.57	282.19	337.77	443.26	424.03	467.03	391.84	689.20	693.55
Index on the base year	100.00	80.70	107.63	128.83	169.07	161.73	178.13	149.45	262.87	264.53
% increase over previous year		(19.30)	33.38	19.70	31.23	(4.34)	10.14	(16.10)	75.89	63.12
<b>SBS</b>										
Burden (Rs. in crores)	106.96	110.97	197.29	152.57	237.91	198.05	226.97	226.40	466.84	419.04
Index on the base year	100.00	103.75	184.45	142.64	222.43	185.16	212.20	211.67	436.46	391.77
% increase over previous year		3.75	77.79	(22.67)	55.93	(16.75)	14.60	(0.25)	106.20	(10.24)
<b>SBT</b>										
Burden (Rs. in crores)	207.16	204.89	195.02	215.49	297.63	303.50	351.81	438.73	649.03	696.45
Index on the base year	100.00	98.90	94.14	104.02	143.67	146.51	169.83	211.78	313.30	336.19
% increase over previous year		(1.10)	(4.82)	10.50	38.12	1.97	15.92	24.71	47.93	7.31

Source: Annual Reports of SBI and its Associates

base year varied between 97.04 percent in 1997-98 to 368.21 percent in 2005-06. In 1997-98, it decreased by 2.96 percent compared to previous year, 1996-97. It increased by 6.70 percent in 1998-99, by 6.19 percent in 1999-00, by 38.46 percent in 2000-01, by (7.07) percent in 2001-02, by 6.85 percent in 2002-03, by 19.20 percent in 2003-04, by 59.85 percent in

2004-05 and by 27.83 percent in 2005-06 in comparison to their respective previous years.

### **SBH:**

Burden of SBH was Rs. 295.64 crores in 1996-97. It decreased to Rs. 286.72 crores in 1997-98 but in the subsequent years, it showed upward movement and came to Rs. 461.02 crores in 2000-01. It decreased to 423.17 crores in 2001-02 but then onward it showed upward movement and reached to 711.67 crores in 2004-05. It dropped to Rs. 667.28 crores in 2005-06. Index on the base year fluctuated between 96.98 percent in 1997-98 to 240.65 percent in 2004-05. Its burden decreased by 3.02 percent in 1997-98 compared to its previous year 1996-97. In the subsequent years, it increased by 23.29 percent in 1998-99, by 10.96 percent in 1999-00, by 17.54 percent in 2000-01, by (8.21) percent in 2001-02, by 5.48 percent in 2002-03, by 3.09 percent in 2003-04, by 54.62 percent in 2004-05 and by (6.21) percent in 2005-06 in comparison to their respective previous years.

### **SBIIn:**

Burden of SBIIn was Rs. 131.82 crores in the base year, 1996-97, which decreased to Rs. 130.37 crores in 1997-98. It came to Rs. 402.42 crores, showing fluctuating movement in 2005-06. Index on the base year ranged between 98.90 percent in 1997-98 to 305.28 percent at the end of the study period, 2005-06. It decreased by 1.10 percent in 1997-98 in comparison to previous year 1996-97. It rose by 25.38 percent in the subsequent year 1998-99 but in 1999-00, it decreased by 12.85 percent compared to its previous year. It increased by 19.02 percent in 2000-01 over its previous year but in the subsequent years 2001-02, 2002-03, it decreased by 15.98 percent and by 0.16 percent respectively. It showed

upward movement and increase by 36.14 percent, 62.45 percent and by 9.05 percent in 2003-04, 2004-05 and in 2005-06 in comparison to their respective previous years. Thus, it highly fluctuated during the study period.

### **SBM:**

Burden of SBM was Rs. 189.70 crores in 1996-97, which decreased to Rs. 180.76 crores in 1997-98 but in the subsequent years it showed upward trend and came to Rs. 287.90 crores in 2000-01. It decreased to 249.35 crores in 2001-02 but then onward, it remarked upward movement and reached to Rs. 394.96 crores in 2005-06. Index on the base year ranged between 95.29 percent in 1997-98 to 208.20 percent in 2005-06. Its burden decreased by 4.71 percent in 1997-98 compared to its previous year, 1996-97. But, in subsequent three years, 1998-99, 1999-00, 2000-01, it increased by 17.54 percent, by 9.61 percent and by 23.63 percent respectively compared to their respective previous years. It decreased by 13.39 percent in 2001-02 over its previous year, 2000-01. It increased by 8.55 percent in 2002-03, by 2.71 percent in 2003-04, by 21.75 percent in 2004-05 and by 16.68 percent in 2005-06 over its respective previous years.

### **SBP:**

Burden of SBP was Rs. 262.18 crores in 1996-97, which dropped down to Rs. 211.57 crores in 1997-98. Ultimately at the end of the study period, 2005-06, it came to Rs. 693.55 crores. Index on the base year fluctuated from 80.70 percent in 1997-98 to 264.53 percent in 2005-06. It decreased by 19.30 percent, by 4.34 percent and by 16.10 percent in 1997-98, in 2001-02 and in 2003-04 respectively compared to their respective previous years. But in other years it increased by 33.38 percent

in 1998-99, by 19.70 percent in 1999-00, by 31.23 percent in 2000-01, by 10.14 percent in 2002-03, by 75.89 percent in 2004-05 and by 63.12 percent in 2005-06 respectively compared to their respective previous years.

### **SBS :**

Burden of SBS was Rs. 106.96 crores in 1996-97, which remarked fluctuating movement during the course of the study and came to Rs. 419.04 crores at the end of the study period, 2005-06. Index on the base year ranged from 100 percent to 436.46 percent in 2004-05 during the study period. It increased by 3.75 percent in 1997-98, by 77.79 percent in 1998-99, by 55.93 percent in 2000-01, by 14.60 percent in 2002-03 and by 106.20 percent in 2004-05 compared to their respective previous years. It decreased by 22.67 percent in 1999-00, by 16.75 percent in 2001-02, by 0.25 percent in 2003-04 and by 10.24 percent in 2005-06 compared to their respective previous years.

### **SBT:**

Burden of SBT was Rs. 207.16 crores in 1996-97 which decreased to Rs. 204.89 crores and 195.02 crores in 1997-98 and in 1998-99 respectively. But in the subsequent years it remarked upward movement and came to Rs. 696.45 crores at the end of the study period 2005-06. Index on the base year fluctuated between 94.14 percent in 1998-99 to 336.19 percent in 2005-06. It decreased by 1.10 percent in 1997-98 and by 4.82 percent in 1998-99 over their previous years. It increased by 10.50 percent in 1999-00, by 38.12 percent in 2000-01, by 1.97 percent in 2001-02, by 15.92 percent in 2002-03, by 24.71 percent in 2003-04, by 47.93 percent in 2004-05 and by 7.31 percent in 2005-06 in comparison of their respective previous years.



### **Trends of Net Profit :**

Profit is the prime indicator for performance. Profit is an event of the business unit, which indicates revenue is in excess of its expenditure or cost. Revenue is derived from service provided by it and cost is the total expenditure incurred while rendering service. The higher the profit, the better the financial performance of the business.

Table 4.10 and chart 4.10 reveals the data related to net profit, its index on the base year and percentage increase over previous year of SBI and its Associates for the period from 1996-97 to 2005-06.

### **SBI :**

Net profit of SBI was Rs. 1349.25 crores in the base year, 1996-97, which decreased in 1998-99 to Rs. 1027.80 crores & showing fluctuating trend it reached to Rs. 4406.67 crores in 2005-06. Its index on the base year varied between 76.18 percent in 1998-99 to 326.60 percent in 2005-06. Its net profit increased by 37.94 percent, by 99.59 percent by 51.57 percent, by 27.69 percent, by 18.55 percent, by 16.94 percent and by 2.37 percent in 1997-98, in 1999-00, in 2001-02, in 2002-03, in 2003-04, in 2004-05 and in 2005-06 respectively in comparison to their respective previous years. While it decreased by 44.77 percent and 21.80 percent in 1998-99 and in 2000-01 respectively compared to their respective previous years.

**Table 4.10**  
**Trends of Net Profit**  
**(Base year 1996-97)**

Group of Banks/ Years	1996-97	1997-98	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06
<b>SBI</b>										
Net Profit (Rs. in crores)	1349.25	1861.20	1027.80	2051.55	1604.25	2431.62	3105.00	3681.00	4304.52	4406.67
Index on the base year	100	137.94	76.18	152.05	118.9	180.22	230.13	272.82	319.03	326.60
% increase over previous year		37.94	(44.77)	99.59	(21.8)	51.57	27.69	18.55	16.94	2.37
<b>SBBJ</b>										
Net Profit (Rs. in crores)	40.48	90.48	91.88	120.42	105.37	164.50	203.28	301.52	205.65	145.03
Index on the base year	100	223.52	226.98	297.48	260.30	460.37	502.17	744.86	508.03	358.28
% increase over previous year		23.52	1.55	31.06	(12.50)	76.86	9.08	48.33	(31.80)	(29.48)
<b>SBH</b>										
Net Profit (Rs. in crores)	52.45	97.12	111.53	127.80	150.22	226.49	301.40	381.20	250.90	427.04
Index on the base year	100	185.17	221.64	243.66	286.41	431.82	574.64	726.79	478.36	814.18
% increase over previous year		85.17	14.84	14.59	17.54	50.77	33.07	(26.48)	(34.18)	70.20
<b>SBIIn</b>										
Net Profit (Rs. in crores)	17.06	27.71	31.04	45.25	63.99	125.10	200.32	226.26	133.18	139.11
Index on the base year	100	162.43	181.95	262.24	375.09	733.29	1174.21	1326.26	780.66	815.42
% increase over previous year		62.43	12.02	45.78	41.41	95.5	60.13	12.95	(41.14)	4.45
<b>SBM</b>										
Net Profit (Rs. in crores)	40.24	50.54	33.58	48.24	25.72	65.90	115.92	176.38	206.26	216.72
Index on the base year	100	125.60	83.45	119.88	63.92	163.77	288.07	438.32	512.57	538.57
% increase over previous year		25.60	(33.56)	43.65	46.68	156.21	75.90	52.16	16.94	5.07
<b>SBP</b>										
Net Profit (Rs. in crores)	59.03	143.01	101.2	130.69	161.10	232.94	322.02	430.36	287.07	303.11
Index on the base year	100	242.27	171.44	221.40	272.91	394.61	545.52	729.05	486.31	513.48
% increase over previous year		142.27	(29.24)	29.14	23.27	44.59	38.24	33.64	(33.30)	5.59
<b>SBS</b>										
Net Profit (Rs. in crores)	71.13	78.13	25.36	88.79	13.71	82.01	92.55	177.39	41.16	60.12
Index on the base year	100	109.84	35.65	124.83	19.27	115.3	130.11	249.39	57.87	84.52
% increase over previous year		9.84	(67.54)	250.15	(84.56)	498.34	12.84	91.67	(76.80)	46.06
<b>SBT</b>										
Net Profit (Rs. in crores)	40.25	63.3	43.27	66.44	97.49	120.93	171.04	244.60	247.13	258.68
Index on the base year	100	157.27	107.50	165.07	242.21	300.45	424.94	607.70	613.99	642.68
% increase over previous year		57.27	(31.65)	53.55	46.73	24.05	41.43	43.01	1.03	4.67

Source: Annual Reports of SBI and its Associates

### Associates:

#### SBBJ:

Net profit of SBBJ was Rs. 40.48 crores in 1996-97. It showed fluctuating trend during the course of the study and reached to peak point of Rs. 301.52 crores in 2003-04. It reached to Rs. 145.03 crores in 2005-

06. Index on the base year ranged from 100 percent to 744.86 percent in 2003-04 during the study period. It increased by 23.52 percent, by 1.55 percent, by 31.06 percent, by 76.86 percent, by 9.08 percent, by 48.33 percent in 1997-98, in 1998-99, in 1999-00, in 2001-02, in 2002-03 and in 2003-04 respectively compared to their respective previous years but, it decreased by 12.50 percent, by 31.80 percent and by 29.48 percent in 2000-01, in 2004-05 and in 2005-06 compared to their respective previous years.

**SBH:**

Net profit of SBH was Rs. 52.45 crores in 1996-97, which showed mixed movement during the study period and came to Rs. 427.04 crores at the end of the study period. Index on the base year fluctuated from 100 percent to 814.18 percent during the study period. Its profit increased by 85.17 percent, by 14.84 percent, by 14.59 percent, by 17.54 percent, by 50.77 percent, by 33.07 percent by 26.48 percent, by (34.18) percent and by 70.20 percent in 1997-98, in 1998-99, in 1999-00, in 2000-01, in 2001-02, in 2002-03, in 2003-04, in 2004-05 and in 2005-06 respectively in comparison to their respective previous years.

**SBIIn:**

Net profit of SBIIn was Rs. 17.06 crores in the base year 1996-97, which remarked mixed movement during the study period and reached to Rs. 226.26 crores in 2003-04. It decreased in the subsequent year to Rs. 133.18 crores in 2004-05 and slightly moved up to Rs. 139.11 crores in 2005-06. Index on the base year varied from 100 percent to 1326.26 percent in 2003-04 during the course of the study. Its profit increased by 62.43 percent, by 12.02 percent, by 45.78 percent, by 41.41 percent, by 95.50 percent, by 60.13 percent, by 12.95 percent, by (41.14) percent and

by 4.45 percent in 1996-97, in 1997-98, in 1998-99, in 1999-00, in 2000-01, in 2001-02, in 2002-03, in 2003-04, in 2004-05 and in 2005-06 respectively compared to their respective previous years.

**SBM:**

Net profit of SBM was Rs. 40.24 crores in 1996-97. Its net profit showed ups and downs during the course of the study. It decreased to Rs. 33.58 crores and to Rs. 25.72 crores in 1998-99 and in 2000-01 respectively and ultimately it reached to the peak point to Rs. 216.72 crores at the end of the study period. Index on the base year varied from 63.92 percent in 2000-01 to 538.57 percent in 2005-06 during the study period. It increased by 25.60 percent in 1997-98 compared to its previous year 1996-97. In the immediate year, 1998-99 it decreased by 33.56 percent but in the subsequent years it increased by 43.65 percent, by 46.68 percent, by 156.21 percent, by 75.90 percent, by 52.16 percent, by 16.94 percent and by 5.07 percent in 1999-00, in 2000-01, in 2001-02, in 2002-03, in 2003-04, in 2004-05 and in 2005-06 respectively in comparison to their respective previous years.

**SBP:**

Net profit of SBP was Rs. 59.03 crores in 1996-97. It remarked fluctuating movement during the course of the study and reached to peak point of Rs. 430.36 crores in 2003-04. But, it decreased to Rs. 287.07 crores in 2004-05 and moved up to Rs. 303.11 crores in 2005-06. Its index on the base year varied from 100 percent to 729.05 percent in 2003-04 during the study period. It rose by 142.27 percent, by 29.14 percent, by 23.27 percent, by 44.59 percent, by 38.24 percent, by 33.64 percent and by 5.59 percent in 1997-98, in 1998-99, in 1999-00, in 2000-01, in 2001-02, in 2002-03, in 2003-04 and in 2005-06 compared to their

respective previous years. But, it decreased by 29.24 percent in 1998-99 and by 33.30 percent in 2004-05 over its previous years, 1997-98 and 2003-04 respectively.

### **SBS:**

Net profit of SBS was Rs. 71.13 crores in 1996-97, which decreased to Rs. 25.36 crores and to Rs. 13.71 crores in 1998-99 and in 2000-01 respectively. It reflected upward movement during other years of the study period and reached to peak point of Rs. 177.39 crores in 2003-04 but, at the end of the study period, it decreased to Rs. 60.12 crores. Index on the base year varied between 19.27 percent in 2000-01 to 249.39 percent in 2003-04. It increased by 9.84 percent, by 250.15 percent, by 498.34 percent, by 12.84 percent, by 91.67 percent and by 46.06 percent in 1997-98, in 1999-00, in 2001-02, in 2002-03, in 2003-04 and in 2005-06 respectively in comparison to their respective previous years. But it decreased in 1998-99, in 2000-01 and in 2004-05 by 67.54 percent, by 84.56 percent and by 76.80 percent respectively, compared to their respective previous years.

### **SBT:**

Net profit of SBT was Rs. 40.25 crores in the base year, 1996-97. It registered mixed tone and reached to Rs. 258.68 crores at the end of the study period, 2005-06. Index on the base year moved from 100 percent to 642.68 percent during the course of the study. It decreased by 31.65 percent in 1998-99 over its previous year 1997-98. It increased by 57.27 percent, by 53.55 percent by 46.73 percent, by 24.05 percent, by 41.43 percent, by 43.01 percent, by 1.03 percent and by 4.67 percent in 1997-98, in 1999-00, in 2000-01, in 2001-02, in 2002-03, in 2003-04, in 2004-

05 and in 2005-06 respectively in comparison to their respective previous years.

### **Trends of Profitability :**

The term 'profitability' is consisting two words 'profit' and 'ability'. Thus, profitability means 'profit earning capacity' of a business unit. Profitability is the ability of firms to generate earnings.<sup>14</sup>

It is the indicator of efficiency with which the operations of the organization are carried on. The performance of a bank is evaluated with the help of the profitability criteria. It indicates net profit as percentage of working fund.

Table 4.11 and chart 4.11 present the data for profitability index on the base year and percentage increase over previous year of SBI and its Associates for the period from 1996-97 to 2005-06.

### **SBI :**

Table 4.11 shows that profitability of SBI was 0.86 percent in the base year 1996-97 which registered highly fluctuating trend during the study period. It reached to the peak point of 2.61 percent in 2004-05 during the study period. It came to 2.27 percent at the end of the study period, 2005-06. Index on the base year fluctuated from 100 percent to 303.49 percent during the course of the study. It increased by 20.93 percent by 69.56 percent by 43.14 percent, by 24.66 percent by 174.73 percent and by 4.40 percent in 1997-98, in 1999-00, in 2001-02, in 2002-03, in 2003-04 and in 2004-05 respectively compared to their respective previous years. While it decreased by 55.77 percent, by 31.40 percent, by 13.03 percent, in 1998-99, in 2000-01 and in 2005-06 respectively in comparison to their respective previous years.

**Table 4.11**  
**Trends of Profitability**  
**(Base year 1996-97)**

Group of Banks/ Years	1996-97	1997-98	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06
<b>SBI</b>										
Profitability (Rs. in crores)	0.86	1.04	0.46	0.78	0.51	0.73	0.91	2.50	2.61	2.27
Index on the base year	100.00	120.93	53.49	90.70	59.30	84.88	105.81	290.70	303.49	263.95
% increase over previous year		20.93	55.77	69.56	31.40	43.14	24.66	174.73	4.40	(13.03)
<b>SBBJ</b>										
Profitability (Rs. in crores)	0.50	1.06	0.90	0.97	0.76	1.16	1.28	3.70	3.25	2.39
Index on the base year	100.00	212.00	180.00	194.00	152.00	532.00	256.00	740.00	650.00	478.00
% increase over previous year		112.00	15.09	7.78	21.65	52.63	10.34	189.06	(12.16)	26.46
<b>SBH</b>										
Profitability (Rs. in crores)	0.56	0.91	0.85	0.82	0.82	1.14	1.28	3.56	2.25	2.29
Index on the base year	100.00	162.50	151.79	146.43	146.43	203.57	228.57	635.71	401.79	408.93
% increase over previous year		62.50	6.59	3.53		39.02	12.28	178.13	(36.80)	1.78
<b>SBIIn</b>										
Profitability (Rs. in crores)	0.49	0.68	0.63	0.72	0.78	1.36	1.89	4.34	2.43	2.29
Index on the base year	100.00	138.78	128.57	146.94	159.18	277.55	385.71	885.71	495.92	467.35
% increase over previous year		38.78	7.36	14.29	8.33	74.36	38.97	129.63	(44.01)	(5.76)
<b>SBM</b>										
Profitability (Rs. in crores)	0.74	0.86	0.49	0.58	0.27	0.63	1.07	3.19	3.15	2.49
Index on the base year	100.00	116.22	66.22	78.38	36.49	85.14	144.59	431.08	425.68	336.49
% increase over previous year		16.22	43.02	18.36	53.44	133.23	69.83	198.13	(1.25)	(20.95)
<b>SBP</b>										
Profitability (Rs. in crores)	0.68	1.48	0.93	1.06	1.12	1.55	1.71	4.26	2.94	2.15
Index on the base year	100.00	217.65	136.76	155.88	164.71	227.94	251.47	626.47	432.35	316.18
% increase over previous year		117.65	37.17	13.98	5.66	38.39	10.32	149.12	(30.99)	(26.87)
<b>SBS</b>										
Profitability (Rs. in crores)	1.45	1.50	0.40	1.18	0.16	0.99	1.00	4.16	2.76	1.92
Index on the base year	100.00	103.45	27.59	81.38	11.03	68.21	68.62	286.90	190.34	132.41
% increase over previous year		3.45	73.33	194.96	86.45	5.18	0.60	318.09	(33.65)	(30.43)
<b>SBT</b>										
Profitability (Rs. in crores)	0.52	0.69	0.40	0.53	0.67	0.81	0.97	3.29	3.10	2.23
Index on the base year	100.00	132.69	76.92	101.92	128.85	155.77	186.54	632.69	596.15	428.85
% increase over previous year		32.69	42.03	32.50	26.42	20.89	19.75	239.18	(5.78)	(28.06)

Source: Annual Reports of SBI and its Associates

### **Associates :**

#### **SBBJ :**

Profitability of SBBJ was 0.50 percent in the base year, 1996-97. It registered fluctuating movement during the study period and reached to peak point 3.70 percent in 2003-04, which decreased to 2.39 percent in

2005-06. Index on the base year varied from 100 percent to 740 percent during the course of study. It increased by 112 percent by 7.78 percent by 52.63 percent, by 10.34 percent, by 189.06 percent and by 26.46 percent, in 1997-98 in 1999-00 in 2001-02, in 2002-03, in 2003-04 and in 2005-06 respectively in comparison to their respective previous years while it decreased by 15.09 percent, by 21.65 percent, by 12.16 percent, in 1998-99, in 2000-01 and in 2004-05 respectively in comparison to their respective previous years.

### **SBH :**

Profitability of SBH was 0.56 percent in 1996-97. It registered fluctuating trend during the study period and reached to the peak point 3.56 percent in 2003-04 but decreased to 2.29 percent in 2005-06. Index on the base year ranged from 100 percent to 635.71 percent during the course of the study. It increased by 62.50 percent in 1997-98 but in the immediate years it decreased by 6.59 percent and by 3.53 percent in 1998-99 and in 1999-00 respectively compared to their respective previous years. It remained stable in 2000-01 but in the subsequent years in 2001-02, in 2002-03 and in 2003-04. It increased by 39.02 percent, by 12.28 percent and by 178.13 percent respectively compared to their respective previous years. It decreased by 36.80 percent in 2004-05 and moved up to 1.78 percent in 2005-06.

### **SBIIn :**

Profitability of SBIIn was 0.49 percent in the base year 1996-97. It remarked fluctuating trend during the study period and reached to peak point 4.34 percent in 2003-04. It reached to 2.29 percent in 2005-06. Index on the base year varied from 100 percent to 885.71 percent during the study period. It increased by 38.78 percent, by 14.29 percent, by 8.33



percent, by 74.36 percent, by 38.97 percent, by 129.63 percent, in 1997-98, in 1999-00, in 2000-01, in 2001-02, in 2002-03 and in 2003-04 respectively compared to their respective previous years while it decreased by 7.36 percent, by 44.01 percent and by 5.76 percent, in 1998-99, in 2004-05 and in 2005-06 respectively in comparison to their respective previous years.

### **SBM :**

As per table 4.11 profitability of SBM was 0.74 percent in 1996-97. It showed fluctuating trend during the study period and reached to the highest point of 3.19 percent in 2003-04 but decreased to 2.49 percent in 2005-06. Index on the base year varied from 36.49 percent in 2000-01 to 431.08 percent during the course of the study. It increased by 16.22 percent, by 18.36 percent, by 133.33 percent, by 69.83 percent, by 198.13 percent in 1997-98, in 1999-00, in 2001-02, in 2002-03, and in 2003-04 respectively while it decreased by 43.02 percent, by 53.44 percent, by 1.25 percent and by 20.95 percent in 1998-99, in 2000-01, in 2004-05 and in 2005-06 respectively, compared to their respective previous years.

### **SBP :**

Profitability of SBP was 0.68 percent in the base year, 1996-97. It reflected fluctuating trend during the study period and reached to peak point 4.26 percent in 2003-04. It reached to 2.15 percent in 2005-06. Index on the base year ranged from 100 percent to 626.47 during the study period. It increased by 117.65 percent by 13.98 percent, by 5.66 percent, by 38.39 percent, by 10.32 percent, and by 149.12 in 1997-98, in 1999-00, in 2000-01 in 2001-02, in 2002-03 and in 2003-04 respectively while it decreased by 37.17 percent, by 30.99 percent and by 26.87

percent in 1998-99, in 2004-05 and in 2005-06 compared to their respective previous years.

### **SBS :**

The table reveals that profitability of SBS was 1.45 percent in the base year, 1996-97. It registered highly fluctuating trend during the study period. It reached to the peak point of 4.16 percent in the year 2003-04 but it moved down to 1.92 percent at the end of the study period 2005-06. Index on the base year varied between 11.03 percent in 2000-01 to 286.90 percent in 2003-04. It increased by 3.45 percent, by 194.96 percent, by 5.18 percent, by 0.60 percent and by 318.09 percent in 1997-98, in 1999-00, in 2001-02, in 2002-03 and in 2003-04 respectively compared to their respective previous years while it decreased by 73.33 percent, by 86.45 percent, by 33.65 percent and by 30.43 percent in 1998-99, in 2000-01, in 2004-05 and in 2005-06 respectively over their respective previous years.

### **SBT :**

Profitability of SBT was 0.52 percent in 1996-97. It registered mixed trend during the study period and reached to 2.23 percent at the end of the study period, 2005-06. Index on the base year varied from 76.92 percent in 1998-99 to 632.69 percent in 2003-04 during the study period. It increased by 32.69 percent in 1997-98 but in the immediate year, in 1998-99, it decreased by 42.03 percent. It increased in the subsequent years by 32.50 percent by 26.42 percent by 20.89 percent, by 19.75 percent, by 239.18 percent in 1999-00, in 2000-01, in 2002-03 and in 2003-04 respectively compared to their respective previous years. It decreased by 5.78 percent and by 28.06 percent in 2004-05 and in 2005-06 respectively compared to their respective previous years.

(ii) **Ratio Analysis :**

Ratio analysis is a powerful tool of financial analysis. The growth, development and the present position of a unit in term of profit can be analysed through the calculation of various ratios. A ratio is defined as “the indicated quotient of two mathematical expression”.<sup>15</sup> It is also defined as “an arithmetical relationship between two variables or figures” It establishes reasoned relationship between two variables. Ratio analysis is also defined as "the process of determining and interpreting numerical relationship based on financial statements". A ratio is a statistical yardstick that provides a measure of the relationship between variables or figures.<sup>16</sup>

A ratio is known as a symptom, like the blood pressure the pulse rate or the temperature of an individual. Ratio analysis is used as a device to diagnose the financial condition of an enterprise. It points out whether the financial condition is very strong, good, partly good, questionable or poor.

A ratio is customarily expressed in three ways : times, proportion and percentage. It may also be depicted in the form of diagram and chart.

**Interest Earned as % to Total Income:**

The main source of income for the bank is earning from interest. It is income out of main activities of the banking business. The components of interest earned are interest and discount received on advances and income from various investments. Interest earned as % to total income represents the amount earned as interest out of total income.

Table 4.12 provides the data of interest earned as % to total income, average of interest earned as % to total income and over all average of group of bank of SBI and its Associates during the study period from 1996-97 to 2005-06.

It also provides calculated and tabulated 'F' value for two factors without replication.

**Table 4.12**  
**Interest Earned as % to Total Income**  
**(Base year 1996-97)**

Group of Banks/Years	1996-97	1997-98	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	Average
SBI	84.98	84.92	85.33	86.15	86.62	87.72	84.41	80.01	82.00	82.89	84.50
SBBJ	85.17	83.95	85.49	83.53	84.12	81.86	80.88	76.20	78.28	84.55	82.40
SBH	86.73	85.87	86.56	84.76	85.46	84.00	81.75	75.78	84.65	82.33	83.79
SBIIn	87.79	84.87	84.79	80.65	81.36	76.36	76.56	74.36	86.16	82.75	81.57
SBM	87.30	86.39	85.31	82.97	84.25	80.63	77.92	75.64	75.16	79.53	81.51
SBP	90.78	90.56	88.52	87.14	88.76	85.05	83.62	74.97	85.71	87.64	86.28
SBS	85.85	84.35	86.80	85.94	87.25	82.93	80.80	75.32	90.85	89.67	84.98
SBT	87.98	86.84	86.98	85.63	87.13	86.33	84.07	78.73	83.10	86.75	85.35
Over all Average											83.80

Source: Performance Highlights of Public Sector Banks

Hypotheses :

Ho<sub>1</sub> : There is no significant difference among sample banks for interest earned as % to total income.

Ho<sub>2</sub> : There is no significant difference in a sample bank over study period for interest earned as % to total income.

ANOVA : Two factor without replication

Hypotheses	Source of Variation	SS	df	MS	Fcal.	Fcrit.
Ho <sub>1</sub>	Group of Banks	172.8256	7	24.6894	9.4771	2.2371
Ho <sub>2</sub>	Years	197.6568	9	32.9428	12.6452	2.3240
	Error	109.4165	63	2.6052		
	Total	479.899	79			

Conclusion : Ho<sub>1</sub> : Fcal. > Fcrit? ?H<sub>1</sub> Accepted

Ho<sub>2</sub> : Fcal. > Fcrit ? ?H<sub>1</sub> Accepted

**Ho<sub>1</sub> : It is concluded that there is significant difference among sample banks for interest earned as % to total income.**

**Ho<sub>2</sub> : It is concluded that there is significant difference in a sample bank over study period for interest earned as % to total income.**

**SBI :**

Interest earned as % to total income of SBI was 84.98 percent in 1996-97, which slightly dropped down to 84.92 percent in the immediate next year. It registered upward movement from 1998-99 to 2001-02 and reached to 87.72 percent in 2001-02. But it dropped down to 84.41 percent in 2002-03 and to 80.01 percent in 2003-04. It improved to 82.00 percent in 2004-05 and a little bit more improved to 82.89 percent in 2005-06. It varied from 80.01 percent to 87.72 percent during the study period. Average of interest earned as % to total income was 84.50 percent.

**Associates:**

**SBBJ:**

Interest earned as % to total income of SBBJ was 85.17 percent in 1996-'97 which fell down to 83.95 percent in 1997-98. It reached to the peak point of 85.49 percent in 1998-'99 of the study period but in the immediate year it came down to 83.53 percent but it improved in the year 2000-'01 and reached to 84.12 percent. It moved down to 81.86 percent, 80.88 percent, 76.20 percent and to 78.28 percent in 2001-'02, in 2002-'03, in 2003-04 and in 2004-05 respectively. These indicate aggregate 82.40 percent of the total income earned by SBBJ was out of interest.

**SBH:**

Interest earned as % to total income of SBH was at the highest point of 86.73 percent in 1996-'97. It showed fluctuating movement during the study period. It dropped down to 85.87 percent in 1997-'98 but in the subsequent year, 1998-'99 it improved a little and reached to 86.56 percent. It moved down to 84.76 percent in 1999-'00 and in the immediate year, 2000-'01 it moved up to 85.46 percent but in the subsequent year it showed downward trend and came to 84.00 percent, 81.75 percent and 75.78 percent in 2001-'02, in 2002-'03 and in 2003-04 respectively. It increased to 84.65 percent in 2004-05 but dropped down to 82.33 percent in 2005-06.

**SBIIn:**

Interest earned as % to total income of SBIIn was at peak point of 87.79 percent in 1996-'97 which registered downward movement up to 1999-'00 and reached to 80.65 percent in 1999-00. It improved slightly to 81.36 percent in 2000-'01. It toned down to 76.36 percent, 76.56 percent and 74.36 percent in 2001-'02, in 2002-'03 and in 2003-04 respectively. It improved and reached to 86.16 percent in 2004-05 but it moved down to 82.75 percent in 2005-06. It showed that 81.57 percent of the total income was earned out of interest.

**SBM:**

Interest earned as % to total income was at the highest point of 87.30 percent in 1996-'97. It moved down in the subsequent years up to 1999-'00 to 86.39 percent, 85.31 percent and 82.97 percent respectively in the respective years. It moved up to 84.25 percent in 2000-'01 but it turned down to 80.63 percent in 2001-'02, to 77.92 percent in 2002-03, to 75.64 percent in 2003-04 and to 75.16 percent in 2004-05. It moved up to

79.53 percent in 2005-06. SBM earned 81.51 percent of the total income out of interest on advances.

**SBP:**

Interest earned as % to total income was at the highest point of 90.78 percent in 1996-'97, which remarked fluctuating movement during the study period. It turned down to 90.56 percent, 88.52 percent and 87.14 percent in 1997-'98, 1998-'99, 1999-'00 respectively. It improved a little and reached to 88.76 percent in 2000-'01. It registered downward movement and reached to 85.05 percent, 83.62 percent and 74.97 percent in 2001-'02, in 2002-'03 and in 2003-04 respectively. It showed upward movement in the subsequent years and reached to 85.71 percent and 87.64 percent in 2004-05 and in 2005-06 respectively. It indicates that 86.28 percent of the total income was earned as interest.

**SBS :**

Interest earned, as % to total income of SBS was 85.85 percent in 1996-97, which toned fluctuating during the study period. It was 84.35 percent, 86.80 percent and 85.94 percent in 1997-98, in 1998-99 and in 1999-00 respectively. It reached to 87.25 percent in 2000-01. It turned down to 82.93 percent, to 80.80 percent and to 75.32 percent in 2001-02, in 2002-03 and in 2003-04 respectively. It reached to the highest point of 90.85 percent in 2004-05 but slightly toned down to 89.67 percent in 2005-06. SBS earned 84.98 percent of the total income from interest on advances.

**SBT :**

Interest earned as % to total income of SBT was at the peak point of 87.98 percent in 1996-97. It registered fluctuating movement during

the study period. It fell down to 86.84 percent in 1997-98 but in the immediate year 1998-99 it improved slightly to 86.98 percent but it moved down to 85.63 percent. It reached near to highest level of 87.13 percent in 2000-01 but in the subsequent years it turned down to 86.33 percent in 2001-02, to 84.07 percent in 2002-03 and to 78.73 percent in 2003-04. It improved at the end of the study period and reached to 83.10 percent in 2004-05 and to 86.75 percent in 2005-06. This ratio indicates that SBT earned 85.35 percent of the total income from interest.

Overall average of interest income as % to total income of group of banks was 83.80 percent, which indicates that out of total income, 83.80 percent was earned as interest.

#### **Non-Interest Income as % to total income :**

Non-interest income source for the bank are brokerage, commission, profit on exchange, charges, interest and dividend earned and other miscellaneous income. Generally non-interest income is utilised to meet non-interest expenditure. Thus, non-interest income affects the burden. The higher the non-interest income, the lower the burden. If burden can be reduced profitability of banks can be increased.

Table 4.13 reveals the data of non-interest income as % to total income and aggregate of non-interest income as % to total income of SBI and its Associates for the period from 1996-97 to 2005-06. It also shows over all average of non-interest income as % to total income of group of the banks. It provides calculated and tabulated 'F' value for two factor without replication.



**Table 4.13**  
**Non-interest Income as % to Total Income**  
**(Base year 1996-97)**

Group of Banks/Years	1996-97	1997-98	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	Average
SBI	15.02	15.08	14.67	13.85	13.38	12.28	15.59	19.99	18.00	17.11	15.50
SBBJ	14.83	16.05	14.51	16.47	15.88	18.14	19.12	23.80	21.72	15.45	17.60
SBH	13.27	14.13	13.44	15.24	14.54	16.00	18.25	24.22	15.35	17.67	16.21
SBIIn	12.21	15.13	15.21	19.35	18.64	23.64	23.44	25.64	13.84	17.25	18.43
SBM	12.70	13.61	14.69	17.03	15.75	19.37	22.08	24.36	24.84	20.47	18.49
SBP	9.22	9.44	11.48	12.86	11.24	14.95	16.38	25.03	14.29	12.36	13.72
SBS	14.15	15.65	13.20	14.06	12.75	17.07	19.2	24.68	9.15	10.33	15.02
SBT	12.02	13.16	13.02	14.37	12.87	13.67	15.93	21.27	16.90	13.25	14.65
Over all Average											16.20

Source: Performance Highlights of Public Sector Banks

Hypotheses :

Ho<sub>1</sub> : There is no significant difference among sample banks for non-interest income as % to total income.

Ho<sub>2</sub> : There is no significant difference in a sample bank over study period for non-interest income as % to total income.

ANOVA : Two factor without replication

Hypotheses	Source of Variation	SS	df	MS	Fcal.	Fcrit.
Ho <sub>1</sub>	Group of Banks	172.8256	7	24.6894	9.4771	2.2371
Ho <sub>2</sub>	Years	197.6568	9	32.9428	12.6452	2.3240
	Error	109.4165	63	2.6052		
	Total	479.899	79			

**Conclusion : Ho<sub>1</sub> : Fcal. > Fcrit? ?H<sub>1</sub> Accepted**

**Ho<sub>2</sub> : Fcal. > Fcrit ? ?H<sub>1</sub> Accepted**

**Ho<sub>1</sub> : It is concluded that there is significant difference among sample banks for non-interest income as % to total income.**

**Ho<sub>2</sub> : It is concluded that there is significant difference in a sample bank over study period for non-interest income as % to total income.**

**SBI :**

Non-interest income as % to total income of SBI was 15.02 percent in 1996-97, which rose to 15.08 percent in 1997-98 but in the subsequent years up to 2001-02, it registered downward trend, which was 14.67 percent in 1998-99, 13.85 percent in 1999-00, 13.38 percent in 2000-01 and 12.28 percent in 2001-02. It moved up to 15.59 percent in 2002-03 and to 19.99 percent in 2003-04. It reached to 18.00 percent in 2004-05 and to 17.11 percent in 2005-06. This ratio indicates 15.50 percent of the total income was earned out of non-interest income.

**Associates :**

**SBBJ :**

Non-interest income as % to total income was 14.83 percent in 1996-97, which registered fluctuating trend during the study period. It moved up to 16.05 percent in 1997-98 but in the subsequent year 1998-99 it came down to 14.51 percent. It moved up to 16.47 percent in 1999-00 but it dropped down to 15.88 percent in 2000-01. It registered upward movement in the subsequent three years, which was 18.14 percent in 2001-02, 19.12 percent in 2002-03 and 23.80 percent in 2003-04. It dropped to 21.72 percent in 2004-05 and to 15.45 percent in 2005-06. SBBJ earned aggregate 17.60 percent of the total income from non-interest income.

**SBH :**

Non-interest income as % to total income was 13.27 percent in 1996-97, which registered fluctuating movement during the study period. It increased to 14.13 percent in 1997-98 but in the immediate year, in 1998-99, it came down to 13.44 percent but in 1999-00 it went up to 15.24 percent registering downward movement, it dropped down to 14.54 percent in 2000-01. It toned upward from 2001-02 to 2003-04, which was 16 percent, 18.25 percent and 24.22 percent in 2001-02, in 2002-03 and in 2003-04 respectively. It moved down to 15.35 percent in 204-05 and improved to 17.67 percent in 2005-06. The data shows that SBH earned aggregate 16.21 percent of the total income from non-interest income.

**SBIIn :**

Non-interest income of SBIIn was 12.21 percent in 1996-97, which registered overall fluctuating trend during the study period. It moved up to 15.13 percent in 1997-98 to 15.21 percent in 1998-99 and to 19.35 percent in 1999-00 but it came down to 18.64 percent in 2000-01. It improved and reached to 23.64 percent in 2001-02 but in the subsequent year it fell down slightly to 23.44 percent in 2002-03. It reached to the peak point of the study period to 25.64 percent in 2003-04. It moved down to 13.84 percent in 2004-05 but improved at the end of the study period and reached to 17.25 percent in 2005-06. This ratio indicates 18.43 percent of the total income was earned out of non-interest income.

**SBM :**

Non-interest income as % to total income of SBM was 12.70 percent in 1996-97, which registered fluctuating movement during the study period. It went up to 13.61 percent, 14.69 percent and 17.03 percent in 1997-98, in 1998-99 and in 1999-00 respectively. It came

down to 15.75 percent in 2000-01 but in the subsequent years, in 2001-02, in 2002-03, in 2003-04 and in 2004-05. It moved up to 19.37 percent, to 22.08 percent, 24.36 percent and 24.84 percent respectively. It moved down to 20.47 percent in 2005-06. The data indicates that 18.49 percent of the total income was earned out of non-interest income.

**SBP :**

Non-interest income as % to total income registered upward movement up to 1999-00, which was 9.22 percent in 1996-97, 9.44 percent in 1997-98, 11.48 percent in 1998-99 and 12.86 in 1999-00. It came down to 11.24 percent in 2000-01 but in 2001-02, in 2002-03 and in 2003-04 it moved upward side to 14.95 percent, to 16.38 percent and to 25.03 percent in 2001-02, in 2002-03 and in 2003-04 respectively. It moved down to 14.29 percent and 12.36 percent in 2004-05 and in 2005-06. It indicates aggregate 13.72 percent of the total income was out of interest earned.

**SBS :**

Non-interest income as % to total income was 14.15 percent and 15.65 percent in 1996-97 and in 1997-98 respectively. It moved down to 13.20 percent in 1998-99 but it turned up to 14.06 percent in 1999-00. It toned downward to 12.75 percent in 2000-01 compared to previous year. It showed upward movement from 2001-02 to 2003-04 and reached to 17.07 percent, 19.20 percent and 24.68 percent in 2001-02, in 2002-03 and in 2003-04 respectively. It went to bottom level at 9.15 percent in 2004-05 but improved a little bit to 10.33 percent in 2005-06. This indicates aggregate 15.02 percent of the total income was out of non-interest income.

### **SBT :**

Non-interest income as % to total income was 12.02 percent in 1996-97. It came to 13.16 percent in 1997-98 and to 13.02 percent in 1998-99. It moved up to 14.37 percent in 1999-00 while it dropped down to 12.87 percent in 2000-01. It moved up to 13.67 percent, 15.93 percent and 21.27 percent in 2001-02, in 2002-03 and in 2003-04 respectively. This ratio indicates aggregate 14.65 percent of total income was earned out of non-interest income.

Overall average of non-interest income as % to total income of group of banks was 16.20 percent, which indicates out of total income, 16.20 percent of the total income was out of non-interest income.

### **Interest Expended as % to Total Expenditure:**

Interest is expended on deposits and borrowings, which are collected by the bank as main source of income. The ratio of interest expended as % to total expenditure indicates the rate at which the bank pays interest on the deposits and borrowings.

Table 4.14 shows the data of interest expended as % to total expenditure and aggregate of interest expended as % to total expenditure of SBI and its Associates for the period from 1996-97 to 2005-06. It also reveals the data of overall average of interest expended as % to total expenditure of group of the banks. It also provides calculated and critical value of 'F' for two factors without replication.

**Table 4.14**  
**Interest Expended as % to Total Expenditure**  
**(Base year 1996-97)**

Group of Banks/Years	1996-97	1997-98	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	Average
SBI	59.04	62.20	61.06	64.39	62.48	65.70	62.60	56.04	52.44	51.99	59.79
SBBJ	56.51	58.17	61.18	61.07	57.89	58.05	56.31	48.60	43.20	44.63	54.56
SBH	57.89	58.74	58.31	59.36	59.10	61.67	59.24	54.02	54.60	56.82	57.98
SBIIn	55.43	55.12	54.35	57.36	58.90	57.40	56.91	50.21	52.61	53.53	55.18
SBM	57.18	57.89	57.56	56.65	56.73	57.61	53.54	49.35	46.23	49.78	54.25
SBP	62.34	65.42	60.51	57.70	54.63	55.18	54.53	51.05	52.54	58.47	57.24
SBS	62.21	60.57	56.66	63.09	59.60	60.23	56.96	51.22	51.80	55.71	57.81
SBT	66.62	66.86	69.20	68.15	65.17	65.86	61.95	53.76	51.26	56.19	62.50
Over all Average											57.41

Source: Performance Highlights of Public Sector Banks

Hypotheses :

Ho<sub>1</sub> : There is no significant difference among sample banks for interest expended as % to total expenditure.

Ho<sub>2</sub> : There is no significant difference in a sample bank over study period for interest expended as % to total expenditure.

ANOVA : Two factor without replication

Hypotheses	Source of Variation	SS	df	MS	Fcal.	Fcrit.
Ho <sub>1</sub>	Group of Banks	510.0976	7	72.8711	14.4334	2.2371
Ho <sub>2</sub>	Years	53.2301	9	8.8717	1.7572	2.3240
	Error	212.0487	63	5.0488		
	Total	775.3764	79			

**Conclusion : Ho<sub>1</sub> : Fcal. > Fcrit?  $\mathcal{H}_1$  Accepted**

**Ho<sub>2</sub> : Fcal. > Fcrit?  $\mathcal{H}_1$  Accepted**

**Ho<sub>1</sub> : It is concluded that there is significant difference among sample banks for interest expended as % to total expenditure.**

**Ho<sub>2</sub> : It is concluded that there is significant difference in a sample bank over study period for interest expended as % to total expenditure.**

**SBI :**

Interest expended, as % to total expenditure was 59.04 percent in 1996-97 which showed much ups and down during the study period. It went up to 62.20 percent in 1997-98 but it came down in 1998-99 to 61.06 percent. It reached to 64.39 percent and 62.48 percent in 1999-00 and in 2000-01 respectively. It reached to the highest point of the study period to 65.70 percent in 2001-02 but in the immediate year, 2002-03, it moved down to 62.60 percent. It moved down to 56.04 percent, to 52.44 percent and to 51.99 percent in 2003-04, in 2004-05 and in 2005-06 respectively. This indicates that SBI expended aggregate 59.79 percent of the total expenditure for interest payment.

**Associates :**

**SBBJ :**

Interest expended as % to total expenditure was 56.51 percent in 1996-97. It showed upward movement and reached to 58.17 percent and to 61.18 percent in 1997-98 and in 1998-99 respectively. It slightly turned down to 61.07 percent in 1999-00 and went down more to 57.89 percent in 2000-01 compared to their respective previous years. It moved up to 58.05 percent in 2001-02 but went down to 56.31 percent in 2002-03. It moved down ward to 48.60 percent, to 43.20 percent and to 44.63 percent in 2003-04, 2004-05 and in 2005-06 respectively. It indicates that SBBJ expended aggregate 54.56 percent of total expenditure for interest payment.

### **SBH :**

Interest expended, as % to total expenditure of SBH was 57.89 percent in 1996-97, which showed fluctuating movement during the study period. It moved up to 58.74 percent in 1997-98 but slightly came down to 58.31 percent in 1998-99. It went up to 59.36 percent in 1999-00 but it fell down to 59.10 percent in 2000-01. It rose to the highest point of 61.67 percent, of the study period in 2001-02 but in the immediate year, 2002-03 it fell down to 59.24 percent. It went down to 54.02 percent in 2003-04. Then it rose to 54.60 percent and to 56.82 percent in 2004-05 and in 2005-06 respectively. The data of the several years reveals that SBH expended 57.98 percent of total expenditure on interest payment.

### **SBIIn :**

Interest expended, as % to total expenditure of SBIIn was 55.43 percent in 1996-97, which moved down to 55.12 percent and 54.35 percent in 1997-98 and in 1998-99 respectively compared to their respective previous years. It rose to 57.36 percent in 1999-00 and reached to the peak point of the study period of 58.90 percent in 2000-01. It registered downward movement in the subsequent years to 57.40 percent in 2001-02, 56.91 percent in 2002-03, to 50.21 percent in 2003-04, to 52.61 percent in 2004-05 and to 53.53 percent in 2005-06. The data of the ratio shows that aggregate 55.18 percent of total expenditure was expended for interest.

### **SBM :**

Interest expended, as % to total expenditure of SBM was 57.18 percent, 57.89 percent and 57.56 percent in 1996-97, in 1997-98 and in 1998-99 respectively. It came down to 56.65 percent and to 56.73 percent in 1999-00 and in 2000-01 respectively. It rose to 57.61 percent



in 2001-02. It fell heavily down to 53.54 percent in 2002-03, to 49.35 percent in 2003-04 and to 46.23 percent in 2004-05. But, it increased to 49.78 percent in 2005-06. The ratio figures indicate that SBM expended 54.25 percent of total expenditure as interest expenditure.

**SBP :**

Interest expended as % to total expenditure of SBP ranged between 51.05 percent in 2003-04 to 65.42 percent in 1997-98. The ratio was 62.34 percent in 1996-97, which rose to 65.42 percent in 1997-98. Then onward it continuously slipped to 60.51 percent, 57.70 percent and 54.63 percent respectively. It rose slightly to 55.18 percent in 2001-02 but it went down to 54.53 percent and to 51.05 percent in 2002-03 and in 2003-04 respectively. It increased to 52.54 percent in 2004-05 and to 58.47 percent in 2005-06. The data of the ratio indicates that aggregate 57.24 percent of the total expenditure was expended as interest on borrowings.

**SBS :**

Interest expended, as % to total expenditure was 62.21 percent in the base year, 1996-97, which slipped to 60.57 percent and to 56.66 percent in 1997-98 and in 1998-99 respectively. It rose to 63.09 in 1999-00 but in the subsequent year, 2000-01, it moved down to 59.60 percent in 2000-01. It rose to 60.23 percent in 2001-02 but it went down to 56.96 percent in 2002-03 and to 51.22 percent in 2003-04 but then, it increased to 51.80 percent in 2004-05 and to 55.71 percent in 2005-06. The data indicates that SBS expended 57.81 percent of total expenditure as interest expenditure.

### **SBT :**

Ratio: interest expended as % to total expenditure of SBT ranged between 51.26 percent in 2005-06 to 69.20 percent in 1998-99. The ratio, was 66.62 percent, 66.86 percent and 69.20 percent in 1996-97, in 1997-98 and in 1998-99 respectively but it slipped to 68.15 percent, 65.17 percent in 1999-00 and in 2000-01 respectively. It rose a little bit to 65.86 percent in 2001-02. It turned down to 61.95 percent in 2002-03. It went down to 53.76 percent and to 51.26 percent in 2003-04 and in 2004-05 respectively. It rose to 56.19 percent in 2005-06. This data shows that SBT expended 57.41 percent of total expenditure on interest.

Over all average of interest expended as % to total expenditure was worked out to 57.41 percent.

### **Spread as % to working fund :**

The term spread refers to the surplus of interest income over interest expenses of banks for a particular financial year. Profitability of the banks can be measured applying the ratio “spread as % to working fund.”

Table 4.15 provides the data related to spread as % to working fund during the study period i.e. from 1996-97 to 2005-06 for sample banks under study. It also provides ANOVA: two factor without replication data.

**Table 4.15**  
**Spread as % to Working Fund**  
**(Base year 1996-97)**

Group of Banks/Years	1996-97	1997-98	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	Average
SBI	3.43	3.01	2.72	2.65	2.61	2.74	2.92	2.74	3.03	3.17	2.90
SBBJ	3.32	3.68	3.23	3.00	3.29	3.45	3.48	3.54	3.71	3.61	3.43
SBH	3.69	3.61	3.53	3.35	3.33	3.27	3.16	2.75	2.76	2.69	3.21
SBIIn	4.28	3.86	3.92	2.99	2.84	3.18	3.47	3.48	2.97	2.61	3.36
SBM	4.22	3.94	3.58	3.39	3.33	3.04	3.56	3.30	3.33	3.16	3.49
SBP	3.70	3.68	3.53	3.78	4.22	4.37	4.18	3.06	3.10	2.41	3.60
SBS	3.62	3.63	3.49	3.20	2.93	3.38	3.43	3.15	3.37	2.90	3.31
SBT	3.18	2.94	2.18	2.27	2.73	2.84	2.95	2.85	3.10	3.00	2.80
Over all Average											3.26

Source: Performance Highlights of Public Sector Banks

Hypotheses :

Ho<sub>1</sub> : There is no significant difference among sample banks for spread as % to working fund.

Ho<sub>2</sub> : There is no significant difference in a sample bank over study period for spread as % to working fund.

ANOVA : Two factor without replication

Hypotheses	Source of Variation	SS	df	MS	Fcal.	Fcrit.
Ho <sub>1</sub>	Group of Banks	7.2155	7	1.0308	13.0476	2.2371
Ho <sub>2</sub>	Years	2.1458	9	0.3576	4.5269	2.3240
	Error	3.3181	63	2.6052		
	Total	12.6794	79			

**Conclusion : Ho<sub>1</sub> : Fcal. > Fcrit?  $\mathcal{H}_1$  Accepted**

**Ho<sub>2</sub> : Fcal. > Fcrit?  $\mathcal{H}_1$  Accepted**

**Ho<sub>1</sub> : It is concluded that there is significant difference among sample banks for spread as % to working fund.**

**Ho<sub>2</sub> : It is concluded that there is significant difference in a sample bank over study period for spread as % to working fund.**

**SBI :**

Spread as % to working fund of SBI was worked out to 3.43 percent for the base year, 1996-97, which decreased to 3.01 percent in 1997-98, to 2.72 percent in 1998-99, to 2.65 percent in 1999-00 and to 2.61 percent in 2000-01 but it went up to 2.74 percent in 2001-02 and to 2.92 percent in 2002-03. It went down to 2.74 percent in 2003-04 but in the subsequent year, it went up to 3.03 percent in 2004-05 and to 3.17 percent in 2005-06. The aggregate ratio of SBI was worked out to 2.90 percent for the study period.

**Associates :**

**SBBJ :**

Spread as % to working fund of SBBJ was worked out to 3.32 percent in 1996-97, which rose to 3.68 percent in 1997-98. Then, it decreased to 3.23 percent in 1998-99 and to 3.00 percent in 1999-00 but by the subsequent years it stated increasing tone to 3.29 percent in 2000-01 to 3.45 percent, 3.48 percent, 3.54 percent and 3.71 percent in 2001-02, 2002-03, 2003-04 and in 2004-05 respectively. It went down to 3.61 percent in 2005-06. Aggregate of the ratio worked out to 3.43 percent for the study period.

**SBH :**

Spread as % to working fund of SBH worked out to 3.69 percent in 1996-97. It registered downward movement during the study period. It decreased to 3.61 percent in 1997-98, to 3.53 percent in 1998-99, to 3.35

percent in 1999-00, to 3.33 percent in 2000-01, to 3.27 percent in 2001-02, to 3.16 percent in 2002-03, to 2.75 percent in 2003-04, to 2.76 percent in 2004-05 and to 2.69 percent in 2005-06. The aggregate ratio was worked out to 3.21 percent for the study period.

### **SBIIn :**

Spread as % to working fund ratio of SBIIn registered fluctuating trend during the study period. It was 4.28 percent in 1996-97, which decreased to 3.86 percent in 1997-98. Then, it increased to 3.92 percent in 1998-99. It decreased to 2.99 percent and to 2.84 percent in 1999-00 and in 2000-01 respectively. After wards once more, it started moving up to 3.18 percent, to 3.47 percent, and to 3.48 percent in 2001-02, in 2002-03 and in 2003-04 respectively. It moved down to 2.97 percent and to 2.61 percent in 2004-05 and in 2005-06 respectively. The aggregate ratio was worked out to 3.36 percent for the study period.

### **SBM :**

Spread as % to working fund ratio of SBM worked out to 4.22 percent for the base year of the study period. It moved down to 3.94 percent, 3.58 percent, 3.39 percent, 3.33 percent and 3.04 percent in 1997-98, 1998-99, 1999-00, 2000-01, 2001-02 respectively. It zoomed to 3.56 percent in 2002-03 but it fluctuated from 3.16 percent in 2005-06 to 3.33 percent in 2004-05. Aggregate ratio was worked out to 3.49 percent for the study period.

### **SBP :**

Spread as % to working fund ratio of SBP registered fluctuating movement during the study period. It was worked out to 3.70 percent for the year 1996-97. It went down to 3.68 percent and 3.53 percent in 1997-

98 and 1998-99 respectively. It moved up to 3.78 percent, 4.22 percent and to 4.37 percent in 1999-00, 2000-01 and in 2001-02 respectively, but it reduced to 4.18 percent in 2002-03, to 3.06 percent in 2003-04, to 3.10 percent in 2004-05 and to 2.41 percent in 2005-06. Aggregate ratio was worked out to 3.60 percent for the study period.

### **SBS :**

Spread as % to working fund ratio of SBS was worked out to 3.62 percent for 1996-97. It moved up to 3.63 percent in the immediate year, 1997-98. Then, in the subsequent three years, it remarked downward movement and was worked out to 3.49 percent, 3.20 percent and 2.93 percent for the years 1998-99, 1999-00 and 2000-01 respectively. It moved up to 3.38 percent and 3.43 percent for 2001-02 and 2002-03 respectively. It moved down to 3.15 percent in 2003-04 but it improved to 3.37 percent in 2004-05. But it stepped down to 2.90 percent in 2005-06. Aggregate ratio was worked out to 3.31 percent for the study period.

### **SBT :**

Spread as % to working fund ratio of SBT showed fluctuating movement during the study period. It was worked out to 3.18 percent for the base year of the study period, 1996-97 which went down to 2.94 percent and 2.18 percent in the subsequent years, 1997-98 and 1998-99 but in the immediate years it moved up to 2.27 percent, 2.73 percent, 2.84 percent and to 2.95 percent in 1998-99, 1999-00, 2000-01, 2001-02 and in 2002-03 respectively out of the years under the study. It stepped down to 2.85 percent in 2003-04 but it moved up to 3.10 percent in 2004-05. Once more it stepped down to 3.00 percent in 2005-06. Aggregate ratio was worked out to 2.80 percent for the period.

Overall average of spread as % to working fund was worked out to 3.263 percent, which indicates that against working capital of Rs. 100 excess of interest income over interest expended was Rs. 3.263 for the sample banks for the study period.

### **Net Profit as % to working fund :**

“Net profit as % to working fund” is one of the indicators of profitability. It is an important measurement for the efficiency. Here, net profit means the balance of profit as per profit and loss account and working fund means total of balance sheet less contra items.

Table 4.16 shows the data related to net profit as % to working fund for the study period 1996-97 to 2005-06 for the sample banks. It also provides statistical tool Anova : two factor without replication data.

**Table 4.16**  
**Net Profit as % to Working Fund**  
**(Base year 1996-97)**

Group of Banks/Years	1996-97	1997-98	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	Average
SBI	0.86	1.04	0.46	0.78	0.51	0.74	0.91	0.90	0.94	0.89	0.80
SBBJ	0.50	1.06	0.90	0.97	0.76	1.16	1.28	1.49	0.88	0.53	0.95
SBH	0.56	0.91	0.85	0.82	0.82	1.14	1.28	1.24	0.72	1.05	0.94
SBIIn	0.49	0.68	0.63	0.72	0.78	1.36	1.89	1.73	0.79	0.67	0.97
SBM	0.74	0.86	0.49	0.58	0.27	0.63	1.07	1.28	1.25	1.12	0.83
SBP	0.68	1.48	0.93	1.06	1.12	1.55	1.71	1.60	0.91	0.73	1.18
SBS	1.45	1.50	0.40	1.18	0.16	0.99	1.00	1.38	0.27	0.36	0.87
SBT	0.52	0.69	0.40	0.53	0.67	0.81	0.97	1.02	0.86	0.81	0.73
Over all Average											0.91

Source: Performance Highlights of Public Sector Banks

### **Hypotheses :**

Ho<sub>1</sub> : There is no significant difference among sample banks for net profit as % to working fund.

Ho<sub>2</sub> : There is no significant difference in a sample bank over study period for net profit as % to working fund.

ANOVA : Two factor without replication

Hypotheses	Source of Variation	SS	df	MS	Fcal.	Fcrit.
Ho <sub>1</sub>	Group of Banks	1.6891	7	0.2413	3.6749	2.2371
Ho <sub>2</sub>	Years	2.7542	9	0.4590	6.9909	2.3240
	Error	2.7577	63	0.0657		
	Total	7.2010	79			

**Conclusion : Ho<sub>1</sub> : Fcal. > Fcrit? ?H<sub>1</sub> Accepted**

**Ho<sub>2</sub> : Fcal. > Fcrit? ?H<sub>1</sub> Accepted**

**Ho<sub>1</sub> : It is concluded that there is significant difference among sample banks for net profit as % to working fund.**

**Ho<sub>2</sub> : It is concluded that there is significant difference in a sample bank over study period for net profit as % to working fund.**

**SBI :**

Net profit as % working fund of SBI worked out to 0.86 percent for the base year which increased to 1.04 percent in 1997-98 but in the immediate year 1998-99 it moved down to 0.46 percent and improved to 0.78 percent in 1999-00. Once more, it went down to 0.51 percent in 2000-01. Then, it improved and reached to 0.74 percent, 0.91 percent, 0.90 percent, 0.94 percent and 0.89 percent in the years 2001-02, 2002-03, 2003-04, 2004-05 and 2005-06 respectively. The study indicates that net profit to working fund position, the bank showed highly impressive performance in the year 1997-98 while it was the worst in the year 1998-99. Aggregate ratio worked out to 0.80 percent for the study period.



### **Associates :**

#### **SBBJ :**

Net profit as % to working fund ratio was worked out to 0.50 percent for SBBJ, for the base year, 1996-97. It went up to 1.06 percent in 1997-98 but in the immediate years 1998-99, it stepped down to 0.90 percent but moved up slightly to 0.97 percent in 1999-00. It went down to 0.76 percent in 2000-01 but it achieved an improved highest position reaching to 1.16 percent and 1.28 percent in 2001-02 and 2002-03 respectively. It stepped down to 1.49 percent in 2003-04, to 0.88 percent in 2004-05 and to 0.53 percent in 2005-06. The ratio study indicates that net profit to working fund position was worst in the base year but achieved the highest position in 2003-04. Aggregate ratio was worked out to 0.95 percent.

#### **SBH :**

Net profit as % to working fund ratio registered fluctuating trend during the study period. It was at the lowest point in 1996-97 but achieved the highest position in 2002-03. It was worked out to 0.56 percent for the base year, 1996-97. It moved up to 0.91 percent in 1997-98. But by the immediate years it started stepping down and remained at 0.85, 0.82 and 0.82 percent in the years 1998-99, 1999-00 and 2000-01 respectively. It zoomed to 1.14 percent and 1.28 percent in 2001-02 and 2002-03 respectively. It started moving down to 1.24 percent in 2003-04 and to 0.72 percent in 2004-05. It improved and reached to 1.05 percent in 2005-06. The ratio study indicates improvement in profitability position of the bank. Aggregate ratio worked out to 0.94 percent for the study period.

### **SBIIn :**

Net profit as % to working fund ratio registered fluctuating trend during the study period. It was worked out to 0.49 percent for the base year, 1996-97, which reached to 0.68 percent in the subsequent year but in the immediate year, 1998-99, it dropped down to 0.63 percent. It started stepping up from 1999-00 to 0.72 percent in 1999-00, to 0.78 percent in 2000-01, to 1.36 percent in 2001-02 and zoomed to 1.89 percent in 2002-03. It dropped to 1.73 percent in 2003-04. It moved down sharply to 0.79 percent and to 0.67 percent in 2004-05 and in 2005-06. The ratio study indicates overall better profitability performance of SBIIn. Aggregate of the ratio is 0.97 percent for the study period.

### **SBM :**

Net profit as % to working fund of SBM registered highly fluctuating trend during the study period 1996-97 to 2005-06. It was worked out to 0.74 percent for 1996-97, which reached to 0.86 percent in 1997-98. It decreased to 0.49 percent in 1998-99 but in the subsequent year it slightly moved up to 0.58 percent but in the immediate year, 2000-01 it sharply dropped down to 0.27 percent. Then after, it started moving up and reached to 0.63 percent, 1.07 percent and 1.28 percent in 2001-02, 2002-03 and in 2003-04 respectively. It moved down to 1.25 percent and to 1.12 percent in 2004-05 and in 2005-06 respectively. Aggregate of net profit as % to working fund ratio was worked out to 0.83 percent for the study period.

### **SBP :**

Net profit as % to working fund of SBP registered fluctuating trend during the study period, 1996-97 to 2005-06. It was worked out to 0.68 percent for the base year, 1996-97, which reached to 1.48 percent in

1997-98 but in the immediate year it stepped down to 0.93 percent. It reached to 1.06 percent in 1999-00. It also registered upward movement in the subsequent years and reached to 1.12 percent in 2000-01 and to 1.55 percent in 2001-02. It reached to the peak point to 1.71 percent in 2002-03. It moved down to 1.60 percent, to 0.91 percent and to 0.73 percent in 2003-04, 2004-05 and in 2005-06. The analysis of the ratio indicates overall very satisfactory profitability position of the bank, SBP. Aggregate ratio worked to 1.18 percent for the bank, which is the highest aggregate ratio among all the banks under study for the study period.

### **SBS :**

Net profit as % to working fund ratio of SBS registered fluctuating movement during the study period. It was worked out to 1.45 percent for the base year, 1996-97, which zoomed to 1.50 percent in the very subsequent year and remained at the peak level for the study period. It went down sharply to 0.40 percent in immediate year, 1998-99 but in the subsequent year, 1999-00, it moved up sharply to 1.18 percent. It went to bottom point 0.16 percent in the year 2000-01 but it improved and registered 0.99 percent, 1.00 percent and 1.38 percent in the year 2001-02, 2002-03 and in 2003-04 respectively. It moved down to 0.27 percent and to 0.36 percent in 2004-05 and in 2005-06 respectively. The analysis of the ratio indicates very sharp ups and downs during the study period. Aggregate net profit as % to working fund ratio remained at 0.87 percent but the data indicates to achieve this aggregate level, the bank has faced a lots of ups and downs during the study period.

### **SBT :**

Net profit as % to working fund ratio of SBT registered fluctuating trend during the study period 1996-97 to 2005-06. It was worked out to

0.52 percent for the base year, 1996-97, which moved up slightly to 0.69 percent in the year 1997-98. It dropped down to 0.40 percent in the year 1998-99. It moved up in the subsequent year, 1999-00 to 0.53 percent. It moved up to 0.67 percent, 0.81 percent and to 0.97 percent in the years 2000-01, 2001-02 and in 2002-03 respectively. It moved up to 1.02 percent in 2003-04 but it moved down to 0.86 percent in 2004-05 and at the end of the study period, 2005-06, it dropped to 0.81 percent. Aggregate net profit as % to working fund ratio was worked out to 0.73 percent for the study period 1996-97 to 2005-06.

Overall average of net profit as % to working fund was worked out to Rs. 0.909 for the sample banks for the study period, which indicates that against total working fund of Rs. 100, Rs. 0.909 was of net profit earned.

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**CHAPTER - 5**  
**"PRODUCTIVITY PERFORMANCE  
ANALYSIS"**

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“.....the driving force in the path ahead will be the immense capabilities that we possess in terms of human resource. In the years to come the ‘human bias’ is likely to get stronger and the quality of human resource would become the cutting-edge of competitiveness....”

**- Dr. Bimal Jalan**



## **5.1 Introduction :**

A business firm operates in the society so; it has certain responsibilities towards the society. A civilized society is organized on the basis of some ethical principles and promises for its members and management has to conform them. A firm consists of a number of diverse interests and often the objective of firm management is to have the best working compromise among the interest concerned. The parties having interest in a firm are: the shareholders, employees, customers, society and government. The shareholders want fare return on their investment, customers want products of good quality at reasonable prices, society requires economical and efficient use of scarce resources of production and the government wants that the firm must pay taxes regularly and it must obey the rules and regulations. These all responsibilities can be summarized in a single term as “the social responsibility of business firms.” There are various areas of social responsibility. Perhaps the first and foremost important is efficiently utilize and conserve corporate resources to produce economic wealth, maintaining the financial health of the firm itself and bring about economic welfare to the society. From social point of view, it is desirable for enterprises to recognize voluntarily their essential social obligation. As eating is not only aim of human life, the profit earning cannot be said to be the only aim of any business firm and public sector enterprise.

It is crucial to the welfare of the industrial firm as well as for the economic progress of the country.

To the layman it may appear that productivity movement is a sudden growth of post war period in fact, it has much longer history.

It was in the closing year of 18th century that F.W. Taylor developed a technique of management, which has come to be known as scientific management. In 1950, for the first time the Organization for European Economic Co-operation (OEEC) offered a formal definition of productivity. “Productivity is the quotient obtained by dividing output by one of the factors of production”.

## **5.2 Concept : ‘Productivity’**

Productivity has now become an everyday watchword.

The two basic approaches to promote material prosperity are: (1) right allocation of available resources among their alternative use and (2) the best possible utilization of such allotted resources. It is indeed in production of more and better output from given volume of resources and given output from lesser or cheaper resources that the secret of material advancement lies and it is this secret that is popularly termed as “Productivity”.<sup>1</sup>

For the most part of economists have been concerned with the productivity at the International, National and Industrial levels although some well known economists have addressed the measurement at Company level. The precise meaning of productivity: “it is a relationship between output and means employed to produce that output.”<sup>2</sup>

We can say that “Productivity is the ratio between the output given commodity measured by its volume and one more of the input factor also measured by their volumes”.<sup>3</sup>

“Productivity is the efficiency with which goods and services are produced that is the ratio of the output of goods and services to the input of resources.”<sup>4</sup> The dictionary meaning of productivity is “the quality or fact being productive”, while “productive means having quality of production or bringing forth” According to International Encyclopedia of Social Science (1968) “Productivity refers to a class of empirical output-input ratio that is widely used in economic history, economic analysis and economic policy.”<sup>5</sup>

In the words of J.F. Bell broadly and basically defined productivity is, of course, the relation between output and input, a measurement of efficiency with which resources of all kinds are transformed.”

Productivity is a ratio between the output of the wealth produced and the input of any economic activity. There always exist a scarcity of input and each input process certain inherent “input creativity” which is translated into output. The “input creativity” can yield greater amount of output through “conversion efficiency.”

The concept of productivity, of course, with some degree of confusion, has remained a continuous and challenging area of study. The change in productivity levels greatly influence a wide range of human, economic and social consideration, such as higher standard of living, rapid economic growth, improvement in balance of payment, control of inflation, culture of the nation, etc.

The productivity in a most simple way may be defined as a ratio of output to input. Productivity is the quantitative relation between what we produce and what we use as a resource to produce them i.e. arithmetic

ratio of amount produced (output) to the amount of resource (input).<sup>6</sup> European Productivity Agency (EPA) has defined productivity as : “Productivity is an attitude of mind. It is the mentality of progress, of the constant improvements of that which exists. It is the certainty of being able to do better today than yesterday and continuously. It is the constant adaption of economic and social life to changing conditions. It is the continual effort to apply new techniques and methods. It is the faith in human progress.”

Productivity is a function of providing more and more of everything to more and more people with less and less consumption of resources.

The volume of output attained in a given period of time in relation to the sum of the direct and indirect efforts expended in its production.

Productivity is the measure of how well the resources are brought together in an organization and utilized for accomplishing a set of objectives.

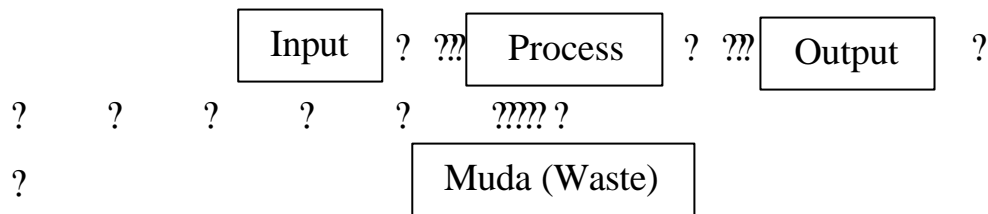
Productivity is concerned with establishing congruency between organizational goals with societal aspirations through input-output relationship.

Productivity is the multiplier effect of efficiency and effectiveness.

According to Encyclopedia of Britannica: “Productivity is the ratio of what is produced to what is required to produce it. Usually, this ratio is in the form of an average, expressing the total output of some category of goods divided by the total input of say, labour or raw materials. In

principle, any input can be used in the denominator of the productivity ratio. Thus, one can speak of productivity of land, labour, capital or subcategories of any of these factors of production.”

International Labour Organization (ILO) defined productivity as, “the ratio between the 'output of work' and 'Input of Resources' used in the process of creating wealth. ” The process of productivity in a unit can be classified as under :



Productivity is the yield obtained from any process or product by employing one or more factors of production. Productivity is generally calculated as an index number i.e. ratio of output to input.<sup>7</sup>

Productivity refers to a comparison between the quantity of goods or services produced and the quantity of resources employed in turning out these goods or service.<sup>8</sup>

Productivity is an efficiency index, which measures the rate of output per unit of input like man, material, machine, money and space.<sup>9</sup>

Productivity is a practical measurement relating to the total output of any one of the measurable factors of production, in a ratio preferring the scarce or predominant nature of the input.<sup>10</sup>

According to Drucker, productivity means, “that balance between all factors of production that will give the greatest output for the smallest efforts.”

Productivity may be illustrated symbolically as follows :

$$\text{Productivity} = \text{Output/Input}$$

Output is the total production calculated in terms of weight, length, volume, number, etc., or in terms of value of the goods or services produced. The input refers to the combination of the raw materials, machinery, worker’s time, power, efforts and imagination of the entrepreneur and can be expressed in terms of per worker, hour, ton, kilowatt, etc.

✍ Increasing productivity indicates following three courses of action:

- Increasing production volume over a given period.
- Produce the same volume over a lesser period.
- Produce the same volume for lesser input in a given time.

### **5.3 Significance of ‘Productivity’ and ‘Innovation’ :**

The industrial nations whose population density is greater than India’s have been able to achieve full employment with high wage levels and high living standard, owing to the higher productivity of their land, labour and capital. Their higher productivity stems from their use of the best available technology and adaptive organization of their production factors. Their increasing productivity continually improve technology and adaptive efficiency of their organization under condition of change,

are in turn the outcome of a strong inclusion of productivity norms amongst their people.

The significance of productivity and innovation for peoples and nations may be stated as follows:

- ✍ It emphasizes the efficient utilization of all the factors of production which are scarce universally. It attempts to eliminate the wastage of every kind.
- ✍ It facilitates the comparison of the performance of the firm with firm, with that of its competitors or related firms, both in terms of aggregate results and in terms of major components of performance.

It enables the management to control the performance of firm by identifying the comparative benefits rising out of the use of different inputs or varying proportions of the same inputs, currently and over longer period, as that basis for considering alternative adjustment over future periods.

It also provides a reliable data for certain managerial decisions such as collective bargaining regarding the wages with trade union, effective presentation before the government against the imposition of prospective restrictions, etc.

Productivity and innovation generate resources and create wealth. These resources may be utilized by a nation for the expansion of economic activities, promotion of social welfare and development of civil amenities for the quality of the people.

Productivity enables nation to increase its export. The edge required in terms of prices and quality of product for competing effectively in international market can come only through productive and innovative excellence.

Productivity and innovation serve to control both the cost-push and demand-pull varieties of inflation, there by protect the savings and living standards of the people from erosion due to inflationary pressures.

Productivity reduces the cost of goods and services needed by the peoples they increase peoples' access to these goods and services. They contribute thereby to improvement in living conditions.

Productivity and innovation enable workers to receive higher wages income in real terms. It also mitigates the problem of poverty through their mutually supportive impact.

Greater availability of resources to enterprises enables them to modernize their plants and machinery periodically, and upgrade their production technology.

Productivity and innovation not only gives impetus to specific types of economic activities but also generate increasing demand for manpower with higher scientific and technical training.

The above-mentioned effects of productivity and innovation are highly inter-related in the form mutually supportive relationship. Productivity and innovation stress the basic fact that the level and value



of production in nation are not simply determined by the volume of investment resources, that higher production and generation of wealth do necessarily require investment of increase quantum of resources. On the other hand, the production level and creation of wealth depend significantly on the efficiency and effectiveness of resources utilization on the level of productively.

#### **5.4 Concept: ‘Productivity’ and ‘Efficiency’ :**

Concept of efficiency and productivity are closely interrelated objectives. Efficiency means economy in the utilization of resources. It aims at reducing input output ratio, that is to say producing more output with given input or producing the same out put by reducing the input. Efficiency is achieved by reducing the cost of operations, generally, companies emphasize on reducing the cost of production. But the aim should be to attain all round minimization of cost including the cost of distribution, administration, etc. This can come from optimum utilization of resources.

Efficiency in resources utilization is reflected in productivity. Greater the efficiency in resources utilization, higher is the productivity. In fact, productivity is the measurement of efficiency. It represents efficiency with which the resources are utilized and their yield.<sup>11</sup>

“Efficiency show the ability of an individual or a unit to get result with minimum efforts or expenses.”<sup>12</sup>

It is the ratio of the result to the efforts, expenses or the means used. In short “efficiency means the shortest way towards desired goal”.

Efficiency is relative concept. There cannot be a state of efficiency without someone having declared standard or target.

Productivity is defined as ratio between the production and consumption (input) volume, when the output is divided by an individual input. The productivity is known as individual productivity, but over all productivity of an organization is called efficiency.

### **5.5 Concept: 'Productivity' and 'Profitability'**

If the selling prices are increased the profitability of an enterprise will also increase but will have a zero effect on the productivity level. J.P. Srivastava remarks, "In between cost and profitability there are so many other factors beside productivity. For example profitability may have its origin in current scarcity."<sup>13</sup> He further pointed out that "stress of development and market mechanism may be playing their due role in inflating the profitability of a producing unit, while rationalization of effort in every direction is the true basis of productivity".<sup>14</sup> Thus, profitability does not necessarily increase the real wealth of an enterprise as it may increase whenever either the selling prices are increased or by over looking the effect of inflation etc. However, Chen and Gordan observe, "with due allowances for temporary currency value fluctuations or change in commodity or product prices, there is strong positive correlation among time series data measuring productivity, profitability or efficiency."<sup>15</sup> They are of the view: "all these measures indicate a rate of growth in capabilities of organization to fulfill their missions, namely, to produce and distribute more and better products or services by managing the development of technology and human resources".<sup>16</sup> Increase in productivity will lead to increase in profitability with increase in large production as compare to overall increase in the cost of

production. If the cost and productivity both increase, to the same extent profitability will not change. But on decreasing productivity, the profitability will decrease.

Thus, productivity is the measurement of efficiency, where as profitability is the measurement of profit earned on capital employed or means employed.

### **5.6 Concept: ‘Productivity’ and ‘Performance’:**

Productivity takes into account output in relation to input. Performance takes into account output alone.

$$\text{Productivity} = \frac{\text{Output}}{\text{Input}} = \frac{\text{Performance}}{\text{Resourceconsumed}}$$

In performance, we consider only the output and not the input. In general index it is the ratio of the same parameters under different condition. A performance index becomes comparison of actual output with some standard or expected output.

$$\text{Performance Index} = \frac{\text{Actual work done}}{\text{Standard work}}$$

### **5.7 Productivity in service sector: Bank**

The productivity concept as applied in manufacturing industries cannot be applied in service sector like bank. Bank provides various types of services like acceptance of deposits, borrowings of loans and advances, creation of credit, foreign exchange business, merchant banking activity, remittance of funds etc. Thus, bank is a multi product

service industry that's why it is complicated to measure the output of banks. As banking is basically a service industry, quantitative specification of real output and input are hard to define and determine.<sup>17</sup> The universal yard sticks of banking economics are profit per square foot and profit per employee.

The working group appointed by RBI under the chairmanship of Mr. J.C. Luthare observed that the operational costs of the banking system have increased steadily due to factors are not under the control of the banks management no systematic attempts have been made so far to adopt scientific methods to improve productivity and efficiency in the banking system.<sup>18</sup>

For measuring productivity in banking industries the indicators can be divided into parts :

- (i) The indicators measure output considering number of employees i.e. Productivity per Employee.
- (ii) The indicators measure output considering number of branches i.e. Productivity per Branch.

### **Employee Productivity Ratios :**

Productivity is the ratio of output to input. In other words, productivity is the relationship between output of goods and services and the inputs of human and physical resources. Thus, productivity is measured not only for physical resources but also for human resources.

Employee productivity ratio means measurement of employees' efficiency or skills.

Employee productivity ratio measures the productivity of input of a number of employees for output factors like Income, Expenditure and Spread.

1. **Income per employee :**

The ratio Income per Employee establishes the relationship between total income and employee employed in the unit. The following formula is applied for calculation of the ratio:

$$\text{Income per Employee} = \frac{\text{Income}}{\text{No. of employee}}$$

Table 5.1 and chart 5.1 presents the data of Income per Employee in SBI and in its Associates for the period from 1996-97 to 2005-06. It provides the average of Income per Employee in-group of banks and over all average of Income per Employee in-group of banks. It also provides calculated and tabulated 'F' value for two factors without replication.

**Table 5.1**  
**Income per Employee (Rs. in Crores)**  
**(Base year-1996-97)**

Group of Banks/Years	1996-97	1997-98	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	Average
<b>SBI</b>	0.07449	0.07803	0.09428	0.1104	0.13973	0.16225	0.17621	0.18389	0.19243	0.21725	0.1429
<b>SBBJ</b>	0.05736	0.06736	0.07531	0.09041	0.11245	0.12475	0.13461	0.15819	0.17263	0.19233	0.1185
<b>SBH</b>	0.07804	0.08444	0.0969	0.11865	0.13368	0.16946	0.18903	0.21994	0.20956	0.25471	0.1554
<b>SBIIn</b>	0.06325	0.07025	0.0851	0.10023	0.13299	0.17784	0.19731	0.21512	0.19958	0.24047	0.1482
<b>SBM</b>	0.06196	0.06322	0.07143	0.08444	0.10898	0.122	0.13661	0.14417	0.16250	0.17378	0.1129
<b>SBP</b>	0.07139	0.0792	0.08776	0.10143	0.1268	0.14947	0.18098	0.21575	0.21466	0.24745	0.1475
<b>SBS</b>	0.07313	0.07458	0.08477	0.09976	0.11752	0.13659	0.15113	0.17372	0.17013	0.18083	0.1262
<b>SBT</b>	0.07952	0.08664	0.08856	0.10455	0.12402	0.13876	0.15698	0.18404	0.20433	0.22760	0.1395
Over all Average											0.1364

Source: Performance Highlights of Public Sector Banks

Hypotheses :

Ho<sub>1</sub> : There is no significant difference among sample banks for income per employee.

Ho<sub>2</sub> : There is no significant difference in a sample bank over study period for income per employee.

ANOVA : Two factor without replication

Hypothesis	Source of Variation	SS	df	MS	Fcal.	Fcrit.
Ho <sub>1</sub>	Group of Banks	0.0065	7	0.0009	11.1559	2.2371
Ho <sub>2</sub>	Years	0.0654	9	0.0109	130.1015	2.3240
	Error	0.0035	63	8.37E-05		
	Total	0.0754	79			

Conclusion :

**Ho<sub>1</sub> : Fcal. > Fcrit ? ?H<sub>1</sub> Accepted**

**Ho<sub>2</sub> : Fcal. > Fcrit ? ?H<sub>1</sub> Accepted**

**Ho<sub>1</sub> : It is concluded that there is significant difference among sample banks for income per employee.**

**Ho<sub>2</sub> : It is concluded that there is significant difference in a sample bank over study period for income per employee.**

SBI :

Table 5.1 shows; Income per Employee of SBI was Rs. 0.07449 crores in 1996-97. It registered upward movement during the study period and rose to Rs. 0.07803 crores, Rs. 0.09428 crores, Rs. 0.11040 crores, Rs. 0.13973 crores, Rs. 0.16225 crores and Rs. 0.17621 crores in 1997-98, in 1998-99, in 1999-00, in 2000-01, in 2001-02 and in 2002-03 respectively. It continued moving up subsequent years also and reached to Rs. 0.18389 crores in 2003-04, to Rs. 0.19243 crores in 2004-05 and to Rs. 0.21725 crores in 2005-06. Aggregate income per employee was

worked out to Rs. 0.1429 crores for the study period. It indicates that SBI earned Rs. 0.1429 crores per employee during the study period.

**Associates :**

**SBBJ :**

Income per Employee of SBBJ remarked increasing movement during the study period. It was worked out to Rs. 0.05736 crores, Rs. 0.06736 crores, Rs. 0.07531 crores, Rs. 0.09041 crores, Rs. 0.11245 crores, Rs. 0.12475 crores and Rs. 0.13461 crores for 1996-97, in 1997-98 in 1998-99, in 1999-00, in 2000-01, in 2001-02 and for 2002-03 respectively. It continued moving up in subsequent years and reached to Rs. 0.15819 cores in 2003-04, Rs. 0.17263 crores in 2004-05 and Rs. 0.19233 cores in 2005-06. The aggregate income per employee was worked out to Rs. 0.1185 crores which indicates that SBBJ earned Rs. 0.1185 crores per employee during the study period.

**SBH :**

Income per Employee of SBH registered upward trend during the study period. It was worked out to Rs. 0.07804 crores in 1996-97, which rose to Rs. 0.08444 crores, Rs. 0.09690 crores, Rs. 0.11865 crores, Rs. 0.13368 crores, Rs. 0.16946 crores in 1997-98, in 1998-99, in 1999-00, in 2000-01, in 2001-02 and in 2002-03 respectively. It came to Rs. 0.18903 crores in 2002-03, to Rs. 0.21994 crores in 2003-04, to Rs. 0.20956 crores in 2004-05 and to Rs. 0.25471 crores at the end of the study period. Its aggregate income per employee was worked out to Rs. 0.1554 crores. The aggregate income per employee indicates that SBH earned Rs. 0.1554 crores per employee during the study period.

### **SBIIn :**

Income per Employee of SBIIn was worked out to Rs. 0.06325 crores, Rs. 0.07025 crores, Rs. 0.08510 crores, Rs. 0.10023 crores, Rs. 0.13299 crores, Rs. 0.17784 crores, Rs. 0.19731 crores, Rs. 0.21512 crores, Rs. 0.19958 crores and Rs. 0.24047 crores in 1996-97, in 1998-99, in 1999-00, in 2000-01, in 2001-02, in 2002-03, in 2003-04, in 2004-05 and in 2005-06 respectively. Thus, it showed upward movement during the study period. Its aggregate income per employee was worked out to Rs. 0.1482 crores which indicates SBI earned Rs. 0.1482 crores per employee during the study period.

### **SBM :**

Income per Employee of SBM registered upward movement during the study period, which was worked out to Rs. 0.06196 crores, Rs. 0.06322 crores, Rs. 0.07143 crores, Rs. 0.08444 crores, Rs. 0.10898 crores, Rs. 0.12200 crores, Rs. 0.13661 crores, Rs. 0.14417 crores, Rs. 0.16250 crores and Rs. 0.17378 crores for 1996-97, 1997-98, 1998-99, 1999-00, 2000-01, 2001-02, 2002-03, 2003-04, 2004-05 and for 2005-06 respectively. Aggregate income per employee of SBM was worked out to Rs. 0.1129 crores for the study period, which indicates SBM earned Rs. 0.1129 crores per employee during the study period.

### **SBP :**

Income per Employee was worked out to Rs. 0.07139 crores, Rs. 0.07920 crores, Rs. 0.08776 crores, Rs. 0.10143 crores, Rs. 0.12680 crores, Rs. 0.14497 crores Rs. 0.18098 crores, Rs. 0.21575 crores, Rs. 0.21466 crores and Rs. 0.24745 crores for 1996-97, 1998-99, 1999-00, 2000-01, 2001-02, 2002-03, 2003-04, 2004-05 and for 2005-06 respectively. It remarked upward trend during the study period.



Aggregate income per employee of SBP was worked out to Rs. 0.1475 crores which indicates SBP earned Rs. 0.1475 crores per employee during the study period.

**SBS :**

Income per Employee of SBS remarked upward movement during the study period. It was worked out to Rs. 0.07313 crores, Rs. 0.07458 crores, Rs. 0.08477 crores, Rs. 0.09976 crores, Rs. 0.11752 crores, Rs. 0.13659 crores, Rs. 0.15113 crores, Rs. 0.17372 crores, Rs. 17013 crores and Rs. 18083 crores for 1996-97, 1997-98, 1998-99, 1999-00, 2000-01, 2001-02, 2002-03, 2003-04, 2004-05 and 2005-06 respectively. Aggregate income per employee of SBS was worked out to Rs. 0.1262 crores which indicates, SBS earned Rs. 0.1262 crores per employee during the study period.

**SBT:**

Income per Employee of SBT was worked out to Rs. 0.07952 crores, Rs. 0.08664 crores, Rs. 0.08856 crores, Rs. 0.10455 crores, Rs. 0.12402 crores, Rs. 0.13876 crores and Rs. 0.15698 crores, Rs. 0.18404 crores, Rs. 0.20433 crores and Rs. 0.22760 crores during the study period years in 1996-97, in 1997-98, in 1998-99, in 1999-00, in 2000-01, 2001-02, 2002-03, 2003-04, 2004-05 and in 2005-06 respectively. Aggregate income per employee of SBT was worked out to Rs. 0.1395 crores which indicates, SBT earned Rs. 0.1395 crores per employee during the study period.

Over all average of income per employee was worked out to Rs. 0.13639 crores which indicates that the sample banks aggregately earned Rs. 0.13639 crores per employee during the study period.

## 2. Expenditure per Employee:

Expenditure per Employee establishes the relationship between expenditure and employee employed in the unit. The following formula is applied for calculation of the ratio:

$$\text{Expenditure per Employee} = \frac{\text{Expenditure}}{\text{No. of employee}}$$

Table 5.2 and chart 5.2 provide the data of Expenditure per Employee during the study period i.e. from 1996-97 to 2005-06 of SBI and its Associates. It shows the average of Expenditure per Employee in sample banks. It also shows calculated and tabulated 'F' value for two factors without replication.

**Table 5.2**  
**Expenditure per Employee (Rs. in Crores)**  
**(Base year - 1996-97)**

Group of Banks / Years	1996-97	1997-98	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	Average
<b>SBI</b>	0.06877	0.07026	0.08995	0.10161	0.13227	0.15063	0.16135	0.16611	0.17149	0.19508	0.13075
<b>SBBJ</b>	0.05467	0.06135	0.06918	0.08226	0.10459	0.11237	0.11922	0.13510	0.16653	0.18033	0.10856
<b>SBH</b>	0.07433	0.07763	0.089265	0.10998	0.12355	0.15265	0.1665	0.19123	0.19042	0.22213	0.13977
<b>SBIIn</b>	0.06075	0.0662	0.08057	0.0937	0.12323	0.15871	0.16663	0.18053	0.17895	0.21954	0.13288
<b>SBM</b>	0.05833	0.05871	0.06849	0.08022	0.1064	0.11533	0.12471	0.12598	0.14092	0.15154	0.10306
<b>SBP</b>	0.06718	0.06829	0.08004	0.09149	0.11331	0.12979	0.15335	0.17889	0.18990	0.22074	0.12930
<b>SBS</b>	0.06176	0.0648	0.08166	0.08884	0.11569	0.12557	0.13863	0.14973	0.16712	0.17254	0.11663
<b>SBT</b>	0.07642	0.08178	0.08529	0.09942	0.11601	0.12879	0.14274	0.16367	0.18344	0.20538	0.12829
Over all Average											0.12366

Source: Performance Highlights of Public Sector Banks

Hypotheses :

Ho<sub>1</sub> : There is no significant difference among sample banks for expenditure per employee.

Ho<sub>2</sub> : There is no significant difference in a sample bank over study period for expenditure per employee.

ANOVA : Two factor without replication

Hypothesis	Source of Variation	SS	df	MS	Fcal.	Fcrit.
Ho <sub>1</sub>	Group of Banks	0.00502	7	0.0007	14.1650	2.237073
Ho <sub>2</sub>	Years	0.0499	9	0.0083	164.4445	2.323993
	Error	0.0021	63	5.06E-05		
	Total	0.0570	79			

**Conclusion : Ho<sub>1</sub> : Fcal. > Fcrit? ?H<sub>1</sub> Accepted**

**Ho<sub>2</sub> : Fcal. > Fcrit? ?H<sub>1</sub> Accepted**

**Ho<sub>1</sub> : It is concluded that there is significant difference among sample banks for expenditure per employee.**

**Ho<sub>2</sub> : It is concluded that there is significant difference in a sample bank over study period for expenditure per employee.**

**SBI:**

Expenditure per Employee of SBI was Rs. 0.06877 crores in 1996-97. It showed upward trend during the study period and reached to Rs. 0.19508 crores at the end of the study period, 2005-06. Aggregate expenditure per employee was Rs. 0.11069 during the study period. It indicates SBI expended Rs. 0.11069 crores per employee during the study period.

**Associates:**

**SBBJ:**

Expenditure per Employee of SBBJ remarked upward movement during the study period. It was worked out to Rs. 0.05467 crores for 1996-97 which reached to Rs. 0.18033 crores at the end of the study period, 2005-06. Aggregate expenditure per employee was Rs. 0.10856 crores during the study period. It indicates SBBJ expended Rs. 0.10856 crores per employee during the study period.

**SBH:**

Expenditure per Employee of SBH registered increasing trend during the study period. It was worked out to Rs. 0.07433 crores in 1996-97 which continuously increased during the study period and reached to Rs. 0.22213 crores at the end of the study period, 2005-06. Aggregate Expenditure per Employee was worked out to 0.13977 crores per employee, which indicates that SBH expended Rs. 0.13977 crores per employee during the study period.

**SBIIn:**

Expenditure per Employee of SBIIn was Rs. 0.06075 crores in 1996-97. It remarked upward movement during the study period and reached to Rs. 0.21954 crores at the end of the study period, 2005-06. Aggregate expenditure per employee was Rs. 0.13288 crores during the study period. It indicates SBIIn expended Rs. 0.13288 crores per employee during the study period.

**SBM:**

Expenditure per Employee of SBM was Rs. 0.05833 crores for base year, 1996-97. It registered upward trend during the study period and reached to Rs. 0.15154 crores at the end of the study period, 2005-06. Aggregate expenditure per employee of SBM was Rs. 0.10306 crores per employee during the study period.

**SBP:**

Expenditure per Employee of SBP was worked out to Rs. 0.06718 crores for the base year, 1996-97. It remarked upward movement during the study period and reached to Rs. 0.22074 crores at the end of the study period, 2005-06. Aggregate expenditure per employee was worked out to Rs. 0.1293 crores which indicates that SBP expended Rs. 0.1293 crores per employee during the study period.

**SBS:**

Expenditure per Employee of SBS remarked upward movement during the study period. It was worked out to Rs. 0.06176 crores for the base year, 1996-97 and reached to Rs. 0.17254 crores at the end of the study period, 2002-03. Aggregate expenditure per employee was worked out to Rs. 0.11663 which mentions that SBS expended Rs. 0.11663 crores per employee during the study period.

**SBT:**

Expenditure per Employee of SBT was Rs. 0.07642 crores in 1996-97. It registered upward movement during the study period and reached to Rs. 0.20538 crores at the end of the study period, 2005-06. Average expenditure per employee was worked out to Rs. 0.12829 crores which

indicates that SBT expended Rs. 0.12829 crores per employee during the study period.

Overall aggregate Expenditure per Employee was worked out to Rs. 0.12366 crores which demotes that SBI group of bank, expended aggregate Rs. 0.12366 crores during the study period.

### 3. Spread per Employee:

Spread per Employee is the proportion of spread to number of employee. It is calculated by dividing spread to the number of employees. The following formula is applied for calculation of Spread per Employee.

$$\text{Spread per Employee} = \frac{\text{Spread}}{\text{No. of employees}}$$

Table 5.3 and chart 5.3 provide the data relating to Spread per Employee of SBI and its Associates during the study period i.e. from 1996-97 to 2005-06.

**Table 5.3**  
**Spread Per employee (Rs. in Crores)**  
**(Base year 1996-97)**

Group of Banks/ Years	1996-97	1997-98	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	Average
SBI	0.02269	0.02256	0.02553	0.02968	0.03839	0.04336	0.04774	0.16611	0.17149	0.19508	0.0431
SBBJ	0.01796	0.02086	0.02207	0.02528	0.03405	0.03688	0.04174	0.13510	0.16653	0.18033	0.04033
SBH	0.02466	0.0269	0.03182	0.03528	0.04123	0.04821	0.05589	0.19123	0.19042	0.22213	0.04843
SBIIn	0.02186	0.02314	0.02837	0.02709	0.0356	0.0447	0.05623	0.18053	0.17895	0.21954	0.04656
SBM	0.02014	0.02062	0.02151	0.02462	0.03146	0.03193	0.03968	0.12598	0.14090	0.15154	0.06446
SBP	0.02294	0.02705	0.02925	0.03558	0.05064	0.05551	0.06771	0.17889	0.18990	0.22074	0.05311
SBS	0.02222	0.02366	0.02731	0.02968	0.03359	0.03764	0.04314	0.14973	0.16712	0.17254	0.04073
SBT	0.01905	0.02055	0.01801	0.02176	0.03246	0.03497	0.04355	0.16367	0.18344	0.20538	0.04051
Over all Average											0.04715

Source: Performance Highlights of Public Sector Banks

Hypotheses :

Ho<sub>1</sub>: There is no significant difference among sample banks for spread per employee.

Ho<sub>2</sub> : There is no significant difference in a sample bank over study period for spread per employee.

ANOVA : Two factor without replication

Hypothesis	Source of Variation	SS	df	MS	Fcal.	Fcrit.
Ho <sub>1</sub>	Group of Banks	0.0013	7	0.0002	15.2368	2.2371
Ho <sub>2</sub>	Years	0.0053	9	0.0009	74.9103	2.3240
	Error	0.0005	63	1.18E-05		
	Total	0.0071	79			

Conclusion :

**Ho<sub>1</sub> : Fcal. > Fcrit?  $\mathcal{H}_1$  Accepted**

**Ho<sub>2</sub> : Fcal. > Fcrit?  $\mathcal{H}_1$  Accepted**

**Ho<sub>1</sub> : It is concluded that there is significant difference among sample banks for spread per employee.**

**Ho<sub>2</sub> : It is concluded that there is significant difference in a sample bank over study period for spread per employee.**

SBI:

Spread per Employee ratio of SBI showed mixed trend during the study period, 1996-97 to 2005-06. It was worked out to Rs. 0.02269 crores for the base year, 1996-97, which went down to Rs. 0.02256 crores in the year 1997-98. Then after, it registered upward movement up to the end of the study period. It reached to Rs. 0.02553 crores in 1998-99, to Rs. 0.02968 crores in 1999-00, to Rs. 0.03839 crores in 2000-01 to Rs. 0.04336 crores in 2001-02, to Rs. 0.04774 crores in 2002-03, to Rs. 0.05403 crores in 2003-04 and to Rs. 0.06785 crores in 2004-05. It

reached to the highest point at the end of the study period to 0.07866 crores in 2005-06. Average spread per employee worked out to Rs. 0.0431 crores which indicates SBI has spread excess of interest income over interest expended Rs. 0.0431 crores per employee.

**Associates:**

**SBBJ:**

Spread per Employee ratio of SBBJ registered upward movement during the study period. It worked out to Rs. 0.01796 crores for the base year which slowly rose and reached to Rs. 0.02086 crores in the year 1997-98. It moved up to Rs. 0.02207 crores in the year 1998-99. It continued moving up in the subsequent years also. It rose to Rs. 0.02528 crores in 1999-00, to Rs. 0.03405 crores in 2000-01, to Rs. 0.03688 crores in 2001-02, to Rs. 0.04174 crores in 2002-03, to Rs. 0.05488 crores in 2003-04 and to Rs. 0.0645 crores in 2004-05. It sharply moved up at the end of the study period and reached to Rs. 0.08213 crores in 2005-06. Aggregate spread per employee worked out to Rs. 0.04033 crores for SBBJ for the study period, which was the lowest ratio among group of banks. It indicates SBBJ earned excess of interest income over interest expended of Rs. 0.04033 crores per employee. It was the lowest ratio among group of Banks.

**SBH:**

Spread per Employee of SBH reflected upward movement during the study period. It worked out to Rs. 0.02466 crores for the base year, 1996-97, which rose to Rs. 0.02690 crores in 1997-98. In the subsequent year even it continued bullish movement and reached to Rs. 0.03528 crores in 1999-00, Rs. 0.04123 crores for 2000-01, to Rs. 0.04821 crores in the year 2001-02, to Rs. 0.05589 crores in 2002-03, to Rs. 0.06336



crores in 2003-04, to Rs. 0.07342 crores in 2004-05. It reached to the highest point to Rs. 0.08348 crores at the end of the study period, 2005-06. The ratio of SBH indicates that SBH earned remarkable amount out of interest income per employee. Aggregate of the ratio worked out to Rs. 0.04843 crores for the study period which indicates SBH has surplus earning of interest income over interest expenditure Rs. 0.04843 crores per employee, that's the third highest average of spread per employee among all the banks under study.

### **SBI:**

Spread per Employee of SBI registered mixed movement for the study period, 1996-97 to 2005-06. It was worked out to Rs. 0.02186 crores for the base year, which stepped up to Rs. 0.02314 crores, Rs. 0.02837 crores, Rs. 0.02709 crores and to Rs. 0.03560 crores for the years : 1997-98, 1998-99, 1999-00 and 2000-01. It zoomed very sharply in the subsequent years. It reached to Rs. 0.04470 crores in 2001-02, Rs. 0.05623 crores in 2002-03, Rs. 0.06933 crores in 2003-04, Rs. 0.07781 crores in 2004-05 and to Rs. 0.08147 crores in 2005-06. Aggregate of the ratio worked out to Rs. 0.04656 crores for the study period. It indicates that SBI has excess of interest income over interest expenditure of Rs. 0.04656 crores per employee. It demotes comparatively good condition of the bank incase of interest earning.

### **SBM:**

Spread per Employee of SBM registered mixed trend during the study period. It was worked out to Rs. 0.02074 crores for the base year, which went down to Rs. 0.02062 crores in 1997-98. Then after, it showed upward trend and reached to Rs. 0.02151 crores in 1998-99, Rs. 0.02462 crores in 1999-00 and Rs. 0.03146 crores in 2000-01. It gained a

little in the year 2001-02 over previous year and reached to Rs. 0.03193 crores. It reached to the peak point at the end of the study period, 2005-06 to Rs. 0.06277 crores. SBM earned excess of interest income over interest expenditure of Rs. 0.06446 crores during the study period which is the highest of the aggregate amount of the bank among sample bank.

### **SBP:**

Spread per Employee of SBP registered upward movement during the study period, 1996-97 to 2005-06. It was worked out to Rs. 0.02294 crores for the base year, 1996-97, which sharply moved up to Rs. 0.02705 crores in the year 1997-98 but in the immediate year, 1998-99 it slightly stepped up and reached to Rs. 0.02925 crores. Then after, it showed sharp bullish movement and reached to Rs. 0.03558 crores, Rs. 0.05064 crores, Rs. 0.05551 crores, Rs. 0.06771 crores, Rs. 0.07043 crores and Rs. 0.08420 crores in the years 1999-00, 2000-01, 2001-02, 2002-03, 2003-04 and 2004-05 respectively. It reached to the peak point of Rs. 0.08420 crores at the end of the study period, 2005-06. The ratio demotes that SBP has the second highest surplus interest income over interest expenditure during the study period. Aggregate of the ratio worked out to Rs. 0.05311 for the study period, which is the second highest average ratio among sample bank.

### **SBS:**

Spread per Employee of SBS registered increasing movement during the study period. It was worked out to Rs. 0.02222 crores for the base year, 1996-97, which slightly moved up to Rs. 0.02366 crores in 1997-98. Then after, in the subsequent years, 1998-99, it moved up sharply compared to previous years and reached to Rs. 0.02731 crores and a little upward movement in 1999-00 achieving the level Rs. 0.02968

crores. It showed remarkably upward movement and reached to Rs. 0.03359 crores in 2000-01, to Rs. 0.03764 crores in 2001-02. It reached to Rs. 0.04314 crores in 2002-03. It continued moving up and reached to 0.05463 crores in 2003-04 and to the peak point of Rs. 0.06935 crores in 2004-05. It went down slightly to Rs. 0.06603 crores in 2005-06. The ratio of SBS indicates aggregate Rs. 0.04073 crores was earned as excess of interest income over interest expended per employee.

**SBT:**

Spread per Employee of SBT registered mixed movement during the study period, 1996-97 to 2005-06. It was worked out to Rs. 0.01905 crores for the base year which rose to Rs. 0.02055 crores in 1997-98 but, in the subsequent year 1998-99, it went down to Rs. 0.01801 crores. Then after, it showed upward movement and it reached to Rs. 0.02176 crores, Rs. 0.03246 crores, Rs. 0.03497 crores, Rs. 0.04355 crores, Rs. 0.16367 crores and to Rs. 0.18344 crores in the years 1999-00, 2000-01, 2001-02, 2002-03, 2003-04 and in 2004-05 respectively. It reached to the highest point to Rs. 0.20538 crores at the end of the study period, 2005-06. SBT'S aggregate ratio worked out to Rs. 0.04051 crores for the study period, which is the second lowest aggregate ratio among the banks under study.

Over all average of Spread per Employee was worked out to Rs. 0.04715 crores, which indicates that aggregately Rs. 0.04715 crores was excess of interest income over interest expenditure for the group of bank under study for the study period.

### **Branch Productivity Ratios:**

Branch productivity ratio means measurement of productivity per branch.

For calculation of branch productivity ratios the total number of branches are taken into consideration as input. Here, the output factors are income, expenditure and spread.

#### **4. Income per Branch:**

Income per branch is the relationship between the income and number of branches. It is the proportion of income to number of branches. The following formula is applied for calculation of Income per Branch.

$$\text{Income per Branch} = \frac{\text{Income}}{\text{No. of branches}}$$

Table 5.4 provides the data of Income per Branch of SBI and its Associates for the study period 1996-97 to 2005-06.

**Table 5.4**  
**Income per Branch (Rs. in Crores)**  
**(Base year - 1996-97)**

Group of Banks/Years	1996-97	1997-98	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	Average
<b>SBI</b>	1.9795	2.0951	2.4930	2.8497	3.3070	3.7407	4.0554	4.1898	4.2221	4.6887	3.3731
<b>SBBJ</b>	1.1319	1.3214	1.4454	1.6976	1.9015	2.0938	2.2422	2.5684	2.6990	2.7945	1.9896
<b>SBH</b>	1.3772	1.4481	1.6562	2.0011	2.2572	2.5804	2.8289	3.2376	2.9566	3.5368	2.3880
<b>SBIIn</b>	1.1581	1.2663	1.5078	1.7360	2.1330	2.7746	3.0174	3.2342	2.9275	3.6327	2.3388
<b>SBM</b>	1.2335	1.2617	1.4111	1.6261	1.8017	1.9940	2.2036	2.2503	2.4546	2.6416	1.8878
<b>SBP</b>	1.4303	1.4683	1.6153	1.8701	2.0947	2.4468	2.8579	3.3899	3.3185	3.7052	2.4197
<b>SBS</b>	1.4897	1.5524	1.7276	2.0080	2.1633	2.4726	2.7035	3.0717	3.0197	3.0804	2.3289
<b>SBT</b>	1.5794	1.7129	1.7651	2.0303	2.2498	2.4986	2.8086	3.3080	3.6072	3.8401	2.5400
Over all Average											2.4083

Source : Performance Highlights of Public Sector Banks.

Hypotheses :

Ho<sub>1</sub> : There is no significant difference among sample banks for income per branch.

Ho<sub>2</sub> : There is no significant difference in a sample bank over study period for income per branch.

ANOVA : Two factor without replication

Hypothesis	Source of Variation	SS	df	MS	Fcal.	Fcrit.
Ho <sub>1</sub>	Group of Banks	7.6249	7	1.0893	41.8023	2.2371
Ho <sub>2</sub>	Years	13.9134	9	2.3189	88.9911	2.3240
	Error	1.0944	63	0.0261		
	Total	22.6326	79			

Conclusion :- Ho<sub>1</sub> : Fcal. > Fcrit?  $\text{?H}_1$  Accepted

Ho<sub>2</sub> : Fcal. > Fcrit?  $\text{?H}_1$  Accepted

Ho<sub>1</sub> : It is concluded that there is significant difference among sample banks for income per branch.

Ho<sub>2</sub> : It is concluded that there is significant difference in a sample bank over study period for income per branch.

SBI:

Income per Branch of SBI registered upward movement during the study period. It was Rs. 1.9795 crores for the base year, 1996-97, which rose to Rs. 2.0951 crores in the subsequent year, 1997-98. Then after, even it continued the growth up to the end of the study period. It reached to Rs. 2.4930 crores in 1998-99, Rs. 2.8497 crores in 1999-00 and to Rs. 3.3070 crores in 2000-01. It went up considerably to Rs. 3.7407 crores in 2001-02, to Rs. 4.0554 crores in 2002-03, Rs. 4.18983 crores in 2003-04, Rs. 4.33212 crores in 2004-05 and to Rs. 4.68877 crores in 2005-06. Aggregate income per branch was worked out Rs. 3.3731 crores, which

indicates that the bank earned Rs. 3.3731 crores per branch which is the highest amount among the banks under study.

**Associates :**

**SBBJ:**

Income per Branch of SBBJ registered upward trend during the study period, 1996-97 to 2005-06. It was worked out to Rs. 1.1319 crores for the base year, 1996-97, which went up to Rs. 1.3214 crores in the next year, 1997-98. It continued moving up and reached to Rs. 1.4454 crores, Rs. 1.6976 crores, Rs. 1.9013 crores, Rs. 2.0938 crores, Rs. 2.2422 crores, Rs. 2.56848 crores and to Rs. 2.69904 crores in the years 1998-99, 1999-00, 2000-01, 2001-02, 2002-03, 2003-04 and in 2004-05 respectively. It reached to the peak point of Rs. 2.7145 crores at the end of the study period, 2005-06. Aggregate income per branch was worked out to Rs. 1.9896 crores, which indicates the bank earned Rs. 1.9896 crores per branch aggregately during the study period.

**SBH:**

Income per Branch of SBH was worked out to Rs. 1.3772 crores for the base year, 1996-97. It registered bullish movement during the study period. It rose to Rs. 1.4481 crores in the year 1997-98, Rs. 1.6562 crores in 1998-99 Rs. 2.0011 crores in 1999-00. It reached to the highest point Rs. 3.53681 crores at the end of the study period, 2005-06. Aggregate income per branch was worked out to Rs. 2.3880 crores, which indicates that the bank earned Rs. 2.3880 crores during the study period, per branch.

**SBI:**

Income per Branch of SBI registered upward tone during the study period. It was worked out to Rs. 1.1581 crores for the base year, 1996-97, which rose to Rs. 1.5078 crores in the year, 1998-99. It continued increasing tone and reached to Rs. 1.7360 crores in 1999-00, Rs. 2.1330 crores in 2000-01 and Rs. 2.7746 crores in 2001-02. It reached to the peak point of the study period Rs. 3.63275 crores at the end of the study period, 2005-06. The ratio analysis indicates that the bank (SBI) has earned aggregate Rs. 2.3388 crores per branch.

**SBM:**

Income per Branch of SBM registered upward movement during the study period, 1996-97 to 2005-06. It was worked out to Rs. 1.2335 crores for the base year, 1996-97. It increased to Rs. 1.2617 crores, Rs. 1.411 crores, Rs. 1.6261 crores, 1.8017 crores, Rs. 1.9940 crores, Rs. 2.2036 crores, Rs. 2.5035 crores, Rs. 2.45463 crores for the year 1997-98, 1998-99, 1999-00, 2000-01, 2001-02, 2002-03, 2003-04 and for 2004-05. It reached to Rs. 2.64168 crores at the end of the study period, 2005-06. It demotes that SBM earned Rs. 1.8878 crores as aggregate income per branch. It's the lowest one among all the banks under study.

**SBP:**

Income per Branch of SBP showed fluctuating trend during the study period, 1996-97 to 2005-06. It was worked out to Rs. 1.4303 crores for the base year, 1996-97, which increased to Rs. 1.4683 crores in the next year 1997-98. It went up to Rs. 1.6153 crores in 1998-99, Rs. 1.8701 crores in 1999-00, Rs. 2.0947 crores in 2000-01, Rs. 2.4468 crores in 2001-02, Rs. 2.8579 crores in 2002-03, Rs. 3.3899 crores in 2003-04 and to Rs. 3.31857 crores in 2004-05. It reached to the highest point at

the end of the study period to Rs. 3.70525 crores. Aggregate income per branch for SBP was worked out to Rs. 2.4297 crores for the study period. It's the third lowest position among the banks under study.

### **SBS:**

Income per Branch of SBS showed fluctuating tone during the study period, 1996-97 to 2005-06. It was worked out to Rs. 1.4897 crores for the base year, 1996-97. It increased to Rs. 1.5524 crores in the immediate year, 1997-98. It jumped to Rs. 1.7276 crores, Rs. 2.0080 crores, Rs. 2.1633 crores, Rs. 2.4726 crores, Rs. 2.7035 crores, Rs. 3.07175 crores and Rs. 3.01974 crores in the subsequent years, 1998-99, 1999-00, 2000-01, 2001-02, 2002-03, 2003-04 and 2004-05 respectively. It reached to Rs. 3.08045 crores at the end of the study period, 2005-06. Aggregate of income per branch was out to Rs. 2.3289 crores for the study period, which indicates that SBS earned aggregate Rs. 2.3289 crores during the study period.

### **SBT:**

Income per Branch of SBT registered bullish movement during the study period, 1996-97 to 2005-06. It was worked out to Rs. 1.5794 crores for the base year, 1996-97, which started gaining from the very immediate year, 1997-98 and reached to Rs. 1.7129 crores. In the immediate year, 1998-99, it showed upward movement and slightly moved up to Rs. 1.7651 crores. Then after, it went up sharply and reached to Rs. 2.0303 crores, Rs. 2.2498 crores, Rs. 2.4986 crores, Rs. 2.8086 crores, Rs. 3.30808 crores, Rs. 3.60722 crores and Rs. 3.84014 crores in the years 1999-00, 2000-01, 2001-02, 2002-03, 2003-04, 2004-05 and 2005-06 respectively. Aggregate income per branch was worked



out to Rs. 2.5400 crores for SBT for the study period, which indicates that SBT earned Rs. 2.5400 crores per branch during the study period.

The analysis of the ratio indicates that over all performance of the banks under study for Income per Branch is satisfactory. State Bank of India stood at the first position for earning Income per Branch among the banks under study while State Bank of Mysore is the lowest income-earning bank among sample banks.

Over all average of income per branch was worked out to Rs. 2.4083 crores, which indicates that the group of bank under study earned aggregately Rs. 2.4083 crores during the study period.

##### **5. Expenditure per Branch:**

The ratio Expenditure per Branch is proportion of expenditure to number of branches. The following formula is applied for calculation of the ratio:

$$\text{Expenditure per Branch} = \frac{\text{Expenditure}}{\text{No. of employees}}$$

Table 5.5 provides the data relating to expenditure per branch for SBI and for its Associates during the study period i.e. 1996-97 to 2005-06.

**Table – 5.5**  
**Expenditure per Branch (Rs. in Crores)**  
**(Base year - 1996-97)**

Group of Banks/Years	1996-97	1997-98	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	Average
<b>SBI</b>	1.8277	1.8866	2.3786	2.6229	3.1303	3.4731	3.7135	3.7847	3.8806	4.2103	3.0888
<b>SBBJ</b>	1.0789	1.2034	1.3277	1.5446	1.7684	1.8861	1.9859	2.1934	2.4494	2.6202	1.8058
<b>SBH</b>	1.3116	1.3314	1.5258	1.8548	2.0861	2.3244	2.4916	2.8150	2.6865	3.0844	2.1512
<b>SBI<sub>n</sub></b>	1.1122	1.1931	1.4276	1.6229	1.9765	2.4760	2.5483	2.7141	2.6248	3.3165	2.1012
<b>SBM</b>	1.1612	1.1718	1.3531	1.5447	1.7591	1.8849	2.0117	1.9663	2.1288	2.3036	1.7285
<b>SBP</b>	1.3458	1.2660	1.4731	1.6871	1.8719	2.1247	2.4216	2.8106	2.9358	3.3053	2.1242
<b>SBS</b>	1.3026	1.3489	1.6642	1.7882	2.1296	2.2731	2.4799	2.6474	2.8760	2.9393	2.1449
<b>SBT</b>	1.5178	1.6170	1.6999	1.9306	2.1045	2.3192	2.5537	2.9419	3.2383	3.4652	2.2388
Over all Average											2.1729

Source: Performance Highlights of Public Sector Banks.

Hypotheses :

Ho<sub>1</sub> : There is no significant difference among sample banks for expenditure per branch.

Ho<sub>2</sub> : There is no significant difference in a sample bank over study period for expenditure per branch.

ANOVA : Two factor without replication

Hypothesis	Source of Variation	SS	df	MS	Fcal.	Fcrit.
Ho <sub>1</sub>	Group of Banks	6.7492	7	0.9642	45.4611	2.2371
Ho <sub>2</sub>	Years	10.5104	9	1.7517	82.595	2.3240
	Error	0.8908	63	0.0212		
	Total	18.1504	79			

Conclusion: Ho<sub>1</sub> : Fcal. > Fcrit?  $\Rightarrow$  H<sub>1</sub> Accepted

Ho<sub>2</sub> : Fcal. > Fcrit?  $\Rightarrow$  H<sub>1</sub> Accepted

Ho<sub>1</sub> : It is concluded that there is significant difference among sample banks for expenditure per branch.

Ho<sub>2</sub> : It is concluded that there is significant difference in a sample bank over study period for expenditure per branch.

### **SBI:**

Expenditure per Branch of SBI showed upward trend during the study period, 1996-97 to 2005-06. It was worked out to Rs. 1.8277 crores for the base year 1996-97. It reached to Rs. 1.8866 crores in the immediate year, 1997-98, to Rs. 2.3786 crores in 1998-99, to Rs. 2.6229 crores in 1999-00, to Rs. 3.1303 crores in 2000-01, to Rs. 3.4731 crores in 2001-02, to Rs. 3.7135 crores in 2002-03, to to Rs. 37847 crores in 2003-04, to Rs. 3.8606 crores in 2004-05 and to Rs. 4.2103 crores in 2005-06. The ratio indicates that the expenditure per branch increased remarkably for SBI. Aggregate income per branch was worked out to Rs. 3.0888 crores, which indicates SBI incurred expenditure Rs. 3.0888 crores per branch, which is the highest expenditure among sample banks for the study period.

### **Associates:**

#### **SBBJ:**

Expenditure per Branch of SBBJ showed upward movement during the study period, 1996-97 to 2005-06. It was worked out to Rs. 1.0789 crores for the base year, 1996-97 which sharply rose to Rs. 1.2034 crores, Rs. 1.3277 crores, Rs. 1.5446 crores, Rs. 1.7684 crores, to Rs. 1.8861 crores, to Rs. 1.9859 crores, to Rs. 2.1935 crores and to Rs. 2.4495 crores in the years 1997-98, 1998-99, 1999-00, 2000-01, 2001-02, 2002-03, 2003-04 and in 2004-05 respectively. It reached to Rs. 2.6202 crores at the end of the study period, 2005-06. The study reveals the fact that SBBJ aggregately expended Rs. 1.8058 crores during the study period, which is the second lowest aggregate expenditure among the banks under study.

**SBH:**

Expenditure per Branch of SBH registered fluctuating movement during the study period. It was worked out to Rs. 1.3116 crores for the base year, 1996-97, which rose to Rs. 1.3314 crores in 1997-98, to Rs. 1.5258 crores in 1998-99 to Rs. 1.8548 crores in 1999-00, to Rs. 2.0861 crores in 2000-01, to Rs. 2.3244 crores in 2001-02, to Rs. 2.4916 crores in 2002-03, to Rs. 2.8150 crores in 2003-04 and to Rs. 2.6866 crores in 2004-05. It reached to the highest point to Rs. 3.0844 crores at the end of the study period, 2005-06. Aggregate expenditure per branch was worked out to Rs. 2.1512 crores for the study period, which denotes that SBH incurred Rs. 2.1512 crores expenditure per branch during the study period.

**SBIIn:**

Expenditure per Branch of SBIIn was worked out to Rs. 1.1122 crores for the base year, 1996-97, which increased to Rs. 1.1931 crores in the year 1997-98. It continued upward movement in the subsequent years even up to the end of the study period. It was worked out to Rs. 1.4276 crores for the year 1998-99, Rs. 1.6229 crores for the year 1999-00, Rs. 1.9765 crores for the year 2000-01, Rs. 2.4760 crores for the year 2001-02, Rs. 2.5483 crores for the year 2002-03 and Rs. 2.7141 crores for the year 2003-04. It decreased to Rs. 2.6248 crores in 2004-05. It went up at the highest level to Rs. 3.3166 crores at the end of the study period, 2005-06. Aggregate expenditure incurred per branch was worked out to Rs. 2.1012 crores, which indicates that the bank incurred Rs. 2.1012 crores aggregately per branch for the study period.

**SBM:**

Expenditure per Branch registered upward movement during the study period, 1996-97 to 2005-06. It was worked out to Rs. 1.1612 crores for the base year, 1996-97. It increased slightly by the immediate year to Rs. 1.1718 crores. It continued its upward trend during the subsequent years also and reached to Rs. 1.3531 crores, Rs. 1.5447 crores, Rs. 1.7591 crores, Rs. 1.8849 crores, Rs. 2.0117 crores, Rs. 1.9663 crores and Rs. 2.1288 crores in the years 1998-99, 1999-00, 2000-01, 2001-02, 2002-03, 2003-04 and in 2004-05 respectively. It stood at the highest point of Rs. 2.3036 crores at the end of the study period, 2005-06. Aggregate expenditure incurred per branch was worked out to Rs. 1.7285 crores per branch for the study period, which indicates SBM incurred Rs. 1.7285 crores as aggregate expenditure per branch during the study period.

**SBP:**

Expenditure per Branch of SBP registered mixed movement during the study period. It was worked out to Rs. 1.3458 crores for the base year, 1996-97, which went down in the immediate year 1997-98 to Rs. 1.2660 crores, which is a positive sign for the bank but then after, the bank expenditure registered upward movement up to the end of the study period. It reached to the peak point of Rs. 3.30537 crores at the end of the study period 2005-06. Aggregate expenditure per branch was worked out to Rs. 2.1242 crores, which denotes that the bank incurred aggregate Rs. 2.1242 crores expenditure per branch during the study period.

**SBS :**

Expenditure per Branch of SBS registered constant upward movement during the study period. It was worked out to Rs. 1.3026 crores for the base year, which toned up in the subsequent years to Rs.

1.3489 crores, Rs. 1.6642 crores, Rs. 1.7882 crores, Rs. 2.1296 crores, Rs. 2.2731 crores, Rs. 2.4799 crores, Rs. 2.6474 crores, Rs. 2.8761 crores and Rs. 2.9393 crores. Aggregate expenditure per branch was worked out to Rs. 2.1449 crores for the study period, which indicates that the bank incurred aggregately Rs. 2.1449 crores expenditure during the study period.

### **SBT :**

Expenditure per Branch of SBT showed upward movement during the study period. It was worked out to Rs. 1.5178 crores for the base year, 1996-97, which rose to Rs. 1.6170 crores in the immediate year 1997-98. Then after even it continued moving up to Rs. 1.6999 crores, Rs. 1.9306 crores, Rs. 2.1045 crores, Rs. 2.3192 crores Rs. 2.5537 crores, Rs. 2.9419 crores, and Rs. 3.2384 crores in the years 1998-99, 1999-00, 2000-01, 2001-02, 2002-03, 2003-04 and 2004-05 respectively. It reached to Rs. 3.4653 crores at the end of the study period, 2005-06. Average expenditure per branch was worked out to Rs. 2.2388 crores for the study period, which indicates that the bank incurred aggregate Rs. 2.2388 crores expenditure per branch during the study period.

Overall average expenditure per branch was worked out to Rs. 2.1729 crores for the group of bank under study for the study period which indicates that aggregately group of bank expended Rs. 2.1729 crores during the study period.

### **6. Spread per Branch :**

Spread per branch is the relationship between spread and number of branches.

The ratio is calculated as per following formula :

$$\text{Spread per Branch} = \frac{\text{Spread}}{\text{No. of branches}}$$

Table 5.6 presents the data regarding spread per branch for SBI and its Associates for the study period i.e. 1996-97 to 2005-06.

**Table 5.6**  
**Spread per Branch (Rs. in Crores)**  
**(Base year 1996-97)**

Group of Banks/Years	1996-97	1997-98	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	Average
<b>SBI</b>	0.6030	0.6057	0.6750	0.7662	0.9085	0.9996	1.0987	1.2310	1.525	1.6976	1.0113
<b>SBBJ</b>	0.3544	0.4093	0.4235	0.4748	0.5757	0.6191	0.6953	0.8910	1.0545	1.1933	0.6691
<b>SBH</b>	0.4351	0.4613	0.5439	0.5950	0.6962	0.7341	0.8364	0.9327	1.0359	1.1592	0.7430
<b>SBIIn</b>	0.4002	0.4171	0.5026	0.4693	0.5710	0.6974	0.8599	1.0423	1.1413	1.2307	0.7332
<b>SBM</b>	0.4128	0.4115	0.4249	0.4740	0.5201	0.5219	0.6401	0.7317	0.8605	0.9542	0.5952
<b>SBP</b>	0.4595	0.5015	0.5385	0.6561	0.8366	0.9087	1.0692	1.1065	1.3016	1.3248	0.8693
<b>SBS</b>	0.4687	0.4925	0.5566	0.5975	0.6182	0.6814	0.7718	0.9659	1.2124	1.1247	0.7489
<b>SBT</b>	0.3783	0.4063	0.3589	0.4227	0.5889	0.6297	0.7792	1.0229	1.3375	1.3842	0.7309
Over all Average											0.7626

Source: Performance Highlights of Public Sector Banks

Hypotheses :

Ho<sub>1</sub> : There is no significant difference among sample banks for spread per branch.

Ho<sub>2</sub> : There is no significant difference in a sample bank over study period for spread per branch.

ANOVA : Two factor without replication

Hypothesis	Source of Variation	SS	df	MS	Fcal.	Fcrit.
Ho <sub>1</sub>	Group of Banks	0.6087	7	0.0869	28.3872	2.2371
Ho <sub>2</sub>	Years	1.0790	9	0.1798	58.7077	2.3240
	Error	0.1287	63	0.0031		
	Total	1.8164	79			

**Conclusion:**       **$H_0_1 : F_{cal.} > F_{crit} ? \text{ } H_1 \text{ Accepted}$**

**$H_0_2 : F_{cal.} > F_{crit} ? \text{ } H_1 \text{ Accepted}$**

**$H_0_1$  : It is concluded that there is significant difference among sample banks for spread per branch.**

**$H_0_2$  : It is concluded that there is significant difference in a sample bank over study period for spread per branch.**

**SBI:**

Spread per Branch of SBI was worked out to Rs. 0.6030 crores for the base year, 1996-97, which registered upward movement during the study period, 1996-97 to 2005-06. It stepped up to Rs. 0.6057 crores in 1997-98. Afterwards, it started moving up very speedily and reached to Rs. 0.6750 crores in 1998-99, to Rs. 0.7662 crores in 1999-00, to Rs. 0.9085 crores in 2000-01 to Rs. 0.9996 crores in 2001-02, to Rs. 1.0987 crores in 2002-03, to Rs. 1.2310 crores in 2003-04 and to Rs. 1.5275 crores in 2004-05. At the end of the study period it reached to the peak point of the study period to Rs. 1.6979 crores. Aggregate spread per branch was worked out to Rs. 1.0113 crores, which indicates that excess interest income over interest expended was Rs. 1.0113 crores for SBI during the study period, which is the highest among group of bank under study.

**SBBJ:**

Spread per Branch of SBBJ was Rs. 0.3544 crores for the base year, 1996-97, which increased to Rs. 0.4093 crores in 1997-98. It continued upward movement in the subsequent year also and reached to Rs. 0.4235 crores in 1998-99, Rs. 0.4748 crores in 1999-00, Rs. 0.5757 crores in 2000-01, Rs. 0.6191 crores in 2001-02, Rs. 0.6953 crores in



2002-03, Rs. 0.8911 crores in 2003-04 and Rs. 1.0545 crores in 2004-05. It reached to the highest point of Rs. 1.1934 crores in 2005-06. Average of spread per branch was worked out to Rs. 0.6691 crores for the study period for SBBJ, which indicates that SBBJ earned excess of interest income over interest expenditure of Rs. 0.6691 crores during the study period.

**SBH:**

Spread per Branch of SBH was worked out to Rs. 0.4351 crores for the base year, 1996-97, which showed bullish movement during the study period, 1996-97 to 2005-06. It rose to Rs. 0.4613 crores in 1997-98, to Rs. 0.5439 crores in 1998-99, to Rs. 0.5950 crores in 1999-00, to Rs. 0.6962 crores in 2000-01, to Rs. 0.7341 crores in 2001-02, to Rs. 0.8364 crores in 2002-03, to Rs. 0.9328 crores in 2003-04 and to Rs. 1.0359 crores in 2004-05. It reached to the extreme point to Rs. 1.1592 crores in 2005-06. Aggregate spread per branch was worked out to Rs. 0.7430 crores for the study period which indicates that SBH earned excess of interest income over interest expenditure Rs. 0.7430 crores for the study period.

**SBIIn:**

Spread per Branch of SBIIn was worked out to Rs. 0.4002 crores for the base year, 1996-97, which started moving up by the immediate year only and reached to Rs. 0.4171 crores in 1997-98 then after it reached to Rs. 0.5026 crores, Rs. 0.4693 crores, Rs. 0.5710 crores, Rs. 0.6974 crores, Rs. 0.8599 crores, Rs. 1.0423 crores, Rs. 1.1414 crores and Rs. 1.2307 crores in the years 1998-99, 1999-00, 2000-01, 2001-02, 2002-03, 2003-04, 2004-05 and 2005-06 respectively. Aggregate spread per branch was worked out to Rs. 7332 crores for the study period for

SBIIn. It indicates that SBIIn had excess of interest income over interest expenditure per branch Rs. 0.7332 crores for the study period.

**SBM:**

Spread per Branch of SBM registered mixed trend during the study period. It was worked out to Rs. 0.4128 crores for the base year, 1996-97, which stepped down in the immediate year to Rs. 0.4115 crores in 1997-98. Then after, it started moving up and reached to Rs. 0.4249 crores in 1998-99, to Rs. 0.4740 crores in 1999-00, to Rs. 0.5201 crores in 2000-01, to Rs. 0.5219 crores in 2001-02, to Rs. 0.6401 crores in 2002-03, to Rs. 0.7317 crores in 2003-04 and to Rs. 0.8606 crores in 2004-05. It reached at the top to Rs. 0.9542 crores at the end of the study period, 2005-06. Average spread per employee was worked out to Rs. 0.5952 crores, which is the lowest average for the bank among sample bank. It indicates that SBM had excess of interest income over interest expended Rs. 0.5952 crores per branch.

**SBP:**

Spread per Branch of SBP was worked out to Rs. 0.4595 crores for the base year, 1996-97 which moved up to Rs. 0.5015 crores, to Rs. 0.5385 crores and to Rs. 0.6561 crores in 1997-98, 1998-99, 1999-00. It jumped to Rs. 0.8366 crores in 2000-01, to Rs. 0.9087 in 2001-02, to Rs. 1.0692 crores in 2002-03, to Rs. 1.1066 crores in 2003-04 and to Rs. 1.3017 crores in 2004-05. It stood at the highest point of Rs. 1.3149 crores at the end of the study period, 2005-06. Average of spread per branch was worked out to Rs. 0.8693 crores for the study period, which indicates that the bank aggregately had excess of interest income over interest expenditure per branch Rs. 0.8693 crores for the study period.

**SBS:**

Spread per Branch of SBS was worked out to Rs. 0.4687 crores for the base year, 1996-97, which increased to Rs. 0.4925 crores in the year 1997-98. It moved up to Rs. 0.5566 crores in 1998-99. It continued moving up in the subsequent years also and reached to Rs. 0.5975 crores in 1999-00, to Rs. 0.6182 crores in 2000-01, to Rs. 0.6814 crores in 2001-02, to Rs. 0.7718 crores in 2002-03, to Rs. 0.9660 crores in 2003-04 and to Rs. 1.2124 crores in 2004-05. It reached to the peak point of Rs. 1.1248 crores in 2005-06. Its aggregate was worked out to Rs. 0.7490 crores for the study period, which indicates that aggregately Rs. 0.7490 crores was excess of interest earning over interest expended per branch for the study period.

**SBT:**

Spread per Branch of SBT was worked out to Rs. 0.3783 crores for the base year, 1996-97. It registered fluctuating movement during the study period. It reached to Rs. 0.4063 crores in 1997-98 but in the immediate year 1998-99, it went down to Rs. 0.3589 crores. It stepped up in the subsequent years and reached to Rs. 0.4227 crores in 1999-00, to Rs. 0.5889 crores in 2000-01, to Rs. 0.6297 crores in 2001-02, to Rs. 0.7792 crores in 2002-03, to Rs. 1.0230 crores in 2003-04 and to Rs. 1.3376 crores in 2004-05. It reached to the peak point of Rs. 1.3843 crores in 2005-06. Average of spread per branch was worked out to Rs. 0.7309 crores, which indicates that SBT had excess of interest income over interest expenditure of Rs. 0.7309 crores per branch.

Over all average of spread per branch was worked out to Rs. 0.7626 crores for the banks in group, for the study period, which indicates that SBI and its Associates collectively earned excess of interest income over interest expenditure of Rs. 0.7626 crores per branch.

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**CHAPTER - 6**  
**"COMPARATIVE ANALYSIS OF DEPOSITS  
AND ADVANCES"**

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## **6.1 Introduction :**

Among the factors determining the rate of growth in a developing economy, capital investment occupies a premier position and a major portion of the requisite capital must come out of the savings of the people. Bank deposits are the hearts of the banking industry as they are the raw material with which the banks function.<sup>1</sup> Deposits constitute a major source of funds for financing economic development and growth.

Survival and development of banks are as such mainly influenced by their ability to harness deposits from different pockets of the society rather than by their volume of capital resources. The ability of banks to undertake developmental lending functions depends upon the deposits mobilized by them. Banks also need large funds of deposits to enable them to invest matching funds in the non-priority sectors to avail better returns.

Supply of savings may become a factor limiting investment. Decision to save cannot by them selves be expected to stimulate investment under conditions of inadequate effective demand. The levels of savings at prevailing prices determine the volume of resources available to realize investment. The volume of domestic savings set limits to the feasible investment outlay and consequently on incremental capital output ratio. The proportion of output allocated to investment determines the rate of economic growth.

Real savings that would have been otherwise used for lending to other purposes have to be released for lending for investment purpose for the production of capital goods. The main source of financing national

economy is domestic saving, which is followed by financing and investment forms the crux of economic development.

## **6.2 Role of Bank Deposits in Economic Development :**

Banks are essential instruments of accelerated growth in a developing economy. In fact banks are nerve centers of the economy. The primary task of banking institutions is to mobilize the diffused and thinly scattered savings of a poor and populous community and to direct them into productive investment. Among the financial institutions that have been mobilizing savings and investments, commercial banks have created a nucleus for the process of economic growth. They are both the repositories of community savings and purveyors of credit for economic development.

The existing saving potential of under developed nations has to be transformed into saving that can be accessible and beneficial to the community. New saving habits have to be developed. The policy should be to guide people increasingly to deposit savings at financial institutions or to invest them in financial assets through financial institutions savings can be invested in various fields as well as made accessible to other investors.

From economic point of view, the major task of banks and other financial institutions is to act, as intermediaries channelizing savings to investments and consumption and through them the investment requirements of savers are reconciled with the credit needs of investors and consumers.



Financial intermediation by banks plays a catalytic role in promoting economic development by spreading banking and saving habits and by helping to fund productive ventures, which in turn generate production employment and income. As a general rule, the banking should respond to the demands of a dynamic economy both through structural and financial adaptation taking into account the special conditions of each country.

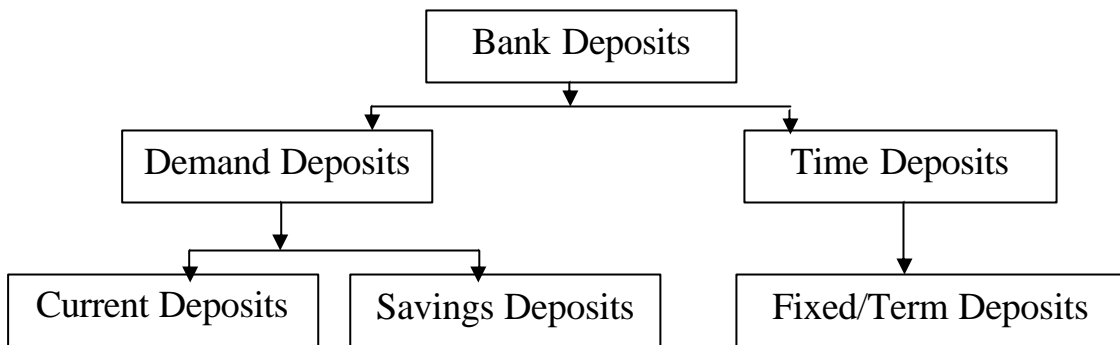
A developing economy needs a high rate of capital formation to accelerate the tempo of economic development. But the rate of capital formation depends upon the rate of saving. In under developed countries, savings is very low. However, potential saving is also unrealized due to under development or lack of banking. Hence, by mobilizing the community savings and diverting them into productive channels and by credit creation, the banks, which command huge financial resources, expand the tempo and volume of aggregate economic activity in the country.

### **Composition of Bank Deposits :**

Broadly, bank deposits are classified into demand deposits and time deposits. Demand deposits are those deposits, which may be withdrawn by the depositors or transferred to someone else at any time without previous notice to the banks. The demand deposits are further classified into current and savings deposits. Current deposits cater the needs of industrialists and businessmen mainly for transaction purposes. The number of withdrawal permitted under current account is very liberal and hence no interest is paid on them. Savings deposit accounts cater to the saving needs of households and other to meet their household expenditure and limited withdrawals are permissible.

## Classification of Deposits :

Chart - 6.A



Time deposits also known as fixed or term deposits. These are those deposits with banks for a period ranging from 45 days to above 5 years; notice of withdrawal must be a part of a contract between the holder and the bank. These deposit accounts are of various maturities from 45 days to above 5 years. Different interest rates are paid on different maturity. These deposits cater to the long term saving needs of households and others.

The most important characteristics of such deposits are better liquidity than any other long-term financial assets, payments of market rates of interest and high degree of security. The composition of deposits under went change after 1969 in favour of fixed deposits.

### **6.3 Trends of Deposits :**

Table 6.1 and chart 6.1 exhibit the position of deposits in SBI and in its Associates during the study period, 1996-97 to 2005-06.

#### **SBI :**

Deposits in SBI registered upward trend during the study period. It was Rs. 110701 crores in the base year 1996-97 which rose to Rs. 131091

crores in 1997-98 to Rs. 169042 crores in 1998-99, to Rs. 196821 crores in 1999-00 to Rs. 242828 crores, in 2000-01, to Rs. 270560 crores in 2001-02, to Rs. 296123 crores in 2002-03, Rs. 318619 crores in 2003-04 and to Rs. 367048 crores in 2004-05. It reached to the highest point of Rs. 380046 crores at the end of the study period, 2005-06. Index on the base year showed that it has increased at considerably high rate during the study period and registered 3.433 times growth over the base year.

### **Associates :**

#### **SBBJ :**

Deposits in SBBJ registered upward movement during the study period. It was Rs. 5398 crores in the base year, 1996-97. It reached to Rs. 6525 crores, Rs. 7741 crores, Rs. 9074 crores, Rs. 10326 crores and Rs. 11661 crores in the years 1997-98, 1998-99, 1999-00, 2000-01 and in 2001-02 respectively. It moved up to Rs. 13234 Crores in 2002-03, to Rs. 16453 crores in 2003-04 and to Rs. 19038 Crores in 2004-05. It reached to the peak point of the study period to Rs. 21694 crores at the end of the study period, 2005-06. Index on the base year was worked out to 401.89 percent at the end of the study period. It means it gave 4.02 times effect over the base year.

**Table 6.1**  
**Trends of Deposits**  
**(Base year 1996-97)**

Year	Item	SBI	SBBJ	SBH	SBIIn	SBM	SBP	SBS	SBT
1996-97	Deposits (Rs. In Crores)	110701	5398	7238	2797	4366	7229	3700	6464
	Index on the basis of the Yr. 1996-97	100	100	100	100	100	100	100	100
1997-98	Deposits (Rs. in Crores)	131091	6525	8649	3369	4769	7737	3995	7468
	Index on the basis of the Yr. 1996-97	118.42	120.88	119.49	120.45	109.23	107.23	107.97	115.53
1998-99	Deposits (Rs. in Crores)	169042	7741	10615	4028	5575	8847	4779	8658
	Index on the basis of the Yr. 1996-97	152.70	143.40	146.66	144.01	127.69	122.38	129.16	133.94
1999-00	Deposits (Rs. in Crores)	196821	9074	12527	5096	6632	10182	5773	10183
	Index on the basis of the Yr. 1996-97	177.80	168.11	173.07	182.21	151.91	140.85	156.03	157.53
2000-01	Deposits (Rs. in Crores)	242828	10326	14842	6698	7609	11574	6668	11573
	Index on the basis of the Yr. 1996-97	219.35	191.29	205.06	239.47	174.28	160.11	180.22	179.04
2001-02	Deposits (Rs. in Crores)	270560	11661	17403	7918	8525	13943	7603	13460
	Index on the basis of the Yr. 1996-97	244.41	216.02	240.44	283.09	195.26	192.88	205.49	208.23
2002-03	Deposits (Rs. in Crores)	296123	13234	20599	9217	9013	17870	9051	15926
	Index on the basis of the Yr. 1996-97	267.50	245.16	284.60	329.53	206.44	247.20	244.62	246.38
2003-04	Deposits (Rs. in Crores)	318619	16453	25311	10512	11273	22473	10675	19721
	Index on the basis of the Yr. 1996-97	287.82	304.80	349.70	375.83	258.20	310.87	288.51	305.09
2004-05	Deposits (Rs. in Crores)	367048	19038	28930	13807	13585	26496	12613	24133
	Index on the basis of the Yr. 1996-97	331.57	352.69	399.70	493.64	311.15	366.52	340.89	373.34
2005-06	Deposits (Rs. in Crores)	380046	21694	34025	16661	16369	33778	13841	25997
	Index on the basis of the Yr. 1996-97	343.31	401.89	470.09	595.67	374.92	467.26	374.08	402.18

Source: Annual Reports of SBI and its Associates

**SBH :**

Deposit in SBH also registered upward movement during the study period. It was Rs. 7238 crores in the base year, which increased to Rs. 8649 crores in 1997-98. It continued moving up in the subsequent years also and reached to Rs. 10615 crores in 1998-99, to Rs. 12527 crores in 1999-00, to Rs. 14842 crores in 2000-01, to Rs. 17403 crores in 2001-02, to Rs. 20599 crores in 2002-03, to Rs. 25311 crores in 2003-04, to Rs. 28930 crores in 2004-05 and to Rs. 34025 crores at the end of the study period, 2005-06. It was the highest deposits collected by the associates of SBI. It gave 4.70 times growth over the base year.

**SBIIn :**

Deposits of SBIIn was Rs. 2797 crores for the base year, 1996-97, which rose to Rs. 3369 crores giving the growth of 1.20 times over base year. It continued its upward movement in the subsequent years also and reached to Rs. 4028 crores in 1998-99, which was 1.44 times growth over base year. Deposit of SBI was Rs. 5096 crores in 1999-00, Rs. 6698 crores in 2000-01, Rs. 7918 crores in 2001-02 and Rs. 9217 crores in 2002-03. It continued moving up and reached to Rs. 10512 crores in 2003-04, to Rs. 13807 crores in 2004-05 and to Rs. 16661 crores in 2005-06. Deposit of SBIIn came to 5.957 times more over its base year 1996-97, in 2005-06. Index on the basis of the year 1996-97 was the highest in case of SBIIn, which indicates favorable collection from public in form of deposits by the bank.

**SBM :**

Deposits of SBM were Rs. 4366 crores for 1996-97 which became 1.09 times more over the base year and reached to Rs. 4769 crores in 1997-98. It continued upward trend in the subsequent years also and

reached to Rs. 5575 crores in 1998-99, Rs. 6632 crores in 1999-00, Rs. 7609 crores in 2000-01, Rs. 8525 crores in 2001-02 and to Rs. 9013 crores in 2002-03. It moved up in the subsequent years also and reached to Rs. 16369 crores in 2005-06. Index on the base year was worked out to 374.92 percent at the end of the study period, which indicates that deposits of SBM became 3.7492 times over the base year's deposits.

### **SBP :**

Deposits of SBP was Rs. 7229 crores for the base year, 1996-97 which rose to Rs. 7737 crores in 1997-98, Rs. 8847 crores in 1998-99, Rs. 10182 crores in 1999-00, Rs. 11574 crores in 2000-01 and Rs. 13943 crores in 2001-02. It continued moving up in the subsequent years also and reached to Rs. 17870 crores in 2002-03, to Rs. 22473 crores in 2003-04 and to Rs. 26496 crores in 2004-05. It reached to the peak point of Rs. 33778 crores at the end of the study period 2005-06. It indicates that it became 467.26 percent more over its base year's deposits.

### **SBS :**

Deposits in SBS registered upward trend during the study period. It was only Rs. 3700 crores in the base year, which went up to Rs. 3995 crores in 1997-98, Rs. 4779 crores in 1998-99, Rs. 5773 crores in 1999-00, Rs. 6668 crores in 2000-01 and Rs. 7603 crores in 2001-02. It reached to Rs. 9051 crores in 2002-03, to Rs. 10675 crores in 2003-04 and to Rs. 12613 crores in 2004-05. It reached to the top Rs. 13841 crores in 2005-06 at the end of the study period. Index on the base year reveals the fact that it grew by 374.08 percent over the base year.

### **SBT :**

Deposits in SBT was Rs. 6464 crores in 1996-97 which became 115.53 percent more by the next year, 1997-98 and reached to Rs. 7468 crores. It was Rs. 8658 crores in 1998-99, Rs. 10183 crores in 1999-00, Rs. 11573 crores in 2000-01 and Rs. 13460 crores in 2001-02. It went up to Rs. 15926 crores in 2002-03, to Rs. 19721 crores in 2003-04 and to Rs. 24133 crores in 2004-05. It rose by 402.18 percent over base year and reached to Rs. 25997 crores at the end of the study period, 2005-06.

### **6.4 Productivity of Deposits :**

Productivity of Deposits has been measured with basic input number of employees and number of branches. They are depicted as :

- (i) Deposits per Employee and
- (ii) Deposits per Branch.

#### **(i) Deposits per Employee :**

Deposits per employee are the part of productivity ratio. It is the relationship of the output deposits to the input employee. It measures human resource efficiency in case of output deposits.

Deposits per employee are the proportion of deposits to no. of employees. The following formula is applied for calculation of the ratio.

$$\text{Deposits per Employee} = \frac{\text{Deposits}}{\text{No. of Employees}}$$

Table 6.2 presents the data of deposits per employee of SBI and its Associates during the study period i.e. 1996-97 to 2005-06.

**Table 6.2**  
**Deposits per Employee**  
**(Base year - 1996-97) (Rs. in Crores)**

Group of Banks/Years	1996-97	1997-98	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	Average
SBI	0.46867	0.54701	0.71174	0.84316	1.13025	1.29169	1.41687	1.5389	1.7860	1.9120	1.1646
SBBJ	0.35801	0.43369	0.51709	0.61402	0.77106	0.87723	1.00186	1.2604	1.4778	1.7945	0.9106
SBH	0.51268	0.60611	0.72635	0.84987	1.00114	1.29139	1.53976	1.9062	2.2072	2.5957	1.3236
SBI <sub>n</sub>	0.41068	0.49316	0.58741	0.73562	1.0211	1.21133	1.41146	1.6073	2.1393	2.5065	1.2124
SBM	0.39374	0.42512	0.4874	0.58082	0.76319	0.86354	0.92509	1.1630	1.4207	1.6799	0.8703
SBP	0.51623	0.59028	0.67511	0.77339	0.96904	1.17804	1.53335	1.9251	2.2851	2.9760	1.3422
SBS	0.46159	0.49977	0.58624	0.7099	0.88995	1.02186	1.22211	1.4443	1.7219	1.9073	1.0465
SBT	0.49759	0.57231	0.65364	0.78612	0.95077	1.10898	1.32664	1.6425	2.0403	2.2330	1.1812
Over all Average											1.1314

Source: Performance Highlights of Public Sector Banks

Hypotheses:

Ho<sub>1</sub>: There is no significant difference among sample banks for deposits per employee.

Ho<sub>2</sub> : There is no significant difference in a sample bank over study period for deposits per employee.

ANOVA : Two factor without replication

Hypothesis	Source of Variation	SS	df	MS	Fcal.	Fcrit.
Ho <sub>1</sub>	Group of Banks	0.6413	7	0.9162	17.496	2.2371
Ho <sub>2</sub>	Years	4.7553	9	0.7925	147.48	2.3240
	Error	0.2257	63	0.0053		
	Total	5.6224	79			

**Conclusion :** Ho<sub>1</sub> : Fcal. > Fcrit?  $\Rightarrow$  H<sub>1</sub> Accepted

Ho<sub>2</sub> : Fcal. > Fcrit?  $\Rightarrow$  H<sub>1</sub> Accepted

Ho<sub>1</sub> : Here, alternative hypothesis is accepted and it is concluded that there is significant difference among the group of bank for deposits per employees.



**Ho<sub>2</sub> : Here, alternative hypothesis is accepted and it is concluded that there is significant difference in a sample bank over study period for deposits per employee.**

**SBI :**

Deposits per employee of SBI were worked out to Rs. 0.46867 crores for the base year 1996-97, which rose to Rs. 0.54701 crores in 1997-98. It continued moving up during the study period and reached to Rs. 0.71174 crores at the end of the year 1998-99. It jumped to Rs. 0.84316 crores in 1999-00. From 2000-01 it started gaining the position of more than Rs. 1 crore. It reached to Rs. 1.13025 crores and to Rs. 1.29169 crores in the years 2000-01 and 2001-02 respectively. It reached to Rs. 1.41687 crores in 2002-03, to Rs. 1.5389 crores in 2003-04 and to Rs. 1.7860 crores in 2004-05. It reached to the highest point of Rs. 1.9120 crores at the end of the study period, 2005-06. Aggregate of deposits per employee was worked out to Rs. 1.1646 crores, which indicates that SBI collected Rs. 1.1646 crores deposits per employee during the study period.

**Associates :**

**SBBJ :**

Deposits per employee of SBBJ was worked out to Rs. 0.35801 crores for the base year, which registered upward movement during the study period and reached to Rs. 0.43369 crores in 1997-98, Rs. 0.51709 Crores in 1998-99, Rs. 0.61402 crores in 1999-00, Rs. 0.77106 crores in 2000-01 and to Rs. 0.87723 crores in 2001-02. It reached to Rs. 1.00186 crores in 2002-03, to Rs. 1.2604 crores in 2003-04 and to Rs. 4778 crores in 2004-05. It reached to the peak point of Rs. 1.9120 crores at the end of the study period, 2005-06. Aggregate of deposit per employee was

worked out to Rs. 0.9106 crores for the study period which indicates that SBBJ gathered Rs. 0.9106 crores of deposits per employee during the study period.

**SBH :**

Deposits per employee of SBH was worked out to Rs. 0.51268 crores for the base year, 1996-97 which rose to Rs. 0.60611 crores in 1997-98, Rs. 0.72635 crores in 1998-99, Rs. 0.84987 crores in 1999-00, Rs. 1.00114 crores in 2000-01 and Rs. 1.29139 crores in 2001-02. It reached to Rs. 1.53976 crores in 2002-03, to Rs. 1.9062 crores in 2003-04, to Rs. 2.2072 crores in 2004-05 and to Rs. 2.5957 crores in 2005-06. Aggregate of deposits per employee was worked out to Rs. 1.3236 crores for the study period, which indicates that SBH collected Rs. 1.3236 crores as deposits per employee from the public.

**SBIIn :**

Deposits per employee of SBIIn were Rs. 0.41068 crores for the base year, which rose to Rs. 0.49316 crores in 1997-98. It continued moving up in the subsequent years and reached to Rs. 0.58741 crores in 1998-99, to Rs. 0.73562 crores in 1999-00, to Rs. 1.0211 crores in 2000-01 and to Rs. 1.21133 crores in 2001-02, to Rs. 1.41146 crores in 2002-03, to Rs. 1.6073 crores in 2003-04 and to Rs. 2.1393 crores in 2004-05. It reached to the peak point of Rs. 2.5065 crores in 2002-03. Average of deposits per employee was worked out to Rs. 1.2124 crores for the study period, which indicates that SBIIn collected aggregate Rs. 1.2124 crores during the study period.

**SBM :**

Deposits per employee of SBM was worked out to Rs. 0.39374 crores for the base year which registered upward movement during the study period and reached to Rs. 1.6799 crores at the end of the study period, 2005-06. Aggregate of SBM was worked out to Rs. 0.8703 crores which indicates that SBM collected Rs. 0.8703 crores during the study period.

**SBP :**

Deposits per employee of SBP were worked out to Rs. 0.51623 crores for the base year. It went up during the study period and it reached to Rs. 2.9760 crores at the end of the study period. Aggregate of SBP deposits was worked out to Rs. 1.3422 crores for the study period, which indicates that SBP collected Rs. 1.3422 crores from public during the study period.

**SBS :**

Deposits per employee were Rs. 0.46159, crores in the base year, which continuously moved up during the study period and reached to Rs. 1.9073 crores at the end of the study period. Aggregate of deposits per employee was worked out to Rs. 1.0465 crores for SBS, which indicates that SBS gathered Rs. 1.0465 crores of deposits per employee during the study period.

**SBT :**

SBT aggregately collected Rs. 1.1812 crores of the deposits per employee during the study period. It registered upward movement during the study period and reached to Rs. 2.2330 crores at the end of the study period, 2005-06 from Rs. 0.49759 crores of the base year, 1996-97.

(ii) **Deposits per Branch :**

Deposits per branch are the part of productivity ratio. It measures the productivity of branch. Here, the input is branch and output is deposits. It is the relationship between inputs no. of branches to output deposits. It is calculated as follows:

$$\text{Deposits per Branch} = \frac{\text{Deposits}}{\text{No. of Branches}}$$

Table 6.3 provides the data related to deposits per branch of SBI and its Associates for the study period 1996-97 to 2005-06.

**Table 6.3**  
**Deposits per Branch**  
**(Base year - 1996-97) (Rs. in Crores)**

Group of Banks/Years	1996-97	1997-98	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	Average
<b>SBI</b>	12.4551	14.6881	18.8201	21.765	26.7491	29.781	32.6091	35.631	40.0882	41.2645	27.3283
<b>SBBJ</b>	7.065	8.5076	9.9241	11.5299	13.038	14.7235	16.6881	20.4642	23.1048	26.0741	15.1119
<b>SBH</b>	9.0469	10.395	12.4151	14.333	16.9042	19.6641	23.0413	28.0607	31.1405	36.0430	20.1044
<b>SBIIn</b>	7.5192	8.8886	10.408	12.7409	16.3775	18.8984	21.585	24.1644	31.3797	37.8653	18.9827
<b>SBM</b>	7.8388	8.485	9.6284	11.1844	12.6174	14.114	14.9224	18.1526	21.4616	25.5363	14.3941
<b>SBP</b>	10.3424	10.944	12.4259	14.2601	16.0085	19.2853	24.2137	30.2466	35.3276	44.5616	21.7616
<b>SBS</b>	9.736	10.4029	11.9476	14.2893	16.3821	18.498	21.8622	25.5377	30.1027	32.4910	19.1250
<b>SBT</b>	9.8833	11.3152	13.0276	15.2663	17.2471	19.9699	23.7351	29.5230	36.0194	37.6761	21.3663
Over all Average											19.7718

Source: Performance Highlights of Public Sector Banks

**Hypotheses:**

Ho<sub>1</sub>: There is no significant difference among sample banks for deposits per branch.

Ho<sub>2</sub> : There is no significant difference in a sample bank over study period for deposits per branch.

### ANOVA : Two factor without replication

Hypothesis	Source of Variation	SS	df	MS	Fcal.	Fcrit.
Ho <sub>1</sub>	Group of Banks	577.7374	7	82.5339	35.0044	2.2371
Ho <sub>2</sub>	Years	1103.106	9	183.851	77.9752	2.3240
	Error	99.0281	63	2.3578		
	Total	1779.872	79			

**Conclusion :**                    **Ho<sub>1</sub> : Fcal. > Fcrit?  $\mathcal{H}_1$  Accepted**

**Ho<sub>2</sub> : Fcal. > Fcrit?  $\mathcal{H}_1$  Accepted**

**Ho<sub>1</sub> : Here, alternative hypothesis is accepted and it is concluded that there is significant difference among the group of bank for deposits per branch.**

**Ho<sub>2</sub> : Here, alternative hypothesis is accepted and it is concluded that there is significant difference in a sample bank over study period for deposits per branch.**

#### **SBI :**

Deposits per branch of SBI registered upward movement during the study period. It was worked out to Rs. 12.4551 crores for the base year 1996-97 which reached to Rs. 41.2645 crores at the end of the study period, 2005-06. It is the highest deposits per branch among group of bank deposits per branch under study. Aggregate of deposits per branch was worked out to Rs. 27.3283 crores for the study period.

**Associates :**

**SBBJ :**

Deposits per branch of SBBJ were worked out to Rs. 7.065 crores for the base year 1996-97. It registered upward trend during the study period and reached to Rs. 26.0741 crores deposits per branch at the end of the study period, 2005-06. Average of deposits per branch was worked out to Rs. 15.1119 crores for SBBJ, which indicates SBBJ collected Rs. 15.1119 crores as deposits per branch during the study period.

**SBH :**

Deposits per branch of SBH were worked out to Rs. 9.0469 crores for the base year, 1996-97, which reached to Rs. 36.0430 crores at the end of the study period. Aggregate of deposits per branch was worked out to Rs. 20.1044 crores for the study period.

**SBIIn :**

Deposits per branch of SBI were Rs. 7.5192 crores for the base year, which went up to Rs. 37.8653 crores at the end of the study period. Aggregate of deposits per branch was worked out to Rs. 18.9827 crores for the study period, which indicates that SBI collected Rs. 18.9827 crores as deposits per branch from public.

**SBM :**

SBM's deposits per branch were Rs. 7.8388 crores for the base year, which rose to Rs. 25.5363 crores at the end of the study period, 2005-06. Aggregate of deposits per branch was worked out to Rs. 14.3941 crores for the study period. It is the lowest deposit per branch collected during the study period.

### **SBP :**

Deposits per branch of SBP were worked out to Rs. 10.3424 crores for the base year 1996-97, which moved up to Rs. 44.5616 crores per branch at the end of the study period. SBP is at the second highest position for collection of deposits per branch during the study period. Aggregate of it was worked out to Rs. 21.7616 crores for the study period.

### **SBS :**

SBS collected Rs. 9.736 crores of the amount as deposits per branch in the base year, which toned up during the study period and reached to Rs. 32.4910 crores at the end of the study period. Average of deposits per branch was worked out to Rs. 19.1250 crores for the study period.

### **SBT :**

SBT's deposits per branch was worked out to Rs. 9.8833 crores for the base year, which registered upward movement during the study period and reached to Rs. 37.6761 crores of deposits per branch at the end of the study period, 2005-06. Aggregate of deposits per branch was worked out to Rs. 21.3663 crores for the study period.

Overall average of deposits per branch was worked out to Rs. 19.7718 crores, which indicates that SBI and its associates collected Rs. 19.7718 crores deposits per branch.

## **6.5 Role of Bank Advances in Economic Development :**

The lending funds are by far the most important among all the portfolio items of a commercial bank. The advances constitute the

backbone of the banking system. The strength of the banking system primarily depends upon the soundness of the advances. Bank lending is very much important to the economy as it makes possible financing in different productive activities of the economy of the country. Advances also play an important role in the gross earning and net profits of the banks as also in promoting economic development of a country since there can be no development in the absence of finance.<sup>2</sup>

The basic function of credit is to enable borrowers to purchase goods and services ahead of their ability or desire to pay. Demand for credit arises because of time-consuming nature of the productive and distributive processes. Consumer demands for credit to acquire goods in advance for which they are able to pay in future. The major role of bank is, indeed deployment of savings of the community for its benefits as also for increasing productivity, production and employment. The loans are given to industries mainly for working capital needs and partly for fixed investment purposes.

During the pre-nationalization phase (prior to 1969), it was banking of security orientation and profit making, much to the satisfaction of the shareholders. No doubt, it was a commercial perception of safe guarding the institutions in its first place by creating a financial discipline in the borrowings. The pre-dominative private sector banking in those days was urban oriented, rigid credit standard oriented and devoid of government interference.



## **Credit Policy for Banks :**

The Reserve Bank of India's responsibility of determining the policy in relation to advances to be followed by banks is giving direction in this respect. Provision of adequate credit at reasonable cost has been an important objective of credit policy of the Government of India and the Reserve Bank.

The lending policies of banks are directed towards improving the quality of lending and helping the borrowers to move to a higher technological plans. The emphasis is on purposive and productive lending in place of security oriented lending in case of weaker sections. The focus also shifted to increased flow of credit to agriculturally less developed areas, catering increasingly to the needs of the small farmers and other small borrowers in rural areas. The reorientation of commercial banks towards social banking is the outcome of the social control and nationalization which ushered in an era of directed lending to priority sectors which were higher to neglected so far due to risk and loss involved.

Time bound targets for lending to priority sectors were stipulated. The targeting system was introduced at a time when banking was concentrating at urban metropolitan centers, catering mainly to the corporate industrial and trading centers.<sup>3</sup> The banking industry was entrusted with the responsibility of bringing economic development by providing adequate and timely credit to various sectors.

The banks nationalization in 1969 implied a revolutionary change in the principles and objectives of credit policy of commercial banks.

The credit policy was reoriented in the proper perspective of urgent needs of the balanced economic growth of the country in a socially desirable manner. This policy lays stress on the purpose of borrowing, the viability of the project and the entrepreneur ability of the borrowers rather than on their means, status, reputation and profitability consideration.<sup>4</sup> One of the objectives of monetary and credit policy of RBI after nationalization is to utilize bank credit as a catalytic agent for the development of backward regions.<sup>5</sup>

### **Loanable Funds :**

The supply of credit could be considered to be an increasing function of bank deposits.<sup>6</sup> Increase in bank reserves would prompt banks to advance more credit.

In India, the demand on resources of the banks is a complex mixture of statutory, administered and normal. Under the direction of the RBI, the commercial banks are required to maintain two reserve ratios, viz. Cash Reserve Ratio (CRR) and Statutory Liquidity Ratio (SLR). For CRR the banks have to hold a specific part of their deposits in the form of cash balances with the RBI. Up to 1970s the CRR was around 5 percent but since then up to the introduction of financial sector reforms, there have been steep increase and it reached 15 percent in 1991, CRR was 4.5 % on June 14, 2003 and SLR was 25 %.

For SLR the banks have to hold a specific portion of their deposits in the form of government and other approved securities. The trend of SLR was also firmly upward. By law the upper limit of SLR is 40 percent. The SLR increased from 25 percent in 1970 to 38.5 percent in

1991. At the time of implementation of financial sector reforms, fifty three rupees out of every one hundred rupees deposits were required to be maintained as statutory reserves (in the form of CRR and SLR) which carried considerably lower interest rates than were available on commercial advances and they could barely cover even the cost of funds.

After statutory pre-emption, from the remaining amount of about Rs. 47, out of every hundred rupees the banks were directed to lend a sizable part of their lending to certain priority sectors at concessional rates of interest, it being 33 percent of total advances in the initial period and 40 percent in subsequent period. From the balance of Rs. 47, 40 percent (or about Rs. 18.80) of total lending is required to lend to the priority sectors or preferred sectors at concessional rates of interest. Food credit and export credit claimed ten rupees more. The banks therefore were left with only about Rs. 18 to be lent at will. Thus, a sizable portion of bank resources was virtually taken out as banks discretion regarding deployment of funds.<sup>7</sup>

### **Credit Deposit Ratio :**

The credit deposit ratio is usually calculated as a proportion of the credit sanctioned by banks in a geochartical area such as a state, of the deposits collected in that area / state. The availability of credit to the private sector as a proportion of the total deposits is indicated as credit deposit ratio. This ratio with all its imperfection, is an indication of how much of the resources mobilized in a particular area are being utilized for granting credit in the same area.

The concept of credit deposit ratio has a certain relevance in as much as it provides an index of the involvement of banks in a state, while aggregate credit deposit ratio of the banking system is influenced largely by monetary policy, variations in this ratio among states reflect both involvement of banks and the absorptive capacity of different states.

However, even for the purpose of measuring the extent to which a state has been benefited form bank credit, it is better to take the ratio of bank credit utilized in the state rather than the credit granted in a particular state. Many a time the bank credit may migrate to some other states for being utilized their CDR was 55 % on December 26, 2003. CDR showed following position in the year 2005-06 for the banks under study:

<b>Bank</b>	<b>CDR</b>
SBI	68.84
SBBJ	73.27
SBH	61.32
SBIIn	71.28
SBM	71.81
SBP	65.66
SBS	61.00
SBT	72.57
Aggregate	68.49

Source: Performance Highlights of Public Sector Banks

## **6.6 Trends of Advances :**

Table 6.4 exhibits trend of advances in SBI and in its Associates during the study period, 1996-97 to 2005-06.

**Table 6.4**  
**Trends of Advances**  
**(Base year - 1996-97)**

Year	Item	SBI	SBBJ	SBH	SBIIn	SBM	SBP	SBS	SBT
1996-97	Advances	62233	3012	4041	1607	2407	3787	2155	3659
	Index on the basis of the Yr. (1996-97) Base Yr	100	100	100	100	100	100	100	100
1997-98	Advances (Rs. in Crores)	74237	3660	4630	1902	2632	4105	2257	4001
	Index on the basis of the Yr. (1996-97) Base Yr	119.29	121.51	114.58	118.36	109.35	108.40	104.73	109.35
1998-99	Advances (Rs. in Crores)	82360	3841	5332	2120	2986	4814	2721	4252
	Index on the basis of the Yr. (1996-97) Base Yr	132.34	127.52	131.95	131.92	124.05	127.12	126.26	116.21
1999-00	Advances (Rs. in Crores)	98102	4401	6088	2824	3725	5775	3196	5131
	Index on the basis of the Yr. (1996-97) Base Yr	157.64	146.12	150.66	176.85	154.76	152.5	148.31	140.23
2000-01	Advances (Rs. in Crores)	113590	5168	7091	3427	4287	6833	3593	6397
	Index on the basis of the Yr. (1996-97) Base Yr	182.52	171.58	175.48	213.25	178.11	180.43	166.73	174.83
2001-02	Advances (Rs. in Crores)	120806	5883	8423	4285	4915	8679	4111	7436
	Index on the basis of the Yr. (1996-97) Base Yr	194.12	195.32	208.44	266.05	204.20	229.18	190.77	203.22
2002-03	Advances (Rs. in Crores)	137758	6773	9603	5183	5261	10746	4649	9171
	Index on the basis of the Yr. (1996-97) Base Yr	221.36	224.9	239.1	322.5	218.6	283.8	215.7	250.6
2003-04	Advances (Rs. in Crores)	157934	8597	11814	6406	6307	13086	5240	11132
	Index on the basis of the Yr. (1996-97) Base Yr	253.78	285.42	292.35	398.63	262.03	345.55	243.16	304.24
2004-05	Advances (Rs. in Crores)	202374	12009	15600	9041	8781	15359	6714	14848
	Index on the basis of the Yr. (1996-97) Base Yr	325.19	398.71	386.04	562.60	364.81	405.57	311.55	405.79
2005-06	Advances (Rs. in Crores)	261642	15896	20863	11876	11754	22180	8443	18866
	Index on the basis of the Yr. (1996-97) Base Yr	420.42	527.76	516.28	739.02	488.33	585.69	391.79	515.61

Source: Annual Reports of SBI and its Associates

### **SBI :**

Advances of SBI registered upward movement during the study period. It was Rs. 62233 crores in the base year which rose to Rs. 74237 crores in 1997-98, Rs. 82360 crores in 1998-99, Rs. 98102 crores in 1999-00, Rs. 113590 crores in 2000-01, Rs. 120806 crores in 2001-02,

Rs. 137758 crores in 2002-03, Rs. 157934 crores in 2003-04, Rs. 202374 crores in 2004-05 and reached to the peak point of Rs. 261642 crores at the end of the study period, 2005-06. Index on the base year was worked out to 420.42 percent at the end of the study period, 2005-06, which indicates that advances of SBI increased by 4.20 times over its base year.

### **Associates :**

#### **SBBJ :**

Advances of SBBJ were Rs. 3012 crores for the base year, 1996-97, which registered upward movement during the study period. It reached to Rs. 3660 crores in 1997-98, Rs. 3841 crores in 1998-99, Rs. 4401 crores in 1999-00, Rs. 5168 crores in 2000-01, Rs. 5883 crores in 2001-02 and Rs. 6773 crores in 2002-03. It reached to Rs. 8597 crores in 2003-04, to Rs. 12009 crores in 2004-05 and to Rs. 15896 crores in 2005-06. Index on the base year was worked out to 527.76 percent, which indicates that advances of SBBJ increased by 527.76 percent over the base year.

#### **SBH :**

Advances of SBH were Rs. 4041 crores for the base year, 1996-97. It registered upward tone during the study period. It reached to Rs. 4630 crores, Rs. 5332 crores, Rs. 6088 crores, Rs. 7091 crores Rs. 8423 crores, Rs. 9663 crores in the years 1997-98, 1998-99, 1999-00, 2000-01, 2001-02 and 2002-03 respectively. It continued moving up at the end of the study years also and reached to Rs. 11814 crores in 2003-04, to Rs. 15600 crores in 2004-05 and to Rs. 20863 crores in 2005-06. Its index on the base year was worked out to 516.28 percent at the end of the study period which indicates that advances of SBH was increased by 516.28 percent over the base year.

### **SBIIn :**

Advances of SBIIn were Rs. 1607 crores in the base year, which were the lowest advances for the base year among group of bank under study. It reached to Rs. 1902 crores in 1997-98 which was 18.36 percent increase over base year. It registered upward movement during the study period and reached to the peak point at the end of the study period. It reached to Rs. 2120 crores in 1998-99, Rs. 2842 crores in 1999-00, Rs. 3427 crores in 2000-01, Rs. 4285 crores in 2001-02 and to Rs. 5183 crores in 2002-03. In continued moving up and reached to Rs. 6406 crores in 2003-04, to Rs. 9041 crores in 2004-05 and to Rs. 11876 crores in 2005-06. It increased by 739.02 percent over the base year, which is the highest index on the base year among group of banks. It indicates that advances of SBIIn became 7.39 times over its base year.

### **SBM :**

Advances of SBM was Rs. 2407 crores in the base year which rose to Rs. 2632 crores in 1997-98, Rs. 2986 crores in 1998-99, Rs. 3725 crores in 1999-00, Rs. 4287 crores in 2000-01, Rs. 4915 crores in 2001-02, to Rs. 5261 crores in 2002-03, to Rs. 6307 crores in 2003-04, to Rs. 8781 crores in 2004-05 and Rs. 11754 crores in 2005-06. Index on the base year was worked out to 488.33 percent, which indicates that advances of SBM became 4.88 fold at the end of the study period over the base year.

### **SBP :**

Advances of SBP were Rs. 3787 crores in the base year, which registered upward movement during the study period. It reached to Rs. 22180 crores at the end of the study period. Index on base year was

worked out to 585.69 percent, which indicates that advances of SBP rose by 585.69 percent over the base year.

### **SBS :**

Advances of SBS were Rs. 2155 crores in the base year. It went up to Rs. 2257 crores, Rs. 2721 crores, Rs. 3196 crores, Rs. 3593 crores, Rs. 4111 crores and to Rs. 4649 crores, to Rs. 5240 crores, to Rs. 6714 crores and to Rs. 8443 crores in the years 1997-98, 1998-99, 1999-00, 2000-01, 2001-02, 2002-03, 2003-04, 2004-05 and in 2005-06 respectively. Index on the base year was worked out to 391.79 percent, which indicates that advances of SBS became 3.92 times more over base year. Index on the base year was the lowest for SBS among group of bank under study.

### **SBT :**

Advances of SBT were Rs. 3659 crores in the base year, which registered upward trend during the study period and reached to Rs. 18866 crores at the end of the study period. Index on the base year worked out to 515.61 percent, which indicates that advances of SBT increased by 515.61 percent over the base year, at the end of the study period.

## **6.7 Productivity of Advances :**

Productivity of Advances has been measured with basic input: number of employees and number of branches. They are depicted as:

- (i) Advances per Employee
- (ii) Advances per Branch



(i) **Advances per Employee:**

Advances per employee are productivity ratio. It measures the productivity of employee as input for advances as output. In other words, it is the relationship between advances and no. of employees. The following is the formula for calculation of advances per employee

$$\text{Advances per Employee} = \frac{\text{Advances}}{\text{No. of Employees}}$$

Table 6.5 provides the data of advances per employee of SBI and its Associates for the study period i.e. 1996-97 to 2005-06.

**Table 6.5**  
**Advances per Employee**  
**(Base year - 1996-97) (Rs. in Crores)**

Group of Banks/Years	1996-97	1997-98	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	Average
SBI	0.26347	0.30978	0.34677	0.42026	0.52871	0.57675	0.65914	0.7628	0.9847	1.3163	0.6169
SBBJ	0.19976	0.24329	0.25657	0.29781	0.38591	0.44259	0.51278	0.6585	0.9931	1.3149	0.5305
SBH	0.28625	0.32449	0.36485	0.41254	0.47835	0.62501	0.72228	0.8897	1.1902	1.5916	0.6885
SBIa	0.23594	0.27839	0.30922	0.41015	0.52248	0.6555	0.79371	0.9795	1.4008	1.7867	0.7372
SBM	0.21705	0.23464	0.26107	0.32617	0.43000	0.49782	0.53994	0.6506	0.9183	1.2063	0.5282
SBP	0.27043	0.3132	0.36731	0.43869	0.57212	0.73325	0.92212	1.1210	1.3246	1.9542	0.8017
SBS	0.26891	0.28243	0.33373	0.39302	0.47992	0.55256	0.62771	0.7090	0.9166	1.1634	0.5727
SBT	0.2817	0.3066	0.32129	0.39614	0.52559	0.61263	0.7639	0.9272	1.2554	1.6205	0.7011
Over all Average											0.6470

Source: Performance Highlights of Public Sector Banks

**Hypotheses:**

Ho<sub>1</sub>: There is no significant difference among sample banks for advances per employee.

Ho<sub>2</sub> : There is no significant difference in a sample bank over study period for advances per employee.

### ANOVA : Two factor without replication

Hypothesis	Source of Variation	SS	df	MS	Fcal.	Fcrit.
Ho <sub>1</sub>	Group of Banks	0.1721	7	0.0245	12.0893	2.2371
Ho <sub>2</sub>	Years	1.3052	9	0.2175	106.9274	2.3240
	Error	0.0854	63	0.0020		
	Total	1.5628	79			

**Conclusion :** Ho<sub>1</sub> : Fcal. > Fcrit?  $\text{?H}_1$  Accepted

Ho<sub>2</sub> : Fcal. > Fcrit?  $\text{?H}_1$  Accepted

**Ho<sub>1</sub> :** Here, alternative hypothesis is accepted and it is concluded that there is significant difference among the group of bank for advances per employees.

**Ho<sub>2</sub> :** Here, alternative hypothesis is accepted and it is concluded that there is significant difference in a sample bank over study period for advances per employee.

#### **SBI :**

Advances per employee of SBI were Rs. 0.26347 crores for the base year 1996-97. It showed upward movement during the study period. It reached to Rs. 0.30978, crores Rs. 0.34677, crores Rs. 0.42026, crores Rs. 0.52871 crores and Rs. 0.57675 crores in the years 1997-98, 1998-99, 1999-00, 2000-01 and 2001-02 respectively. It reached to Rs. 0.65914 crores in 2002-03, to Rs. 0.7628 crores in 2003-04, to Rs. 0.9847 crores in 2004-05 and reached at the peak point of Rs. 1.3163 crores at the end of the study period, 2005-06. Aggregate of it was worked out to Rs. 0.6169 crores which indicates that SBI advances aggregately Rs. 0.6169 crores during the study period.

### **Associates :**

#### **SBBJ :**

Advances per employee of SBBJ registered upward trend during the study period, 1996-97 to 2005-06. It was worked out to Rs. 0.19976 crores for the base year, 1996-97 which reached to Rs. 0.24329 crores in 1997-98, Rs. 0.25657 crores in 1998-99, Rs. 0.29781 crores in 1999-00, Rs. 0.38591 crores in 2000-01, Rs. 0.44250 crores in 2001-02 and Rs. 0.51278 crores in 2002-03. It continued moving up in the subsequent years also and reached to Rs. 0.6585 crores in 2003-04, to Rs. 0.9931 crores in 2004-05 and to Rs. 1.3149 crores in 2005-06. Aggregate of advances per employee for the study period was worked out to Rs. 0.5305 crores which indicates that SBBJ given advances per employee of Rs. 5305 crores during the study period.

#### **SBH :**

Advances per employee of SBH worked out to Rs. 0.28625 crores for the base year 1996-97, which registered upward movement during the study period. It went up to Rs. 0.32449 crores in 1997-98, Rs. 0.36485 crores in 1998-99, Rs. 0.41254 crores in 1999-00 and to Rs. 0.47825 crores in 2000-01. It jumped to Rs. 0.62501 crores in 2001-02, to Rs. 0.72228 crores in 2002-03, to Rs. 0.8897 crores in 2003-04, to Rs. 1.1902 crores in 2004-05 and reached to the peak point of the study period to Rs. 1.5916 crores at the end of the study period, 2005-06. Average of advances per employee for SBH was worked out to Rs. 0.6885 crores which indicates SBH provided advances of Rs. 0.6885 crores during the study period.

### **SBIIn :**

Advances of SBIIn registered upward trend during the study period. It was worked out to Rs. 0.23594 crores for the base year, 1996-97 which reached to Rs. 0.79371 crores at the end of the study period, 2002-03. It continued moving up and reached to Rs. 1.7867 crores at the end of the study period, 2005-06. Average of advances per employee was worked out to Rs. 0.7372 crores for SBIIn for the study period. It indicates that SBIIn provided advances of Rs. 0.7372 crores for the study period.

### **SBM :**

Advances per employee of SBM were worked out to Rs. 0.21705 crores for the base year 1996-97. It registered upward movement during the study period and reached to Rs. 1.2063 crores at the end of the study period, 2005-06. Aggregate of advances per employee was worked out to Rs. 0.5282 crores for the study period which indicates that SBM's average advances were Rs. 0.5282 Crores for the study period.

### **SBP**

Advances per employee of SBP were Rs. 0.27043 crores for the base year, 1996-97. It registered upward trend during the study period and reached to the peak point of Rs. 1.9542 crores at the end of the study period, 2005-06. Average of advances per employee worked was out to Rs. 0.8017 crores which indicates that aggregately Rs. 0.8017 crores was advances provided by SBP during the study period.

### **SBS :**

Advances per employee of SBS were Rs. 0.26891 crores for the base year, 1996-97. It registered bullish movement during the study period and reached to Rs. 1.1634 crores at the end of the study period,

2005-06. Aggregate of advances per employee was worked out to Rs. 0.5727 crores for the study period.

**SBT :**

Advances per employee for SBT was worked out to Rs. 0.2817 crores for the base year, which registered upward trend during the study period and reached to Rs. 1.6205 crores at the end of the study period, 2005-06. Aggregate of it was worked out to Rs. 0.7011 crores for the study period which indicates that SBT provided advances per employee of Rs. 0.7011 crores aggregately.

Overall average of advances per employee for group of bank under study was worked out to Rs. 0.6470 crores. It indicates that SBI group of bank provided advances aggregately of Rs. 0.6170 crores during the study period.

(ii) **Advances per Branch :**

Advances per branch are productivity ratio. It measures the productivity of branch as input to advances as output. Thus, it is the relationship between advances and branch. The following formula is applied for calculation of the ratio:

$$\text{Advances per Branch} = \frac{\text{Advances}}{\text{No. of branches}}$$

Table 6.6 provides the data of advances per branch of SBI and its Associates for the study period from 1996-97 to 2005-06.

**Table 6.6**  
**Advances per Branch**  
**(Base Year 1996-97) (Rs. in Crores)**

Group of Banks/Years	1996-97	1997-98	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	Average
<b>SBI</b>	7.0019	8.3179	9.1694	10.8484	12.5127	13.2974	15.1700	17.3802	22.1029	28.4084	14.4209
<b>SBBJ</b>	3.9422	4.7725	4.9241	5.5923	6.5254	7.4284	8.5414	10.6922	14.5741	19.1055	8.6098
<b>SBH</b>	5.0513	5.5651	6.2362	6.9576	8.0769	9.5171	10.8083	13.0972	16.7920	22.1007	10.4202
<b>SBI<sub>n</sub></b>	4.3198	5.0175	5.4788	7.1038	8.3801	10.2267	12.1381	14.7266	20.5469	26.9908	11.4929
<b>SBM</b>	4.3211	4.6833	5.1573	6.2809	7.1090	8.1366	8.7097	10.1557	13.8724	18.3372	8.6763
<b>SBP</b>	5.4179	5.8068	6.7607	8.0888	9.4514	12.0039	14.5615	17.6128	20.4790	29.2612	12.9444
<b>SBS</b>	5.6719	5.9408	6.8015	7.9111	8.8343	10.0026	11.2290	12.5370	16.0240	19.8193	10.4772
<b>SBT</b>	5.5953	6.0618	6.4035	7.6930	9.5343	11.0319	13.6672	16.6653	22.1617	27.3426	12.6157
Over all Average											11.2072

Source: Performance Highlights of Public Sector Banks

Hypotheses:

Ho<sub>1</sub>: There is no significant difference among sample banks for advances per branch.

Ho<sub>2</sub> : There is no significant difference in a sample bank over study period for advances per branch.

ANOVA : Two factor without replication

Hypothesis	Source of Variation	SS	Df	MS	Fcal.	Fcrit.
Ho <sub>1</sub>	Group of Banks	118.4519	7	16.9216	33.6462	2.2371
Ho <sub>2</sub>	Years	289.7102	9	48.2850	96.0075	2.3240
	Error	21.1230	63	0.5029		
	Total	429.285	79			

**Conclusion : Ho<sub>1</sub> : Fcal. > Fcrit? ?H<sub>1</sub> Accepted**

**Ho<sub>2</sub> : Fcal. > Fcrit ? ?H<sub>1</sub> Accepted**

**Ho<sub>1</sub> : Here, alternative hypothesis is accepted and it is concluded that there is significant difference among the group of bank for advances per branch.**

**Ho<sub>2</sub> : Here, alternative hypothesis is accepted and it is concluded that there is significant difference in a sample bank over study period for advances per branch.**

**SBI :**

Advances per branch of SBI were Rs. 7.0019 crores for the base year, 1996-97, which registered upward movement during the study period i.e. 1996-97 to 2002-03. It reached to Rs. 8.3179 crores in 1997-98, Rs. 9.1649 crores in 1998-99, Rs. 10.8484 crores in 1999-00, Rs. 12.5127 crores in 2000-01, Rs. 13.2974 crores in 2001-02, Rs. 15.17 crores in 2002-03, Rs. 17.3802 crores in 2003-04, Rs. 22.1029 crores in 2004-05 and reached to the peak point of Rs. 28.4084 crores at the end of the study period, 2005-06. Aggregate of the ratio was worked out to Rs. 14.4209 crores for the study period, which indicates that the bank made advances of Rs. 14.4209 crores aggregately for the study period.

**Associates :**

**SBBJ :**

Advances per branch of SBBJ was worked out to Rs. 3.9422 crores for the base year which rose to Rs. 4.7725 crores in 1997-98, Rs. 4.9241 crores in 1998-99, Rs. 5.5923 crores in 1999-00, Rs. 6.5254 crores in 2000-01 and Rs. 7.4284 crores in 2001-02, Rs. 8.5414 crores in 2002-03, Rs. 10.6922 crores in 2003-04 and Rs. 14.5741 crores in 2004-05. It liked to Rs. 19.1055 crores in 2005-06. Average of advances per branch was worked out to Rs. 8.6098 crores for the study period.

**SBH :**

Advances per branch were worked out to Rs. 5.0513 crores for the base year, which registered upward movement during the study period. It rose to Rs. 5.5651 crores in 1997-98, Rs. 6.2362 crores in 1998-99, Rs. 6.9576 crores in 1999-00, Rs. 8.0769 crores in 2000-01, Rs. 9.5171 crores in 2001-02 and Rs. 10.8083 crores in 2002-03. It continued moving up and reached to Rs. 13.0972 crores in 2003-04, to Rs. 16.7920 crores in 2004-05 and to Rs. 22.1007 crores in 2005-06. Aggregate of advances per branch was worked out to Rs. 10.4202 crores for the study period, which indicates that SBH made aggregate advances per branch Rs. 10.4202 crores during the study period.

**SBIIn :**

Advances per branch of SBIIn were worked out to Rs. 4.3198 crores for the base year, which registered upward trend during the study period. It reached to Rs. 5.0175 crores in 1997-98, Rs. 5.4788 crores in 1998-99, Rs. 7.1038 crores 1999-00, Rs. 8.3801 crores in 2000-01 and to Rs. 10.2267 crores in 2001-02, Rs. 12.1381 crores in 2002-03, Rs. 14.7266 crores in 2003-04, Rs. 20.5469 crores in 2004-05, and Rs. 26.9908 crores in 2005-06. It reached to the top of Rs. 26.9908 crores at the end of the study period 2005-06. Aggregate of advances per branch for SBIIn was worked out to Rs. 11.4929 crores for the study period.

**SBM :**

Advances per branch of SBM for the base year 1996-97 was worked out to Rs. 4.3211 crores. It registered upward trend during the study period. It reached to Rs. 4.6833 crores in 1997-98, Rs. 5.1573 crores in 1998-99, Rs. 6.2809 crores in 1999-00, Rs. 7.109 crores in 2000-01 and to Rs. 8.1366 crores in 2001-02. It reached to peak point of



Rs. 18.3372 crores at the end of the study period, 2005-06. Aggregate of advances per branch was worked out to Rs. 8.6763 crores for the study period, which indicates that SBM provided aggregate advances of Rs. 8.6763 crores during the study period.

### **SBP :**

Advances per branch of SBP were worked out to Rs. 5.4179 crores for the base year, which registered upward movement during the study period and reached to Rs. 5.8068 crores in 1997-98. In the subsequent year even it gained as lot and reached to Rs. 6.7607 crores, Rs. 8.0888 crores, Rs. 9.4514 crores, Rs. 12.0039 crores and Rs. 14.5615 crores in 1998-99, 1999-00, 2000-01, 2000-01, 2001-02 and in 2002-03 respectively. It continued moving up and reached to Rs. 17.6128 crores in 2003-04, to Rs. 20.4790 crores in 2004-05 and to Rs. 29.2612 crores in 2005-06. Aggregate of advances per branch was worked out to Rs. 12.9444 crores for the study period, which indicates that SBP aggregately made advances of Rs. 12.9444 crores during the study period.

### **SBS :**

Advances per branch of SBS were worked out to Rs. 5.6719 crores for the base year, 1996-97, which reached to Rs. 5.9408 crores in 1997-98. It registered upward trend during the study period. It stepped up to Rs. 6.8015, crores Rs. 7.9111 crores, Rs. 8.8343 crores and Rs. 10.0026 crores in 1998-99, 1999-00, 2000-01 and 2001-02 respectively. It reached to Rs. 11.229 crores in 2002-03, to Rs. 12.5370 crores in 2003-04 and to Rs. 16.0240 crores in 2004-05. It reached at the highest point of Rs. 19.8193 crores at the end of the study period, 2005-06. Aggregate of advances per branch was worked out to Rs. 10.4772 crores for the study

period. It indicates that aggregate advances per branch of SBS are Rs. 10.4772 crores for the study period.

### **SBT :**

Advances per branch of SBT were worked out to Rs. 5.5953 crores for the base year, 1996-97. It registered upward movement during the study period. It stepped up to Rs. 6.0618 crores in the subsequent year, 1997-98. Then, onward even, it registered upward trend and went to Rs. 6.4035 crores in 1998-99 then to Rs. 7.693 crores in 1999-00. It moved up to Rs. 9.5343 crores in 2000-01, to Rs. 11.0319 crores in 2001-02 and reached to the peak point of Rs. 27.3426 crores in 2005-06. Average of advances per branch was worked out to Rs. 12.6157 crores for the study period.

Overall average of advances per branch was worked out to Rs. 11.2072 crores for the study period, which indicates that group of bank under study provided advances aggregately Rs. 11.2072 crores for the study period.

## **6.8 Comparative Study of Deposits and Advances :**

Banks provide loans and advances from deposits only. Here, comparative study of deposits and advances is significant to measure the efficiency of sample banks.

Table 6.7 exhibits comparative study of deposits and advances, ratio of advances to deposits and aggregate of ratio of advances to deposits of SBI and of its Associates during the study period, 1996-97 to 2005-06.

### **SBI:**

Deposits and advances (individually) of SBI registered upward movement during the study period. Deposits were Rs. 110701 crores while advances were only Rs. 62233 crores in the base year. The ratio of advances to deposits was worked out to 56%, which indicates against Rs. 100 as deposits, the bank provided advances of Rs. 56 only in the base year. For the subsequent year 1997-98, the ratio was worked out to 56.63%. The ratio advances to deposits went down in the subsequent year to 48.72% in 1998-99, 49.84% in 1999-00, 46.78% in 2000-01, 43.21% in 2001-02 and to 46.52% in 2002-03. It moved up to 49.57% in 2003-04, to 55.14% in 2004-05 and to 68.84% in 2005-06. Aggregate of the ratio was worked out to 52.15% for the study period, which indicates that against aggregate deposits of Rs. 100 SBI provided advances aggregately of Rs. 52 only.

### **Associates :**

#### **SBBJ:**

Deposits and advances (individually) of SBBJ registered upward trend during the study period while advances to deposits ratio registered fluctuating movement during the study period. Deposit were Rs. 5398 crores while advances were Rs. 3012 crores in the base year 1996-97. Ratio of advances to deposits was worked out to 55.80 percent for the base year Deposits were Rs. 6525 crores while advances were only Rs. 3660 crores in 1997-98. The ratio for the same period was worked out to 56.09 percent.

**Table 6.7**  
**Comparative Study of Deposits & Advances**  
**(Base Year : 1996-97)**

Group of Bank		SBI		SBBJ		SBH		SBIn		SBM		SBP		SBS		SBT	
Year	Item	Dep.	Adv.	Dep.	Adv.	Dep.	Adv.	Dep.	Adv.	Dep.	Adv.	Dep.	Adv.	Dep.	Adv.	Dep.	Adv.
1996-97	(Rs. in Crores)	110701	62233	5398	3012	7238	4041	2797	1607	4366	2407	7229	3787	3700	2155	6464	3659
	Ratio of Adv. to Dep.	56.22 %		55.80%		55.83%		57.45%		55.13%		52.39%		58.24%		56.61%	
1997-98	(Rs. in Crores)	131091	74237	6525	3660	8649	4630	3369	1902	4769	2632	7737	4105	3995	2257	7468	4001
	Ratio of Adv. to Dep.	56.63%		56.09%		53.53%		56.46%		55.19%		53.06%		56.50%		53.58%	
1998-99	(Rs. in Crores)	169042	82360	7741	3841	10615	5332	4028	2120	5575	2986	8847	4814	4779	2721	8658	4252
	Ratio of Adv. to Dep.	48.72%		49.62%		50.23%		52.63%		53.56%		54.41%		56.94%		49.11%	
1999-00	(Rs. in Crores)	196821	98102	9074	4401	12527	6088	5096	2842	6632	3725	10182	5775	5773	3196	10183	5131
	Ratio of Adv. to Dep.	49.84%		48.50%		48.60%		55.77%		56.17%		56.72%		55.36%		50.39%	
2000-01	(Rs. in Crores)	242828	113590	10326	5168	14842	7091	6698	3427	7609	4287	11574	6833	6668	3593	11573	6397
	Ratio of Adv. to Dep.	46.78 %		50.05%		47.78%		51.16%		56.34%		59.04%		53.88%		55.28%	
2001-02	(Rs. in Crores)	270560	120806	11661	5883	17403	8423	7918	4285	8525	4915	13943	8679	7603	4111	13460	7436
	Ratio of Adv. to Dep.	43.21%		50.45%		48.40%		54.12%		57.65%		62.25%		54.07%		55.25%	
2002-03	(Rs. in Crores)	296123	137758	13234	6773	20599	9663	9217	5183	9013	5261	17870	10746	9051	4649	15926	9171
	Ratio of Adv. to Dep.	46.52%		51.18%		46.91%		56.23%		58.37%		60.13%		51.36%		57.59%	
2003-04	(Rs. in Crores)	318619	157934	16453	8597	25611	11814	10512	6406	11273	6307	22473	13086	10675	5240	19721	11132
	Ratio of Adv. to Dep.	49.57%		52.25%		46.67%		60.94%		55.95%		58.23%		49.09%		56.45%	
2004-05	(Rs. in Crores)	367048	202374	19038	12009	28930	15600	13807	9041	13585	8781	26496	15359	12613	6714	24133	14848
	Ratio of Adv. to Dep.	55.14%		63.08%		53.92%		65.48%		64.64%		57.97%		53.23%		61.53%	
2005-06	(Rs. in Crores)	380046	261642	21694	15896	34025	20863	16661	11876	16369	11754	33778	22180	13841	8443	25997	18866
	Ratio of Adv. to Dep.	68.84%		73.27%		61.32%		71.28%		71.81%		65.66%		61.00%		72.57%	
Average		52.15%		55.03%		51.32%		58.15%		58.48%		57.99%		54.97%		56.84%	
Overall Average		55.62%															

Source: Annual Report of SBI and its Associates.

For subsequent years, deposits and advances were Rs. 7741 crores and Rs. 3841 crores, Rs. 9074 crores and 4401 crores, Rs. 10326 crores and Rs. 5168 crores, Rs. 11661 crores and Rs. 5883 crores, Rs. 13234 crores and Rs. 6773 crores for 1998-99, 1999-00, 2000-01, 2001-02 and 2002-03 respectively. It continued moving up in the subsequent years also and reached to Rs. 16,453.18 crores and Rs. 8596.55 crores for the year 2003-04, Rs. 19038.40 crores and Rs. 12009.08 crores in the year 2004-05 which reached to the peak point to Rs. 21693.61 crores and to Rs. 15895.80 crores in the year 2005-06. Advances to deposits ratio was worked out to 56.09 percent, 49.62 percent, 48.50 percent, 50.05 percent, 50.45 percent and 51.18 percent, 52.25 percent, 63.08 percent and 73.27 percent for respective years from 1997-98 to 2005-06. Average of the ratio was worked out to 55.03 percent, which indicates against Rs. 100 deposits average Rs. 55 provided as advances.

### **SBH :**

Deposits and advances (individually) of SBH registered upward movement during the study period. While advances to deposits ratio registered fluctuating movement during the study period. Deposits and advances of SBH were Rs. 7238 crores and Rs. 4041 crores, Rs. 8649 crores and Rs. 4630 crores, Rs. 10615 crores and Rs. 5332 crores, Rs. 12527 crores and Rs. 6088 crores, Rs. 14842 crores and Rs. 7091 crores, Rs. 17403 crores and Rs. 8423 crores, Rs. 20599 crores and Rs. 9663 crores, Rs. 25310.72 Crores and Rs. 11813.68 crores, Rs. 28929.52 crores and Rs. 15599.74 crores and reached to peak point to Rs. 34024.60 crores and Rs. 20863.02 crores during the study period 1996-97 to 2005-06 respectively. Its advances to deposits ratio was worked out to 55.83 percent for the base year, 1996-97 which rose to 53.53 percent in 1997-98. Then after, it went down to 50.23 percent in 1998-99. It continued

down ward movement in the subsequent year 1999-00 and in 2000-01 also and reached to 48.60 percent and 47.78 percent in the respective years. Then after, it improved slightly and gained to 48.40 percent in 2001-02 but once more it toned down to 46.91 percent and to 46.67 percent in 2002-03 and in 2003-04. It gained much at the end of the study period and reached to 53.92 percent and to 61.32 percent in 2004-05 and in 2005-06 respectively. Average of the ratio was worked out to 51.32 percent, which indicates that SBH provided as advances aggregately of Rs. 51 against Rs. 100 of deposits.

### **SBIIn :**

Deposits and advances (individually) of SBIIn registered upward trend but advances to deposits ratio showed fluctuating movement during the study period. Deposits & advances and advances to deposits ratio were: Rs. 2797 crores & Rs. 1607 crores and 57.45 percent in 1996-97, Rs. 3369 crores & Rs. 1902 crores and 56.46 percent in 1997-98, Rs. 4028 crores & Rs. 2120 crores and 52.63 percent in 1998-99, Rs. 5096 crores & Rs. 2842 crores and 55.77 percent in 1999-00, Rs. 6698 crores & Rs. 3427 crores and 51.16 percent in 2000-01, Rs. 7918 crores & Rs. 4285 crores and 54.12 percent in 2001-02, Rs. 9217 crores & Rs. 5183 crores and 56.23 percent in 2002-03, Rs. 10511.50 crores & 6406.06 crores and 60.94 percent in 2003-04, Rs. 13807.07 crores & 9040.65 crores and 65.48 percent in 2004-05 and Rs. 16660.71 crores & 11875.97 crores and 71.28 percent in 2005-06. Aggregate of the ratio was worked out to 58.15 percent for the study period, which indicates that SBIIn had provided advances average of Rs. 58 against Rs. 100 of deposits.

### **SBM :**

Deposits and advances of SBM were Rs. 4366 crores and Rs. 2407 crores in 1996-97, Rs. 4769 crores and Rs. 2632 crores in 1997-98, Rs. 5575 crores and Rs. 2986 crores in 1998-99, Rs 6632 and Rs. 3725 crores in 1999-00, Rs. 7609 crores and Rs. 4287 crores in 2000-01, Rs. 8525 crores and Rs. 4915 crores in 2001-02, Rs. 9013 crores and Rs. 5261 crores in 2002-03, Rs. 11272.78 crores and 6306.72 crores in 2003-04, Rs. 13585.17 crores and Rs. 8781.26 crores in 2004-05 which reached to Rs. 16368.75 crores and to Rs. 11754.16 crores in 2005-06. Its advances to deposits ratio was worked out to 55.13 percent, 55.19 percent, 53.56 percent, 56.17 percent, 56.34 percent, 57.65 percent, 58.37 percent, 55.95 percent, 64.64 percent and 71.81 percent for the study period 1996-97 to 2005-06 respectively. Average of the ratio was worked out to 58.48 percent for the study period. It indicates that SBM provided advances of Rs. 58 aggregately against deposits of Rs. 100 during the study period.

The data for the ratio shows that it registered mixed trend during the study period 1996-97 to 2005-06.

### **SBP :**

Deposits & advances and advances to deposits ratio of SBP was worked out to Rs. 7229 crores & Rs. 3787 crores and 52.39 percent in 1996-97, Rs. 7737 crores & Rs. 4105 crores & 53.06 percent, Rs. 8847 crores & Rs. 4814 crores and 54.41 percent, Rs. 10182 crores & Rs. 5775 crores and 56.72 percent, Rs. 11574 crores & Rs. 6833 crores and 59.04 percent, Rs. 13943 crores & Rs. 8679 crores and 62.25 percent and Rs. 17870 crores & Rs. 10746 crores and 60.13 percent respectively during the study period 1996-97 to 2002-03. It continued moving up and reached to Rs. 22473.28 crores & 13086.34 crores and 58.23 percent in 2003-04, Rs. 26495.67 crores & 15359.27 crores and 57.97 percent in 2004-05 and

reached to the peak point of Rs. 33777.71 crores & Rs. 22180.02 crores and 65.66 percent in 2005-06. The data for the ratio registered continuously upward movement during the study period up to 2001-02. It stepped down to 60.13 percent in 2002-03, to 58.23 percent in 2003-04 and to 57.97 percent in 2004-05. It improved much and reached to 65.66 percent at the end of the study period, 2005-06. Average of the ratio was worked out to 57.99 percent for the study period, which indicates that SBP made advances of Rs. 58 aggregately against Rs. 100 of deposits.

### **SBS :**

Deposits and advances of SBS registered upward movement during the study period while advances to deposits ratio shown fluctuating trend during the study period. Deposits and advances were Rs. 3700 crores and Rs. 2155 crores for the base year 1996-97 while the ratio was 58.24 percent. They rose to Rs. 3995 crores and Rs. 2257 crores in 1997-98 while the ratio went down to 56.50 percent. They continued moving up in the subsequent years also and reached to Rs. 4779 crores and Rs. 2721 crores in 1998-99 and the ratio of the same year even improved slightly and reached to 56.94 percent. It reached to Rs. 5773 crores and Rs. 3196 crores in 1999-00 while the ratio moved down to 53.36 percent. It was Rs. 6668 crores and Rs. 3593 crores in 2000-01 while the ratio was only 53.88 percent for the same period. They went up to Rs. 7603 crores and Rs. 4111 crores in 2001-02 its ratio also moved up to 54.07 percent. They reached to the highest point of Rs. 13841.16 crores and Rs. 8443.03 crores at the end of the study period 2005-06 its ratio went quite up to 61.00 percent.

Aggregate of the ratio was worked out to 54.97 percent for the study period, which indicates that advances of SBS was about Rs. 55 aggregately against deposits of Rs. 100 for the study period.



### **SBT :**

Deposits and advances of SBT (individually) registered upward movement during the study period while ratio registered fluctuating movement during the study period 1996-97 to 2002-03. Deposits and advances were Rs. 6464 crores and Rs. 3659 crores for the base year while the ratio was worked out to 56.61 percent for the same period. They rose to Rs. 7468 crores and Rs. 4001 crores in 1997-98 while the ratio went down to 53.58 percent. Deposits and advances continued moving up in the subsequent years also and reached to Rs. 8658 crores and Rs. 4252 crores while the ratio dropped to 49.11 percent in 1998-99. Deposits and advances were Rs. 10183 crores and Rs. 5131 crores while the ratio was 50.39 percent in 1999-00, Rs. 11573 crores and Rs. 6397 crores having ratio of 55.28 percent in 2000-01, Rs. 13460 crores and Rs. 7436 crores having ratio of 55.25 percent. Deposits and advances reached to the highest point to Rs. 25996.51 Crores and Rs. 18866.40 Crores achieving the highest ratio of 72.57 percent at the end of the study period 2005-06. Aggregate ratio was worked out to 72.57 percent for the study period, which indicates that SBT provided advances aggregately of Rs. 72 against deposits of Rs. 100 during the study period.

Overall average for the ratio was worked to 55.62 percent for the group of bank under study for the study period. It indicates that group of banks under study, provided advances aggregately of Rs. 56 against aggregate deposits of Rs. 100 during the study period.

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## **CHAPTER-7**

### **"EPILOGUE"**

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## **7.1 Introduction:**

Banks play a very crucial and dynamic role in the development of economic life. They are important constituent of the money market and their demand deposits serve as money in the modern community. They have control over a considerable part of the stock of money. Banks are the pivots of modern commerce. Industrial innovations and business expansions become possible through finance provided by banks. Banks mobilise the dormant capital of the country for productivity purposes. Economic advancement is sustained and enhanced by the bank.

Bank as a development agency are the source of hope and aspirations of the masses. The banking system is one of the few institutions that impinge on economy and affect its performances better or worse. Schumpeter regarded banking system as one of the two essentials (the other being entrepreneurship) in the whole process of economic development <sup>1</sup>

As an economic institution, banks are supposed to be more directly and positively related to the performance of the economy than most non-economic institutions are. However, the positive impact of banks on economic growth can be off set by factors like: unfavorable resources, endowment, population that grows either too slowly or too rapidly or inept government policies. As it is well known, one of the essential inputs required for development is the provision of adequate financial resources.

In course of time the banks can operate a network of branches spread over the country. Such wide geographical coverage would make different sections of the economy familiar with the services which the

banks provide and inspire the confidence in the financial assets like bank deposits.

The present study has been made covering the period of ten consecutive years from 1<sup>st</sup> April 1996 to 31<sup>st</sup> March 2006.

It is the study of India's apex bank State Bank of India and its Associate banks. Performance appraisal of State Bank of India and its Associate banks is a contemporary necessity for measuring the impact of LPG policy and banking sector reforms, which is effected in present study. It is carried out for the following objectives.

### **Objectives:**

1. To analyse profitability performance of sample banks.
2. To measure branch and employee productivity performance of sample banks.
3. To study the trend of financial performance of sample banks.
4. To make comparative study of the trend of deposits and advances of sample banks.
5. To suggest an appropriate strategy for improvement of financial performance of sample banks.

## **7.2 Trend Analysis and Profitability Performance:**

### **Trends of Incomes:**

The trends of income witnessed overall bullish trend in sample banks during the study period. Though, it is observed that flow of income went down in SBH, SBIn, SBP and in SBS in 2004-05. SBIn stood at the first position in earning income over the base year. It achieved the highest

index of about 371 percent at the end of the study period, 2005-06 over the base year, 1996-97. On the other hand, SBS lagged behind, it registered lowest index of about 232 percent at the end of the study period over the base year. Of Course, in amount wise measurement SBI leaded, earning Rs. 43183.61 crores in 2005-06 over the base year income amount of Rs. 17593.73 crores.

### **Trends of Interest Earned:**

The trends of interest earned also registered upward movement in sample banks during the study period. SBI led the sample banks showing the highest index of about 350 percent while lowest index was registered in case of SBM of about 225 percent at the end of the study period, 2005-06 over the base year, 1996-97. Aggregate of interest earned as % of total income was the highest in case of SBP among sample banks while that of the lowest in case of SBM. It was worked out to 86.28 percent for SBP and 81.51 percent for SBM, which indicates SBP earned about Rs. 86 while that of SBM earned Rs. 82 as interest of Rs. 100 from total income. It further denotes that SBP and SBM earned about Rs. 14 and Rs. 18 as non-interest income respectively. It can be concluded that in interest earning SBI and in interest earned as % of total income SBP showed the satisfactory performance.

### **Trends of Non-Interest Income**

Here, non-interest income consists of commission, brokerage, fees, etc. Any increase in non-interest income indicates decrease in lending and advances, decrease in rate of interest on lending and advances, decrease in interest earned etc, and vice-versa. Trends of non-interest income depicted mixed trend in sample banks. SBI had about 524 percent of index over the base year, which was the highest among group of banks

while SBS had about 169 percent of index over the base year. Aggregate of non-interest income as percentage of total income was the least in case of SBP while that of the highest in case of SBM.

Trend of total expenditure, interest, expended and operating expenses registered, over all upward movement while that of the other expenses fluctuating movement during the study period in sample banks. Total expenditure index of SBIn was the highest among group of banks at the end of the study period. It was worked out to about 353 percent over the base year while the lowest in case of SBM of about 228 percent only. Interest expended, as percentage of total expenditure was the lowest in case of SBM among sample banks. Aggregate of interest expended as total expenditure was worked out to about 54 percent for SBM while that of about 62 percent for SBT, which was the highest among sample banks for the study period. Operating expenses as percentage of total expenditure aggregately remained at highest level in SBM at about 26 percent while that of at the lowest level in SBT at 19 percent during the study period. Other expenses as percentage of total expenditure for SBIn worked out to aggregately 24 percent while that of, for SBT worked out to aggregately 18 percent.

### **Trends of Spread:**

Trends of spread showed an over all upward tone. It is the trend of performance for the banks. It is the reflective of efficiency in the use of funds. It is the ratio of interest expenditure to interest income. In favourable case, interest income will be more over interest expenditure and vice versa condition indicates that interest margins getting squeezed. The indices of sample banks, at the end of the study period over base year, are the best indicator for the study of performance. The highest index

at the end of the study period on the base year indicates favourable position SBT recorded about 386 percent, SBBJ recorded about 367 percent and SBIn recorded about 364 percent of index at the end of the study period, 2005-06 over the base year, 1996-97 while SBM recorded the lowest index of about 266 percent for 2005-06 over the base year. The record indicates that SBT achieved top most position in earning surplus of interest income over interest expended while that of SBM was at the bottom position among sample banks.

### **Trends of Burden:**

Excess of non-interest expenditure over non-interest income of a bank is termed as burden. Higher ratio indicates non-interest expenses are not covered by non-interest income and it is considered unsatisfactory position of the bank. Trend of burden registered an overall fluctuating tendency during the study period in sample banks. Index on the base year was recorded the highest in case of SBS i.e. about 392 percent at the end of study period, 2005-06 among sample banks. SBH attempted to control the burden during the study period and reached at about 226 percent only while SBS didn't attempt to control the ratio and recorded about 392 percent index on the base year, at the end of the study period. SBS is required to increase non-interest income for meeting non-interest expenditure. SBM registered the lowest index on the base year, which was about 208 percent. It indicates favourable financial position among sample banks.

### **Trends of Net Profit:**

Net profit is the difference between spread and burden. Trend of net profit registered fluctuating tendency during the study period in sample banks. Index on the base year is the best indicator to know the



profitability performance of banks. Indices on the base year continuously remarked upward movement up to 2003-04 in SBIn and achieved a record break point of about 1326 percent at the end of 2003-04 among sample banks of course; it went down to about 815 percent in 2005-06 yet, it remained at the top position only. SBH, SBT and SBM also remarked sound profitability performance among sample banks. It indicates that SBIn is the top most profit-earning bank among sample banks. SBS recorded the poorest profitability performance over the study period reaching to about 249 percent index in 2003-04 over the base year and decreased to 84.52 percent in 2005-06.

### **Trends of Profitability:**

Trend of profitability is the indicator of efficiency of organizational operation. Profitability is net profit as % to working fund. SBBJ proved to be the most efficient bank achieving the highest index on the base year i.e. about 478 percent at the end of the study period, while SBT, SBS proved gloomy efficiency during the study period. SBIn and SBT achieved the second and the third position as efficient banks among sample banks. SBH achieved the fourth position, SBM stood at the fifth position, SBP at sixth position, SBI at seventh and SBS stood at eighth position among sample banks.

Spread and Net Profit as Percentage to Working Fund are Profitability Ratios.

The aggregate of spread as percentage to working fund was observed the highest in SBP while that of the lowest in SBT. It indicates that SBP utilised working fund efficiently for excess earning of interest over interest expended. Application of F-Test for spread as percentage to

working fund resulted that calculated value was higher than critical value, which concludes that alternative hypothesis is accepted. It indicates that there is significant difference among sample banks over the study period for spread as percentage to working fund. It denotes that the ratio is not the same among sampled banks.

The aggregate of net profit as percentage to working fund was observed 1.18 percent for SBP, 0.97 percent for SBIn, 0.95 percent for SBBJ, 0.94 percent for SBH, 0.87 percent for SBS, 0.83 percent for SBM, 0.80 percent for SBI and 0.73 percent for SBT. It can be observed that SBP performed well among sample banks while SBI and SBT performed poorly for earning net profit by not utilising working fund up to its maximum stature. F-Test application for the above ratio reveals the fact that calculated value is higher than critical value which concludes that alternative hypothesis is accepted and net profit as percentage of working funds is not identical among sampled banks over the study period.

### **7.3 Productivity Performance:**

#### **☞ Employee Productivity Performance:**

##### **Income per Employee:**

Income per employee of sample banks witnessed almost bullish movement during the study period. Income per employee of SBH, SBIn, SBP and of SBS decreased significantly in 2004-05. Income per employee of SBH reached at the highest position of Rs. 0.2547 crores at the end of the study period over its base year income per employee of Rs. 0.07804 crores. On the other hand, SBM recorded the lowest position of

Rs. 0.17378 crores at the end of the study period over its base year income of Rs. 0.06196 crores only. The highest aggregate income per employee was worked out Rs. 0.1554 crores for SBH while that of the lowest for SBM. The aggregate income per employee signified that SBBJ, SBM, SBS and SBT required to increase income or to decrease the number of employees.

Application of F-Test reveals the fact that alternative hypothesis is accepted. It indicates that income per employee is not identical among sample banks over the study period.

#### **Expenditure per Employee:**

The trend of expenditure per employee showed almost upward tendency for sample banks during the study period. The expenditure per employee of SBH & SBI decreased in 2004-05. Though the expenditure per employee of SBH recorded the highest position of Rs. 0.22213 crores at the end of the study period, 2005-06 over its base year expenditure per employee of Rs. 0.07433 crores. On the other hand, SBM recorded the lowest ratio of Rs. 0.15154 crores at the end of the study period over its base year expenditure per employee of Rs. 0.05833 crores only. The highest aggregate expenditure per employee of SBH was worked out to Rs. 0.13977 crores while that of the lowest for SBM of Rs. 0.10306 crores for the study period. SBH, SBI, and SBP must attempt to reduce the expenditure, implementing cost-controlling techniques. If possible, it is required to reduce number of employees and technology should be upgraded.

Application of F-Test is resulted into acceptance of alternative hypothesis. It concludes that expenditure per employee of sample banks is not identical over the study period.

### **Spread per Employee:**

Trend of spread per employee of sample banks moved upward during the study period. Spread per employee of SBS decreased at the end of the study period, 2005-06 and that of SBT even decreased in 1998-99 over its previous year. Spread per employee of SBH recorded the highest position of Rs. 0.22213 crores at the end of the study period, 2005-06 over that of its base year of Rs. 0.02466 crores among sampled banks. On the other hand, SBM registered the lowest spread per employee among sample banks. It can be concluded from aggregate spread per employee that SBBJ, SBS, SBT and SBI are required to improve the ratio. It can be improved increasing interest income, decreasing non-interest income and decreasing number of employees.

Application of F-Test concludes that alternative hypothesis is accepted which indicates that spread per employee among sample banks is not the same. It also concludes that the ratio is not the same even over the study period for sample banks.

### **✍ Branch Productivity Performance:**

#### **Income per Branch:**

Income per branch of sample banks showed almost upward tone during the study period. Income per branch of SBP and SBS toned downward in 2004-05 compared to that of the previous year. Income per branch of SBI was the highest of Rs. 4.6887 crores at the end of the study

period, 2005-06 over its base year income per branch of Rs. 1.9795 crores among sample banks. SBT achieved the second highest position among sample banks. On the other hand, SBM showed the lowest income per branch of Rs. 2.6416 crores at the end of the study period over that of its base year of Rs. 1.2335 crores only. The highest aggregate income per branch was worked out for SBI while that of the lowest for SBM. It can be concluded that SBM, SBBJ and SBS is required to increase income to improve the ratio.

Application of F-Test concludes that alternative hypothesis is accepted for the case. It denotes that there is no similarity in income per branch among sample banks over the study period.

#### **Expenditure per Branch:**

Expenditure per branch of sample banks moved upward during the study period, 1996-97 to 2005-06, SBI showed the highest expenditure per branch of Rs. 4.2103 crores at the end of the study period over the base year Rs. 1.8277 crores among sample banks. On the other hand, SBM recorded the lowest expenditure per branch of Rs. 2.3036 crores over the base year of Rs. 1.1612 crores among sample banks. The highest aggregate expenditure per branch i.e. 3.0888 crores was worked out for SBI while that of the lowest i.e. 1.7285 crores for SBM among sample banks for the study period.

Application of F-Test results into acceptance of alternative hypothesis, which indicates that expenditure per branch of sample banks did not remain the same over the study period.

### **Spread per Branch:**

Trend of spread per branch of sample banks registered fluctuating movement for the study period. Spread per branch of SBI, SBIn, SBM, SBS and of SBT decreased in 1999-00, 1997-98, 2005-06 and in 1998-99 respectively. SBI registered the highest spread per branch of Rs. 1.6976 crores at the end of the study period over the base year Rs. 0.6030 crores among sample banks. On the other hand, SBM recorded the lowest spread per branch of Rs. 0.9542 crores at the end of the study period over the base year Rs. 0.4128 crores only among sample banks. The highest aggregate of spread per branch was worked out for SBI (i.e. 1.0113 crores) and that of the lowest for SBM (i.e. 0.5952 crores) among group of banks.

Application of F-Test results into acceptance of alternative hypothesis, which indicates spread per branch is not the same among sample banks over the study period.

### **Overall conclusion of Productivity performance:**

#### **Mean of Ratios**

Ratio	SBI	SBBJ	SBH	SBIn	SBM	SBP	SBS	SBT
Income per employee	0.119	0.095	0.124	0.118	0.093	0.114	0.106	0.117
Expenditure per employee	0.111	0.862	0.113	0.107	0.087	0.1	0.097	0.143
Difference	0.008	(0.767)	0.011	0.011	0.006	0.014	0.009	(0.026)
Spread per employee	0.033	0.028	0.038	0.034	0.027	0.041	0.031	0.027
Income per Branch	2.932	1.691	2.021	1.942	1.647	1.969	2.017	2.092
Expenditure per Branch	2.719	1.542	1.847	1.765	1.555	1.74	1.855	1.963
Difference	0.213	0.149	0.174	0.177	0.092	0.227	0.162	0.129
Spread per Branch	0.808	0.507	0.615	0.56	0.501	0.71	0.598	0.509

## **7.4 Performance of Deposits and Advances:**

### **Trend of Deposits:**

The trend of deposits of sample banks showed an upward movement during the study period, 1996-97 to 2005-06. SBIn recorded the highest index of about 596 percent while SBI recorded the lowest index of about 343 percent at the end of the study period over the base year. Amount wise SBI recorded the leading position followed by SBH, SBP, SBT, SBBJ, SBIn, SBM and SBS respectively in descending order. Overall trend of deposits among sample banks remained satisfactory during the study period. It can be suggested that SBIn is required to improve amount wise performance for deposits collection.

### **Deposits per Employee:-**

Deposits per employee of sample banks showed an upward trend during the study period. SBP recorded the highest deposits per employee of Rs. 2.9760 crores at the end of the study period over the base year of Rs. 0.51623 crores among sample banks. The lowest ratio was perceived in case of SBM, it was Rs. 1.6799 crores at the end of the study period over the base year Rs. 0.39374 crores only among sample banks. Thus, SBP achieved the leading position for the ratio among sample banks. Aggregate of deposits per employee was the highest in case of SBP while that of the lowest is in case of SBM.

Application of F-Test concludes that alternative hypothesis is accepted. It indicates that deposits per employee are not identical among sample banks over the study period.

### **Deposits per Branch:**

Deposits per branch showed bullish movement during the study period for sample banks. SBP achieved leading position achieving record break deposit per branch of Rs. 44.5616 crores at the end of study period over the base year Rs. 10.3424 crores among sample banks. SBI recorded the highest aggregate deposits per branch of Rs. 27.3283 crores while SBM showed the lowest aggregate deposits per branch of Rs. 14.3941 crores for the study period among sample banks.

Application of F-Test concludes that alternative hypothesis is accepted. It denotes that deposit per branch is not similar among sample banks over the study period.

### **Trend of Advances:**

Trend of advances of sample banks registered upside movement during the study period, 1996-97 to 2005-06 SBI recorded the highest index of about 739 percent at the end of the study period over the base year index among sampled banks. Amount wise SBI provided the highest advances of Rs. 261642 crores at the end of the study period over the base year advances of Rs. 62233 crores. On the other hand, SBS showed the lowest index of about 392 percent at the end of the study period over the base year index among sample banks. Even amount wise, SBS provided the lowest advances i.e. only of Rs. 8443 crores at the end of the study period, 2005-06 over the base year advances of Rs. 2155 crores.

### **Advances per Employee:**

Advances per employee of sample banks remarked upward movement during the study period, 1996-97 to 2005-06. SBP recorded the top most position for the ratio among the sample banks. It was worked



out to Rs. 1.9542 crores at the end of the study period over the base year Rs. 0.27043 crores. Highest aggregate advances per employee for SBP was worked out Rs. 0.8017 crores for the study period .On the other hand, SBS showed the lagging position in case of advances per employee of Rs. 1.1634 crores at the end of the study period, 2005-06. Lowest aggregate advances per employee were worked out for SBM of Rs. 0.5282 crores for the study period.

Application of F-Test for advances per employee results into acceptance of alternative hypothesis. It is concluded that advances per employee is not the same among sample banks over the study period.

#### **Advances per Branch:**

Advances per branch of sample banks reflected increasing movement during the study period. SBP recorded leading position achieving the highest advances per branch of Rs. 29.2612 crores at the end of the study period over the base year of Rs. 5.4179 crores among sample banks. SBI recorded the highest aggregate advances per branch of Rs. 14.4209 crores for the study period. On the other hand, SBBJ showed the lowest advances per branch of Rs. 19.1055 crores at the end of the study period over that of the base year of Rs. 3.9422 crores and aggregate advances per branch of Rs. 8.6098 crores only.

Application of F-Test concludes that alternative hypothesis is accepted for advances per branch. It indicates that advances per branch are not similar among sample banks over the study period.

## **Overall Suggestions :**

1. SBM and SBI is required to increase Interest income for improving the ratio Interest Earned as % to Total Income. For this, deposits should be mobilized, advances & loans should be increased and other products of advances should also be increased. The banks should concentrate on operating activities than on non-operating activities.
2. SBT and SBI is required to improve Spread as % to Working Fund ratio. For this, interest income is required to be increased.
3. SBT, SBI, SBM and SBS is required to increase aggregate net profit of the business for this, the working capital should be utilized up to its maximum stature.
4. SBM, SBH, SBIn, SBI and SBBJ is required to decrease no. of employees for improving income per employee and expenses per employee ratio.
5. SBM and SBBJ is required to improve branch business activities. They should concentrate on operating activities of existing branches instead of increasing number of branches.
6. SBM, SBBJ and SBS is required to increase deposits and advances or decrease no. of employees and no. of branches for improving deposits per employee, advances per employee, deposits per branch and advances per branch ratios.

7. SBH, SBI and SBS is required to mobilize deposits instead of keeping them idle in banks.

### **7.5 Overall Conclusion:**

Despite recapitalization by the government the overall performance of nationalized banks continued to lag behind private sector banks.

There was lax attitude of public sector banks towards profitability under the presumptions that any problem with the banks' bottom line would be automatically taken care of by the Government of India.

While playing the crucial developmental role for the economy the banking industry did not pay enough attention to its own development in terms of new management practices, new systems and procedures induction of modern technology and human resource development. The failure on this front prevented the industry from coping with the changing environment, which threw up new threats and challenges as well as opportunities, thus leaving the industry in lurch.

Despite the overall progress made by the banking system, there has been a growing concern about the operational efficiency of the system. The phenomenal transaction had led to some serious organisational and other structural problems.

While there has been explosion in the number of transactions, the work technology in banks has not changed. Where as aspirations and expectations of the people from the banking system have increased, customer service has been affected adversely. <sup>2</sup>

The rapid expansion of bank branches and spectacular increase in banking operations unaccompanied by proper training of staff and adoption of modern techniques of banking resulted in deteriorating customer services.

The rapid expansion of staff and accelerated promotions had diluted the quality of man power. By 1990s the cumulative effect of the excessive focus on quantitative achievements and relatively little focus on building up sound and efficient banking system in terms of earning reasonable rate of returns, attaining capital adequacy, minimizing non performing assets and providing efficient customer services had left many of the public sector banks unprofitable and under capitalized by international standards.

The rapid branch expansion followed by steep increase in the volume of business handled by each branch made the banking industry too high volume high turnover industry. Wherein 80 percent of work pertains to daily transactions and their processing. The man power employed in banks could not cope with this work load due to ineffective work technology and growing culture of work avoidance. This resulted in poor customer service, increase in frauds, large number of branches making losses and showing signs of stagnancy or unsatisfactory performance, etc.

The banking industry operated within the administered interest rate structure and lacked flexibility. There was no element of competition within banks. This had a deleterious impact on bank's management capabilities and innovativeness, both in areas of deposits and advances. The rigidity of banking system paved the way for a gradual uprising of

external competition from other agencies like post office, UTI, LIC, chit funds, equity market, real estate market and new instruments like CDs, CPS, etc.

The competitive efficiency of banks deteriorated with wider coverage lines of supervision and control lengthened.

The quality of credit portfolio of banks has suffered due to deficiencies in identification of borrowers, very low alternation given to market prospects and capacity of borrowers. The concern for achieving quantitative targets at macro level within the stipulated time frame, irrespective of assessed demand or potential has caused an erosion of the qualitative aspect of lending and credit delivery. It has adversely affected the viability of the lending institutions.

Banks' productivity had been reduced due to hike in wages and increasing operational cost in banks. Interest spread of banks was also under pressure due to administered rates imposed on the banking system.

The banking system has failed to gain internal strength and the decline in efficiency, productivity and profitability has resulted in deteriorating the financial health of the sector <sup>3</sup>

The Indian banks are decades behind the West and Japan and the newly industrialized in computerization and mechanization <sup>4</sup>

## **7.6 Suggestions:**

For improving the working of the sample banks, following suggestions emerge for consideration:

### **1. Reorganization of Banking Structure:**

There is a need for structural change in the organizational system of banks with a view to make it more efficient and less wasteful.

There is a need for the splitting up of the State Bank of India into smaller banks on the principle of geographical contiguity. Each circle of the State Bank may become an independent bank in itself <sup>5</sup>

### **2. Deposit Mobilization:-**

There should be freedom to banks to decide the interest rates on deposits at different centers/locations to take liberalization firm roots in the banking system.

### **3. Recovery of Loans:-**

A separate cell at each district head quarter may be set up exclusively for recovery of bank dues. Government vehicles should also be provided for the recovery and the recovery procedures should be simplified. The defaulters misusing the loans should be severely dealt with.

The recommendation of the Narsimham Committee regarding setting up of an Asset Reconstruction Fund to take over from banks the bad and doubtful debts at a discount deserves to be implemented <sup>6</sup>

#### **4. Improvement in Customer Service:**

The attitudes of bankers should be more customer oriented than procedure oriented. More flexible business hours, evening counters, bright and comfortable banking halls and well informed staff, information brochures and regular contacts, all of which will have to be given due attention to improve customer services.

#### **5. Upgradation of Technology:-**

Appropriate use of technology for improvement the quality of customer service and ensuring efficiency in operations is crucial for the effective functioning of banks in emerging competitive environment. There is a need for improving and upgrading work technology to cope up with the growing volume of business transactions. The present program of branch computerization is largely confined to metropolitan and urban branches only. The feasibility of extending this facility to other growing banking centers has to be explored <sup>7</sup>

#### **6. Profit Maximization:-**

Profitability can be increased to a greater extent by improvement in utilization of manpower and increase in ancillary earning than due to increase in net interest earnings from the fund operations.

Banks profitability largely depends on efforts made by management to minimize establishment / over head costs, enhance operational efficiency through cost effective operations and to systematically cost and appropriately price their services, an exercise which should be done as a continuous and ongoing process.

Banks will have to develop special skills, knowledge and management capabilities in their staff for under taking non fund business.

There is an urgent need for popularizing concept of profit planning at all levels especially, in branches creating an awareness that profitability should be the hall mark of each banking operation at all levels, would go a long way in improving profitability of banks.

## **7. Privatising Banks:-**

In India, the empirical case for privatisation is especially strong as it is clear that public ownership has virtually paralysed the management efficiency of banks due to political and administrative interference in the allocation of credit. Only those that appear to have problem over a period of time should be privatized not partially but completely through take overs.

Considering pros and cons of privatization, the case for privatizing Indian Banking seems to be strong. while privatization is theoretically the desired policy option. In reality, privatization of banks has proven to be difficult, making the end point unclear. The problem of political opposition of privatization has no short cut solution in a democracy and can only be solved over time through consensus building.<sup>8</sup>

Denationalization is no panacea for the ills facing the banking system. If the banks are viewed as dole giving agencies without having any sow in their own affairs the situation can only get worse. There is much sense in letting banks do their own business with least interference for best results.<sup>9</sup>



## **8. Infrastructure:-**

Nearly 60 percent of the Indian banking infrastructure, particularly in the form of branch net work is located in the rural and semi urban areas. Hence, it is imperative that for any reform to succeed, it is fundamental that utilization of this infrastructure is strengthened and so also the man power deployed in it. <sup>10</sup>

The developmental role of banking is constrained by the availability of infrastructure and activities of state agencies in the area. Therefore, merely pumping in of more credit by commercial banks will not automatically lead to development. However, if the state and other agencies evolve suitable schemes to enable people to involve themselves in productive activities, then the banks can step in and provide the credit that will be needed. <sup>11</sup>

In the long run the success of banks' role in economic growth is closely linked with their ability to develop a public image and establish close rapport with the masses. <sup>12</sup>

## **9 Encouraging Competition:**

In an increasing competitive environment, public sector banks can not continue to operate as monolith. In fact, a break up of this monolith is not only inevitable but highly desirable. The public sector banks can no longer use uniform norms for personnel policies, including recruitment and wages policies, up gradation of technology, risk management and branch network. To increase competition, foreign banks and new private sector domestic banks should be actively encouraged. <sup>13</sup>

There is a need for increasing competition in the Indian banking system given that the limited entry of small banks allowed so far is unlikely to introduce such competition on an adequate scale. One option is to allow a large scale entry of private banks.

Allowing the large scale entry of private banks to provide more meaningful competition could help to improve the performance of public sector banks, but it has the risk of forcing closure of weak public sector banks. The more viable option would therefore be to privatize at least some of the public sector banks.<sup>14</sup>

The new bank should be allowed to expand rapidly to increase competition for existing banks. The government must allow more competition between banks and the cartel type activities of IBA should be ended.

#### **10 Impart Bank Autonomy:-**

Bank management should be given autonomy and flexibility, subject only to broad guidelines regarding all these matters. Nationalized banks should not be under any informal or formal requirements of prior permission from any one before opening or closing a branch, even closing a branch in rural areas. Creating a more competitive environment by greater access to foreign market raises more difficult questions. Even, internally, less hesitant attitude towards free competition would be welcome. Each bank should be responsible for its own recruitment including clerical recruitment and for all its policies, whether credit or personnel or any other. Once carefully selected and found successful bank chairman and senior staff should be continued in their job in the same bank as long as possible without being worried about silly

retirement rules. Performance bonuses to senior management and indeed to all staff should be given as decided by individual. Boards of directors, once selected, board members should also have long tenure with changes made by the chief executives in consultation with other directors as and when necessary and not at behest of the Government. <sup>15</sup>

As long as banks are owned substantially by the Government, all talk of autonomy will be an element of wishful thinking. More autonomy should certainly be given to manager of public sector banks. <sup>16</sup>

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## Appendix - 1

### Profitability Indicators

#### **Spread (Rs. in Crores)**

Group of Banks/ Years	1996-97	1997-98	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06
<b>SBI</b>	5359.23	5405.68	6063.10	6928.34	8247.79	9081.25	9977.56	11186.32	13944.62	15635.64
<b>SBBJ</b>	270.74	313.93	330.32	373.63	455.96	490.29	551.38	716.44	868.91	992.90
<b>SBH</b>	348.09	383.83	465.04	520.04	611.25	649.66	747.76	841.35	962.37	1094.32
<b>SBIIn</b>	148.89	158.08	194.50	187.71	233.55	292.23	367.18	453.41	502.20	541.52
<b>SBM</b>	229.94	231.29	246.04	281.11	313.62	315.24	386.61	454.40	544.74	611.67
<b>SBP</b>	321.20	354.58	383.38	468.46	604.86	656.97	789.04	822.20	976.27	996.67
<b>SBS</b>	178.09	189.11	222.65	241.37	251.62	280.06	319.51	403.77	508.00	479.16
<b>SBT</b>	247.41	268.19	238.28	281.93	395.12	424.43	522.85	683.33	896.16	955.13

#### **Burden (Rs. in Crores)**

Group of Banks/ Years	1996-97	1997-98	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06
<b>SBI</b>	4009.98	3544.48	5035.29	4876.80	6643.54	6649.62	6872.56	7505.32	9640.11	11228.97
<b>SBBJ</b>	230.27	223.46	238.44	253.21	350.59	325.79	348.10	414.92	663.27	847.87
<b>SBH</b>	295.64	286.72	353.51	392.24	461.02	423.17	446.36	460.15	711.47	667.28
<b>SBIIn</b>	131.82	130.37	163.46	142.46	169.56	167.12	166.86	227.16	369.02	402.42
<b>SBM</b>	189.70	180.76	212.46	232.87	287.90	249.35	270.68	278.02	338.49	394.96
<b>SBP</b>	262.18	211.57	282.19	337.77	443.26	424.03	467.03	391.84	689.20	693.55
<b>SBS</b>	106.96	110.97	197.29	152.57	237.91	198.05	226.97	226.40	466.84	419.04
<b>SBT</b>	207.16	204.89	195.02	215.49	297.63	303.50	351.81	438.73	649.03	696.45

#### **Profitability (Rs. in Crores)**

Group of Banks/ Years	1996-97	1997-98	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06
<b>SBI</b>	0.86	1.04	0.46	0.78	0.51	0.73	0.91	2.50	2.61	2.27
<b>SBBJ</b>	0.50	1.06	0.90	0.97	0.76	1.16	1.28	3.70	3.25	2.39
<b>SBH</b>	0.56	0.91	0.85	0.82	0.82	1.14	1.28	3.56	2.25	2.29
<b>SBIIn</b>	0.49	0.68	0.63	0.72	0.78	1.36	1.89	4.34	2.43	2.29
<b>SBM</b>	0.74	0.86	0.49	0.58	0.27	0.63	1.07	3.19	3.15	2.49
<b>SBP</b>	0.68	1.48	0.93	1.06	1.12	1.55	1.71	4.26	2.94	2.15
<b>SBS</b>	1.45	1.50	0.40	1.18	0.16	0.99	1.00	4.16	2.76	1.92
<b>SBT</b>	0.52	0.69	0.40	0.53	0.67	0.81	0.97	3.29	3.10	2.23

### Interest Earned as % of Total Income

Group of Banks/Years	1996-97	1997-98	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06
SBI	84.98	84.92	85.33	86.15	86.62	87.72	84.41	80.01	82.00	82.89
SBBJ	85.17	83.95	85.49	83.53	84.12	81.86	80.88	76.20	78.28	84.55
SBH	86.73	85.87	86.56	84.76	85.46	84.00	81.75	75.78	84.65	82.33
SBIIn	87.79	84.87	84.79	80.65	81.36	76.36	76.56	74.36	86.16	82.75
SBM	87.30	86.39	85.31	82.97	84.25	80.63	77.92	75.64	75.16	79.53
SBP	90.78	90.56	88.52	87.14	88.76	85.05	83.62	74.97	85.71	87.64
SBS	85.85	84.35	86.80	85.94	87.25	82.93	80.80	75.32	90.85	89.67
SBT	87.98	86.84	86.98	85.63	87.13	86.33	84.07	78.73	83.10	86.75

### Non-interest Income as % to Total Income

Group of Banks/Years	1996-97	1997-98	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06
SBI	15.02	15.08	14.67	13.85	13.38	12.28	15.59	19.99	18.00	17.11
SBBJ	14.83	16.05	14.51	16.47	15.88	18.14	19.12	23.80	21.72	15.45
SBH	13.27	14.13	13.44	15.24	14.54	16.00	18.25	24.22	15.35	17.67
SBIIn	12.21	15.13	15.21	19.35	18.64	23.64	23.44	25.64	13.84	17.25
SBM	12.70	13.61	14.69	17.03	15.75	19.37	22.08	24.36	24.84	20.47
SBP	9.22	9.44	11.48	12.86	11.24	14.95	16.38	25.03	14.29	12.36
SBS	14.15	15.65	13.20	14.06	12.75	17.07	19.2	24.68	9.15	10.33
SBT	12.02	13.16	13.02	14.37	12.87	13.67	15.93	21.27	16.90	13.25

### Interest Expended as % to Total Expenditure

Group of Banks/Years	1996-97	1997-98	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06
SBI	59.04	62.20	61.06	64.39	62.48	65.70	62.60	56.04	52.44	51.99
SBBJ	56.51	58.17	61.18	61.07	57.89	58.05	56.31	48.60	43.20	44.63
SBH	57.89	58.74	58.31	59.36	59.10	61.67	59.24	54.02	54.60	56.82
SBIIn	55.43	55.12	54.35	57.36	58.90	57.40	56.91	50.21	52.61	53.53
SBM	57.18	57.89	57.56	56.65	56.73	57.61	53.54	49.35	46.23	49.78
SBP	62.34	65.42	60.51	57.70	54.63	55.18	54.53	51.05	52.54	58.47
SBS	62.21	60.57	56.66	63.09	59.60	60.23	56.96	51.22	51.80	55.71
SBT	66.62	66.86	69.20	68.15	65.17	65.86	61.95	53.76	51.26	56.19

### Spread as % to Working Fund

Group of Banks/Years	1996-97	1997-98	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06
SBI	3.43	3.01	2.72	2.65	2.61	2.74	2.92	2.74	3.03	3.17
SBBJ	3.32	3.68	3.23	3.00	3.29	3.45	3.48	3.54	3.71	3.61
SBH	3.69	3.61	3.53	3.35	3.33	3.27	3.16	2.75	2.76	2.69
SBIIn	4.28	3.86	3.92	2.99	2.84	3.18	3.47	3.48	2.97	2.61
SBM	4.22	3.94	3.58	3.39	3.33	3.04	3.56	3.30	3.33	3.16
SBP	3.70	3.68	3.53	3.78	4.22	4.37	4.18	3.06	3.10	2.41
SBS	3.62	3.63	3.49	3.20	2.93	3.38	3.43	3.15	3.37	2.90
SBT	3.18	2.94	2.18	2.27	2.73	2.84	2.95	2.85	3.10	3.00

### Net Profit as % to Working Fund

Group of Banks/Years	1996-97	1997-98	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06
SBI	0.86	1.04	0.46	0.78	0.51	0.74	0.91	0.90	0.94	0.89
SBBJ	0.50	1.06	0.90	0.97	0.76	1.16	1.28	1.49	0.88	0.53
SBH	0.56	0.91	0.85	0.82	0.82	1.14	1.28	1.24	0.72	1.05
SBIIn	0.49	0.68	0.63	0.72	0.78	1.36	1.89	1.73	0.79	0.67
SBM	0.74	0.86	0.49	0.58	0.27	0.63	1.07	1.28	1.25	1.12
SBP	0.68	1.48	0.93	1.06	1.12	1.55	1.71	1.60	0.91	0.73
SBS	1.45	1.50	0.40	1.18	0.16	0.99	1.00	1.38	0.27	0.36
SBT	0.52	0.69	0.40	0.53	0.67	0.81	0.97	1.02	0.86	0.81



## Appendix - 2

### Employee Productivity Indicators

#### Income per Employee (Rs. in Crores)

Group of Banks/Years	1996-97	1997-98	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06
<b>SBI</b>	0.07449	0.07803	0.09428	0.1104	0.13973	0.16225	0.17621	0.18389	0.19243	0.21725
<b>SBBJ</b>	0.05736	0.06736	0.07531	0.09041	0.11245	0.12475	0.13461	0.15819	0.17263	0.19233
<b>SBH</b>	0.07804	0.08444	0.0969	0.11865	0.13368	0.16946	0.18903	0.21994	0.20956	0.25471
<b>SBIIn</b>	0.06325	0.07025	0.0851	0.10023	0.13299	0.17784	0.19731	0.21512	0.19958	0.24047
<b>SBM</b>	0.06196	0.06322	0.07143	0.08444	0.10898	0.122	0.13661	0.14417	0.16250	0.17378
<b>SBP</b>	0.07139	0.0792	0.08776	0.10143	0.1268	0.14947	0.18098	0.21575	0.21466	0.24745
<b>SBS</b>	0.07313	0.07458	0.08477	0.09976	0.11752	0.13659	0.15113	0.17372	0.17013	0.18083
<b>SBT</b>	0.07952	0.08664	0.08856	0.10455	0.12402	0.13876	0.15698	0.18404	0.20433	0.22760

#### Expenditure per Employee (Rs. in Crores)

Group of Banks / Years	1996-97	1997-98	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06
<b>SBI</b>	0.06877	0.07026	0.08995	0.10161	0.13227	0.15063	0.16135	0.16611	0.17149	0.19508
<b>SBBJ</b>	0.05467	0.06135	0.06918	0.08226	0.10459	0.11237	0.11922	0.13510	0.16653	0.18033
<b>SBH</b>	0.07433	0.07763	0.089265	0.10998	0.12355	0.15265	0.1665	0.19123	0.19042	0.22213
<b>SBIIn</b>	0.06075	0.0662	0.08057	0.0937	0.12323	0.15871	0.16663	0.18053	0.17895	0.21954
<b>SBM</b>	0.05833	0.05871	0.06849	0.08022	0.1064	0.11533	0.12471	0.12598	0.14092	0.15154
<b>SBP</b>	0.06718	0.06829	0.08004	0.09149	0.11331	0.12979	0.15335	0.17889	0.18990	0.22074
<b>SBS</b>	0.06176	0.0648	0.08166	0.08884	0.11569	0.12557	0.13863	0.14973	0.16712	0.17254
<b>SBT</b>	0.07642	0.08178	0.08529	0.09942	0.11601	0.12879	0.14274	0.16367	0.18344	0.20538

#### Spread Per employee (Rs. in Crores)

Group of Banks/ Years	1996-97	1997-98	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06
<b>SBI</b>	0.02269	0.02256	0.02553	0.02968	0.03839	0.04336	0.04774	0.16611	0.17149	0.19508
<b>SBBJ</b>	0.01796	0.02086	0.02207	0.02528	0.03405	0.03688	0.04174	0.13510	0.16653	0.18033
<b>SBH</b>	0.02466	0.0269	0.03182	0.03528	0.04123	0.04821	0.05589	0.19123	0.19042	0.22213
<b>SBIIn</b>	0.02186	0.02314	0.02837	0.02709	0.0356	0.0447	0.05623	0.18053	0.17895	0.21954
<b>SBM</b>	0.02014	0.02062	0.02151	0.02462	0.03146	0.03193	0.03968	0.12598	0.14090	0.15154
<b>SBP</b>	0.02294	0.02705	0.02925	0.03558	0.05064	0.05551	0.06771	0.17889	0.18990	0.22074
<b>SBS</b>	0.02222	0.02366	0.02731	0.02968	0.03359	0.03764	0.04314	0.14973	0.16712	0.17254
<b>SBT</b>	0.01905	0.02055	0.01801	0.02176	0.03246	0.03497	0.04355	0.16367	0.18344	0.20538

**Deposits per Employee (Rs. in Crores)**

<b>Group of Banks/Years</b>	<b>1996-97</b>	<b>1997-98</b>	<b>1998-99</b>	<b>1999-00</b>	<b>2000-01</b>	<b>2001-02</b>	<b>2002-03</b>	<b>2003-04</b>	<b>2004-05</b>	<b>2005-06</b>
<b>SBI</b>	0.46867	0.54701	0.71174	0.84316	1.13025	1.29169	1.41687	1.5389	1.7860	1.9120
<b>SBBJ</b>	0.35801	0.43369	0.51709	0.61402	0.77106	0.87723	1.00186	1.2604	1.4778	1.7945
<b>SBH</b>	0.51268	0.60611	0.72635	0.84987	1.00114	1.29139	1.53976	1.9062	2.2072	2.5957
<b>SBIIn</b>	0.41068	0.49316	0.58741	0.73562	1.0211	1.21133	1.41146	1.6073	2.1393	2.5065
<b>SBM</b>	0.39374	0.42512	0.4874	0.58082	0.76319	0.86354	0.92509	1.1630	1.4207	1.6799
<b>SBP</b>	0.51623	0.59028	0.67511	0.77339	0.96904	1.17804	1.53335	1.9251	2.2851	2.9760
<b>SBS</b>	0.46159	0.49977	0.58624	0.7099	0.88995	1.02186	1.22211	1.4443	1.7219	1.9073
<b>SBT</b>	0.49759	0.57231	0.65364	0.78612	0.95077	1.10898	1.32664	1.6425	2.0403	2.2330

**Advances per Employee (Rs. in Crores)**

<b>Group of Banks/Years</b>	<b>1996-97</b>	<b>1997-98</b>	<b>1998-99</b>	<b>1999-00</b>	<b>2000-01</b>	<b>2001-02</b>	<b>2002-03</b>	<b>2003-04</b>	<b>2004-05</b>	<b>2005-06</b>
<b>SBI</b>	0.26347	0.30978	0.34677	0.42026	0.52871	0.57675	0.65914	0.7628	0.9847	1.3163
<b>SBBJ</b>	0.19976	0.24329	0.25657	0.29781	0.38591	0.44259	0.51278	0.6585	0.9931	1.3149
<b>SBH</b>	0.28625	0.32449	0.36485	0.41254	0.47835	0.62501	0.72228	0.8897	1.1902	1.5916
<b>SBIIn</b>	0.23594	0.27839	0.30922	0.41015	0.52248	0.6555	0.79371	0.9795	1.4008	1.7867
<b>SBM</b>	0.21705	0.23464	0.26107	0.32617	0.43000	0.49782	0.53994	0.6506	0.9183	1.2063
<b>SBP</b>	0.27043	0.3132	0.36731	0.43869	0.57212	0.73325	0.92212	1.1210	1.3246	1.9542
<b>SBS</b>	0.26891	0.28243	0.33373	0.39302	0.47992	0.55256	0.62771	0.7090	0.9166	1.1634
<b>SBT</b>	0.2817	0.3066	0.32129	0.39614	0.52559	0.61263	0.7639	0.9272	1.2554	1.6205

### Appendix - 3

#### Branch Productivity Indicators

##### Income per Branch (Rs. in Crores)

Group of Banks/Years	1996-97	1997-98	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06
SBI	1.9795	2.0951	2.4930	2.8497	3.3070	3.7407	4.0554	4.1898	4.2221	4.6887
SBBJ	1.1319	1.3214	1.4454	1.6976	1.9015	2.0938	2.2422	2.5684	2.6990	2.7945
SBH	1.3772	1.4481	1.6562	2.0011	2.2572	2.5804	2.8289	3.2376	2.9566	3.5368
SBIIn	1.1581	1.2663	1.5078	1.7360	2.1330	2.7746	3.0174	3.2342	2.9275	3.6327
SBM	1.2335	1.2617	1.4111	1.6261	1.8017	1.9940	2.2036	2.2503	2.4546	2.6416
SBP	1.4303	1.4683	1.6153	1.8701	2.0947	2.4468	2.8579	3.3899	3.3185	3.7052
SBS	1.4897	1.5524	1.7276	2.0080	2.1633	2.4726	2.7035	3.0717	3.0197	3.0804
SBT	1.5794	1.7129	1.7651	2.0303	2.2498	2.4986	2.8086	3.3080	3.6072	3.8401

##### Expenditure per Branch (Rs. in Crores)

Group of Banks/Years	1996-97	1997-98	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06
SBI	1.8277	1.8866	2.3786	2.6229	3.1303	3.4731	3.7135	3.7847	3.8806	4.2103
SBBJ	1.0789	1.2034	1.3277	1.5446	1.7684	1.8861	1.9859	2.1934	2.4494	2.6202
SBH	1.3116	1.3314	1.5258	1.8548	2.0861	2.3244	2.4916	2.8150	2.6865	3.0844
SBIIn	1.1122	1.1931	1.4276	1.6229	1.9765	2.4760	2.5483	2.7141	2.6248	3.3165
SBM	1.1612	1.1718	1.3531	1.5447	1.7591	1.8849	2.0117	1.9663	2.1288	2.3036
SBP	1.3458	1.2660	1.4731	1.6871	1.8719	2.1247	2.4216	2.8106	2.9358	3.3053
SBS	1.3026	1.3489	1.6642	1.7882	2.1296	2.2731	2.4799	2.6474	2.8760	2.9393
SBT	1.5178	1.6170	1.6999	1.9306	2.1045	2.3192	2.5537	2.9419	3.2383	3.4652

##### Spread per Branch (Rs. in Crores)

Group of Banks/Years	1996-97	1997-98	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06
SBI	0.6030	0.6057	0.6750	0.7662	0.9085	0.9996	1.0987	1.2310	1.525	1.6976
SBBJ	0.3544	0.4093	0.4235	0.4748	0.5757	0.6191	0.6953	0.8910	1.0545	1.1933
SBH	0.4351	0.4613	0.5439	0.5950	0.6962	0.7341	0.8364	0.9327	1.0359	1.1592
SBIIn	0.4002	0.4171	0.5026	0.4693	0.5710	0.6974	0.8599	1.0423	1.1413	1.2307
SBM	0.4128	0.4115	0.4249	0.4740	0.5201	0.5219	0.6401	0.7317	0.8605	0.9542
SBP	0.4595	0.5015	0.5385	0.6561	0.8366	0.9087	1.0692	1.1065	1.3016	1.3248
SBS	0.4687	0.4925	0.5566	0.5975	0.6182	0.6814	0.7718	0.9659	1.2124	1.1247
SBT	0.3783	0.4063	0.3589	0.4227	0.5889	0.6297	0.7792	1.0229	1.3375	1.3842

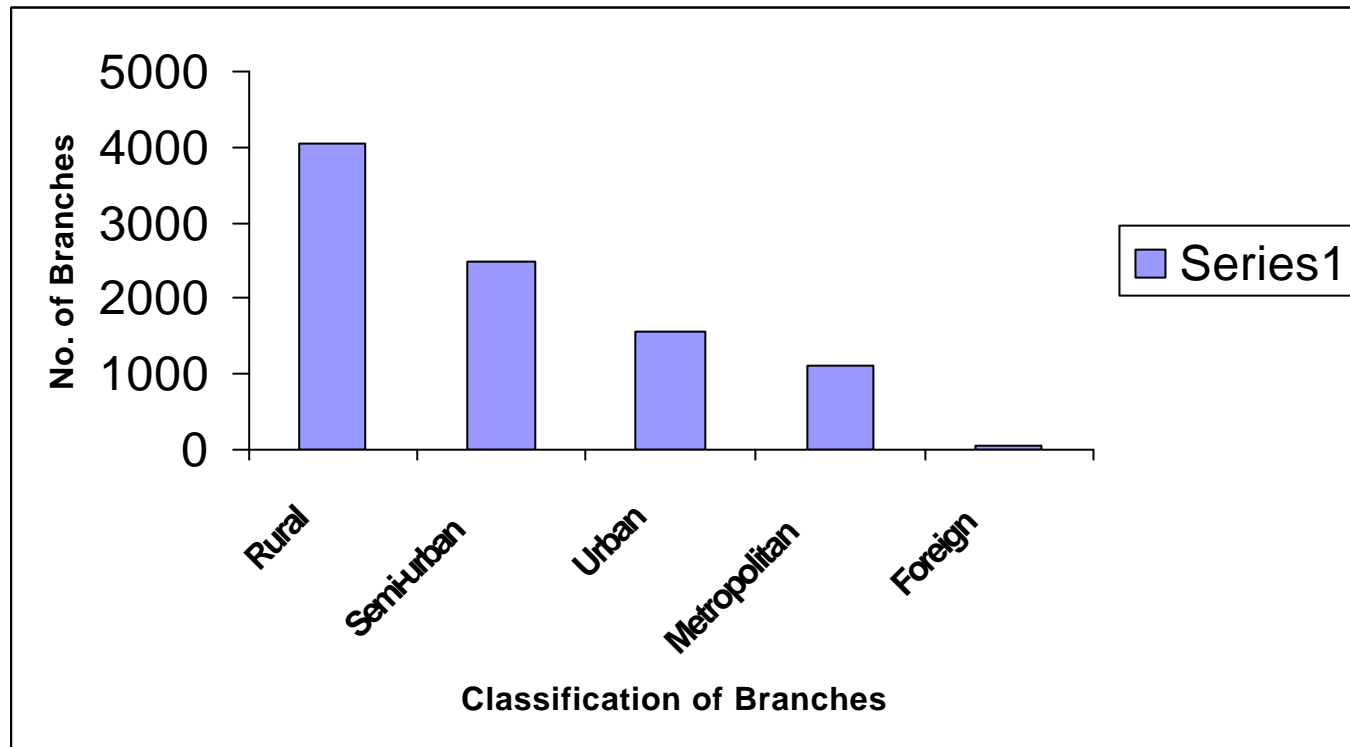
### Deposits per Branch (Rs. in Crores)

Group of Banks/Years	1996-97	1997-98	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06
<b>SBI</b>	12.4551	14.6881	18.8201	21.765	26.7491	29.781	32.6091	35.631	40.0882	41.2645
<b>SBBJ</b>	7.065	8.5076	9.9241	11.5299	13.038	14.7235	16.6881	20.4642	23.1048	26.0741
<b>SBH</b>	9.0469	10.395	12.4151	14.333	16.9042	19.6641	23.0413	28.0607	31.1405	36.0430
<b>SBIIn</b>	7.5192	8.8886	10.408	12.7409	16.3775	18.8984	21.585	24.1644	31.3797	37.8653
<b>SBM</b>	7.8388	8.485	9.6284	11.1844	12.6174	14.114	14.9224	18.1526	21.4616	25.5363
<b>SBP</b>	10.3424	10.944	12.4259	14.2601	16.0085	19.2853	24.2137	30.2466	35.3276	44.5616
<b>SBS</b>	9.736	10.4029	11.9476	14.2893	16.3821	18.498	21.8622	25.5377	30.1027	32.4910
<b>SBT</b>	9.8833	11.3152	13.0276	15.2663	17.2471	19.9699	23.7351	29.5230	36.0194	37.6761

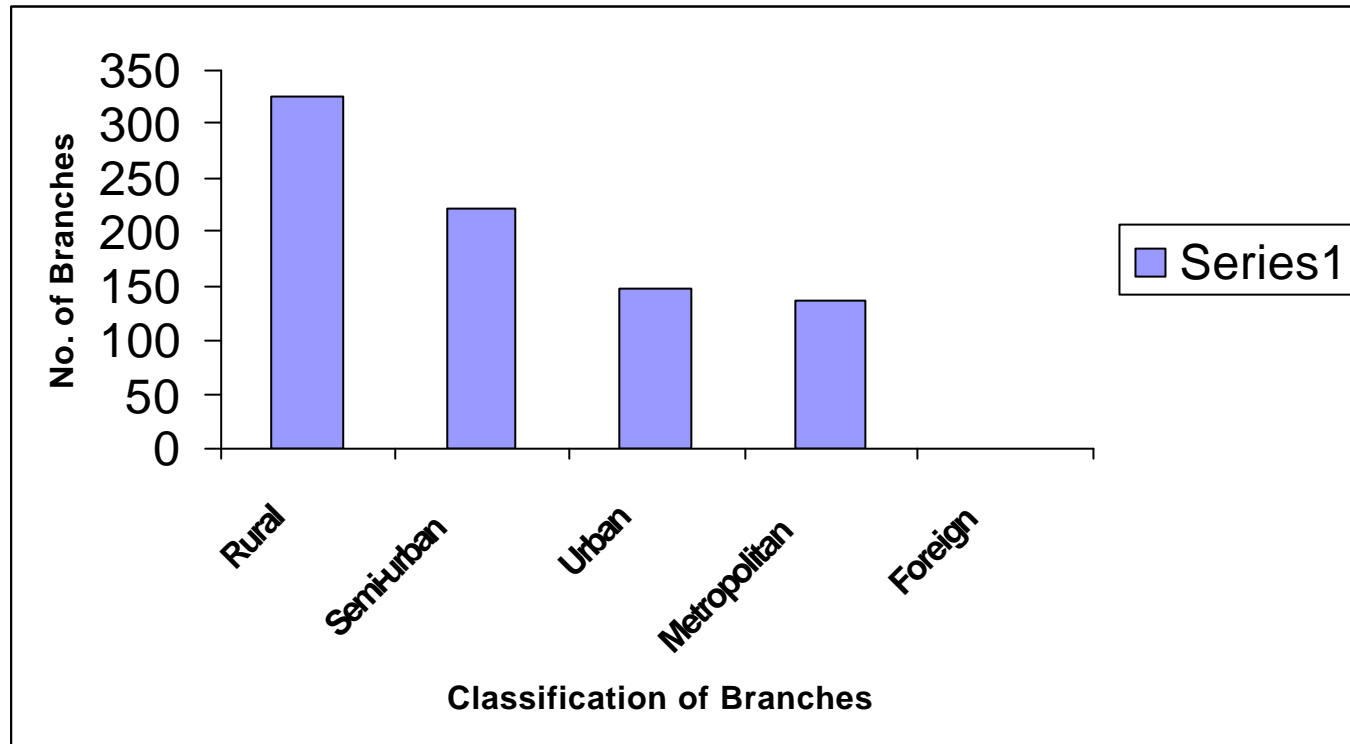
### Advances per Branch (Rs. in Crores)

Group of Banks/Years	1996-97	1997-98	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06
<b>SBI</b>	7.0019	8.3179	9.1694	10.8484	12.5127	13.2974	15.1700	17.3802	22.1029	28.4084
<b>SBBJ</b>	3.9422	4.7725	4.9241	5.5923	6.5254	7.4284	8.5414	10.6922	14.5741	19.1055
<b>SBH</b>	5.0513	5.5651	6.2362	6.9576	8.0769	9.5171	10.8083	13.0972	16.7920	22.1007
<b>SBIIn</b>	4.3198	5.0175	5.4788	7.1038	8.3801	10.2267	12.1381	14.7266	20.5469	26.9908
<b>SBM</b>	4.3211	4.6833	5.1573	6.2809	7.1090	8.1366	8.7097	10.1557	13.8724	18.3372
<b>SBP</b>	5.4179	5.8068	6.7607	8.0888	9.4514	12.0039	14.5615	17.6128	20.4790	29.2612
<b>SBS</b>	5.6719	5.9408	6.8015	7.9111	8.8343	10.0026	11.2290	12.5370	16.0240	19.8193
<b>SBT</b>	5.5953	6.0618	6.4035	7.6930	9.5343	11.0319	13.6672	16.6653	22.1617	27.3426

**Chart - 1.1**  
**Classification of Branches of SBI (2005-2006)**



**Chart - 1.2**  
**Classification of Branches of SBBJ (2005-2006)**



**Chart - 1.3**  
**Classification of Branches of SBH (2005-2006)**

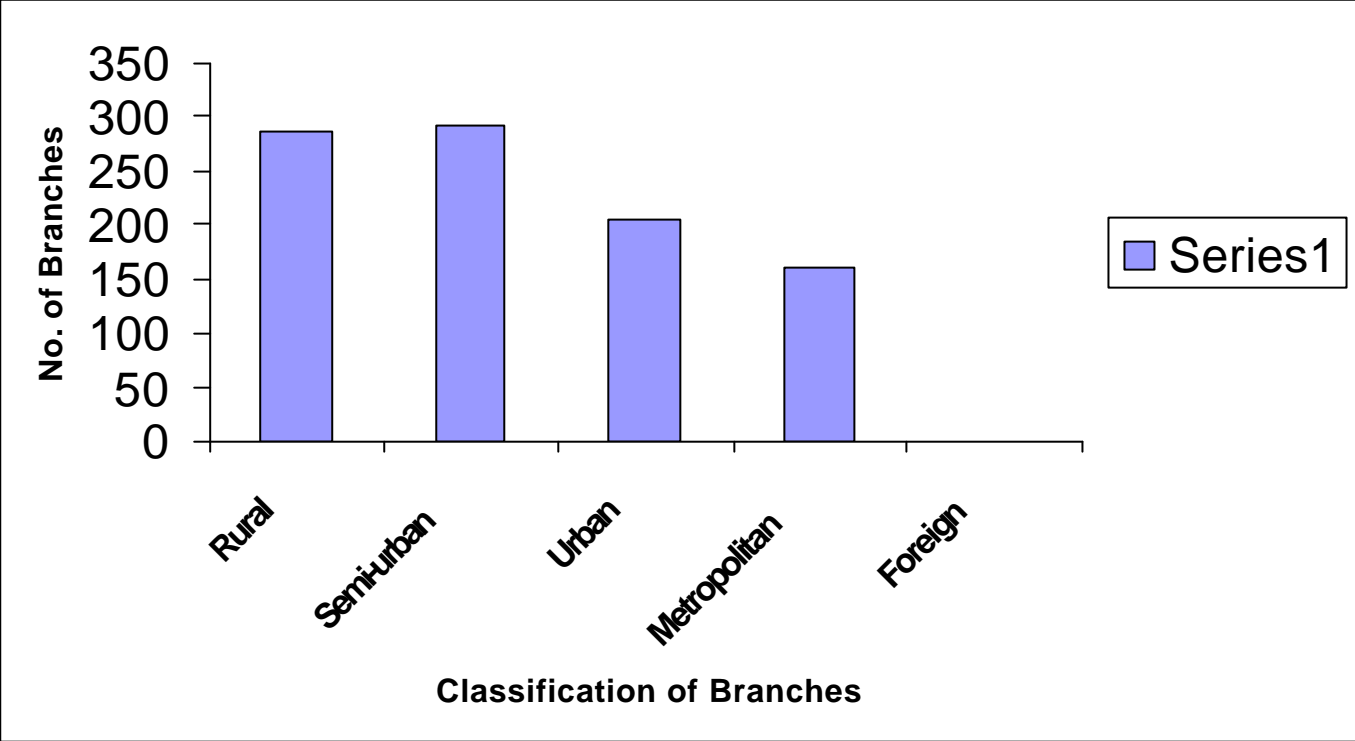
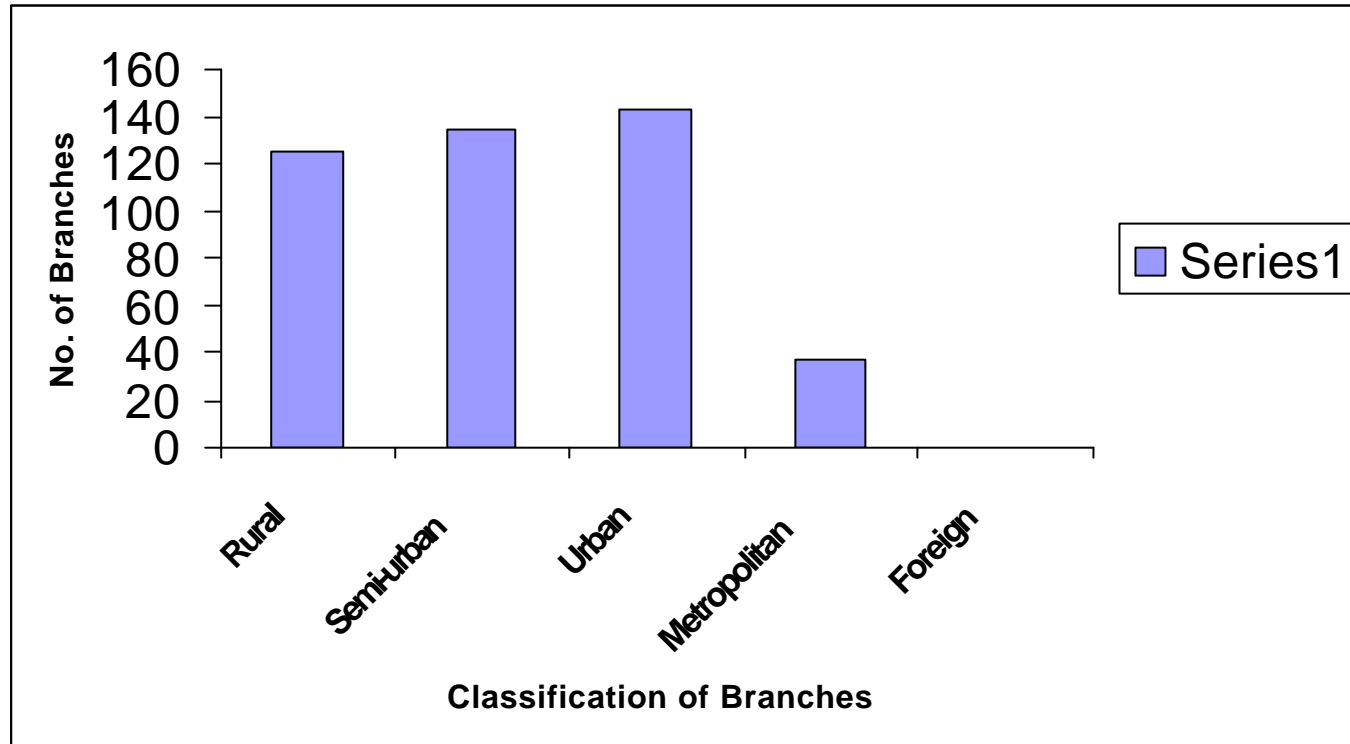
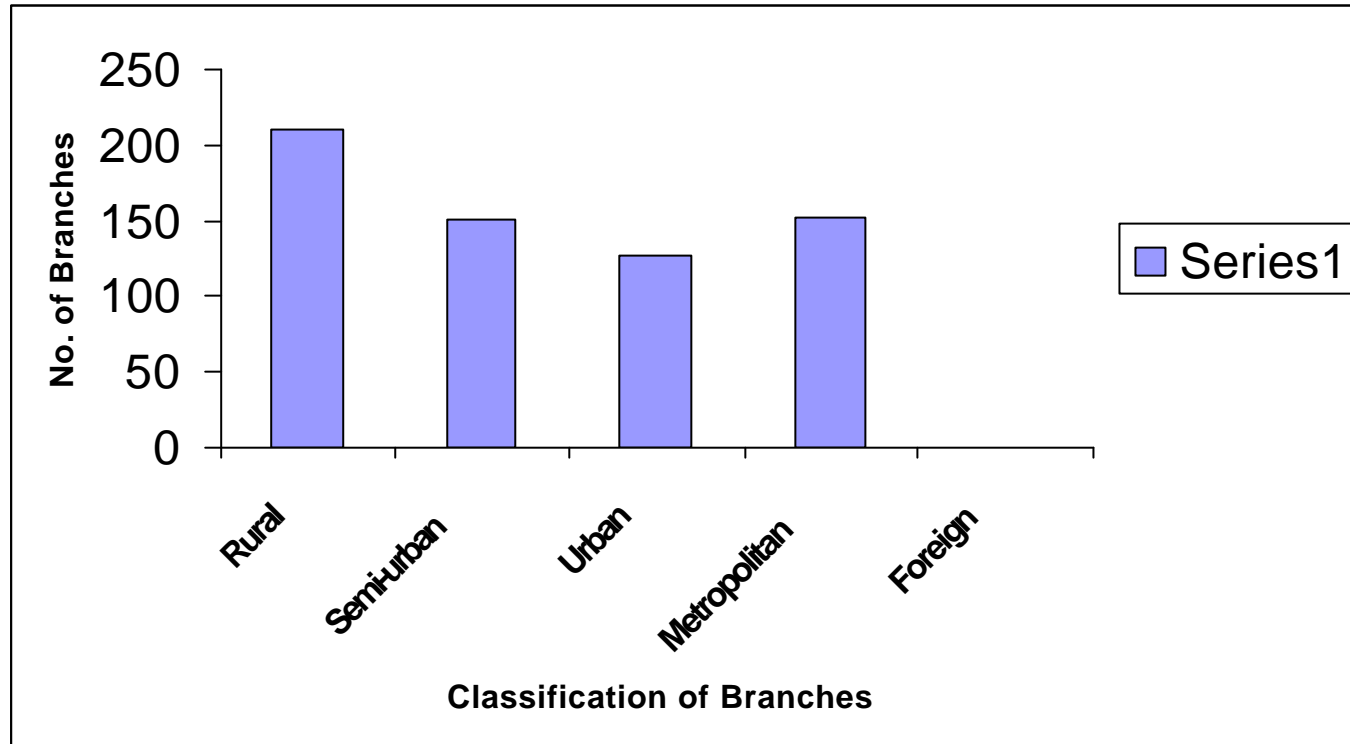


Chart - 1.4  
Classification of Branches of SBI in (2005-2006)

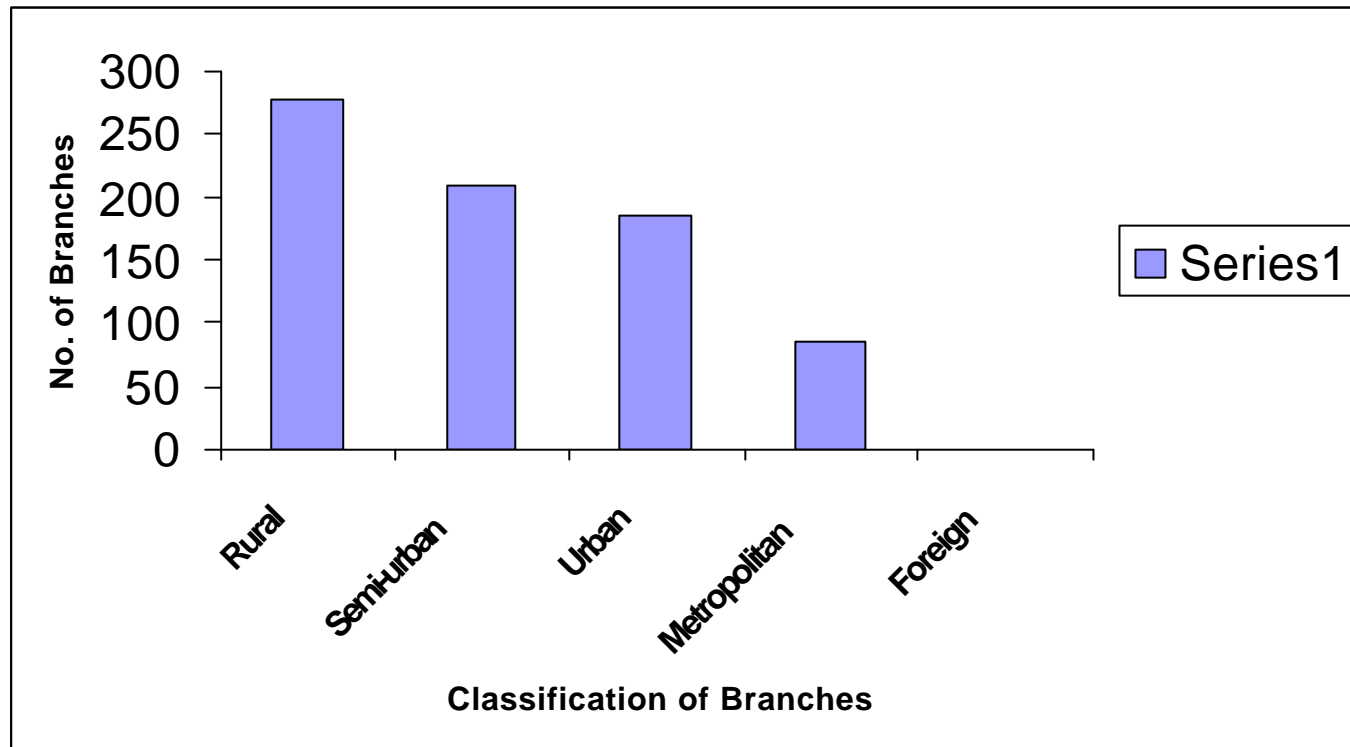




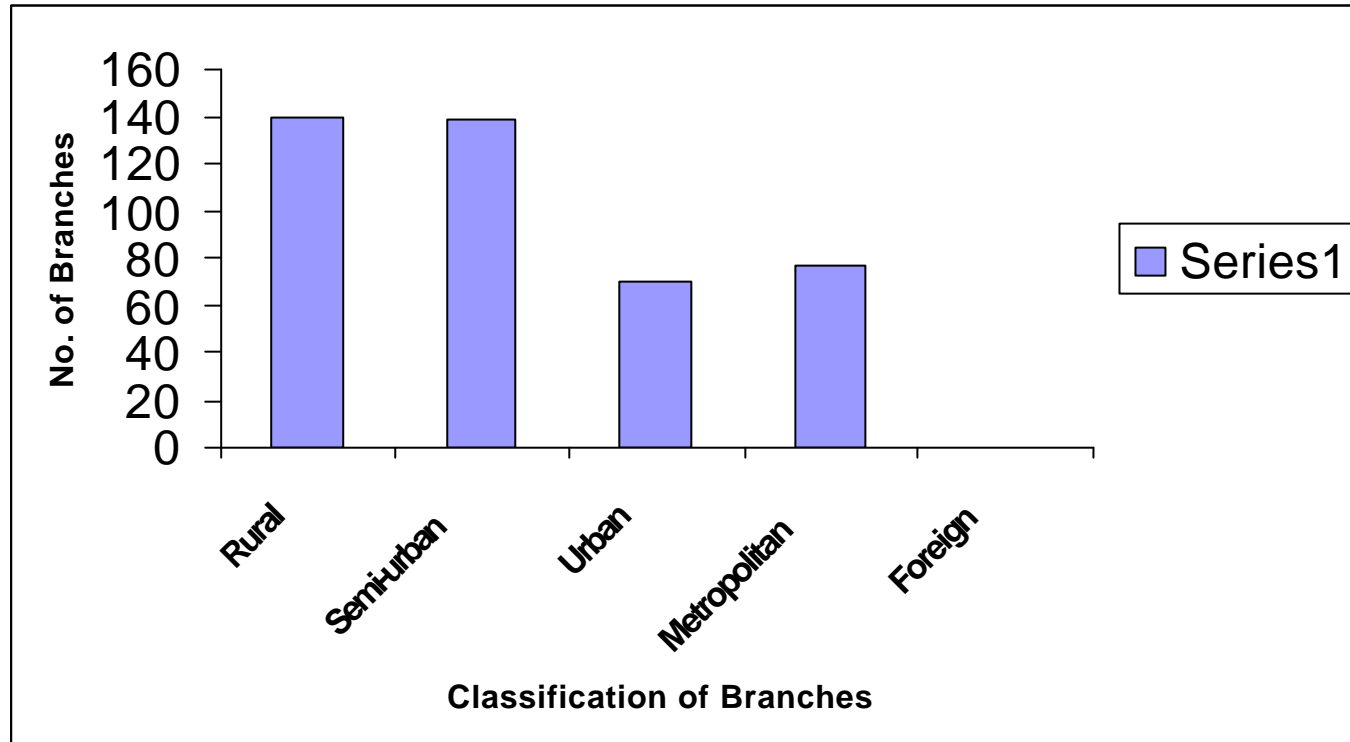
**Chart -1.5**  
**Classification of Branches of SBM (2005-2006)**



**Chart - 1.6**  
**Classification of Branches of SBP (2005-2006)**



**Chart - 1.7**  
**Classification of Branches of SBS (2005-2006)**



**Chart - 1.8**  
**Classification of Branches of SBT (2005-2006)**

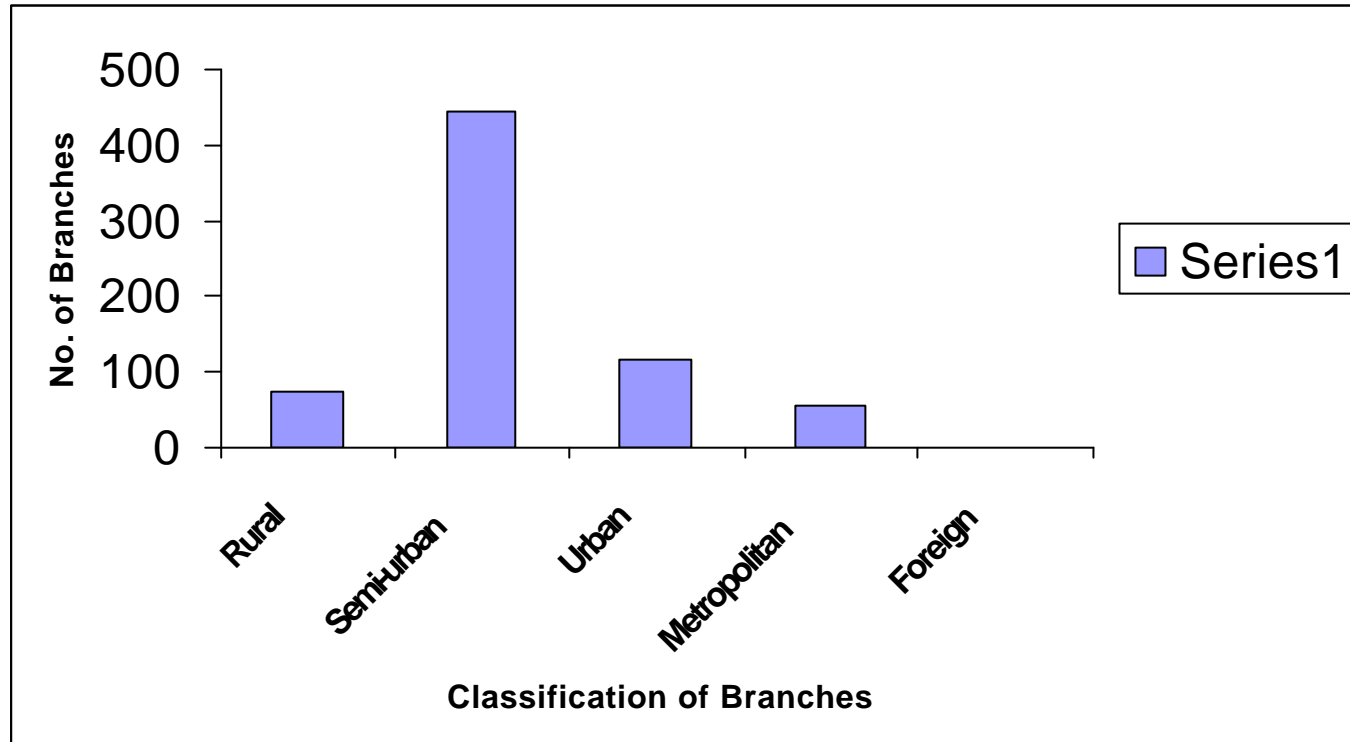


Chart - 1.9  
Growth of Capital Fund of SBI

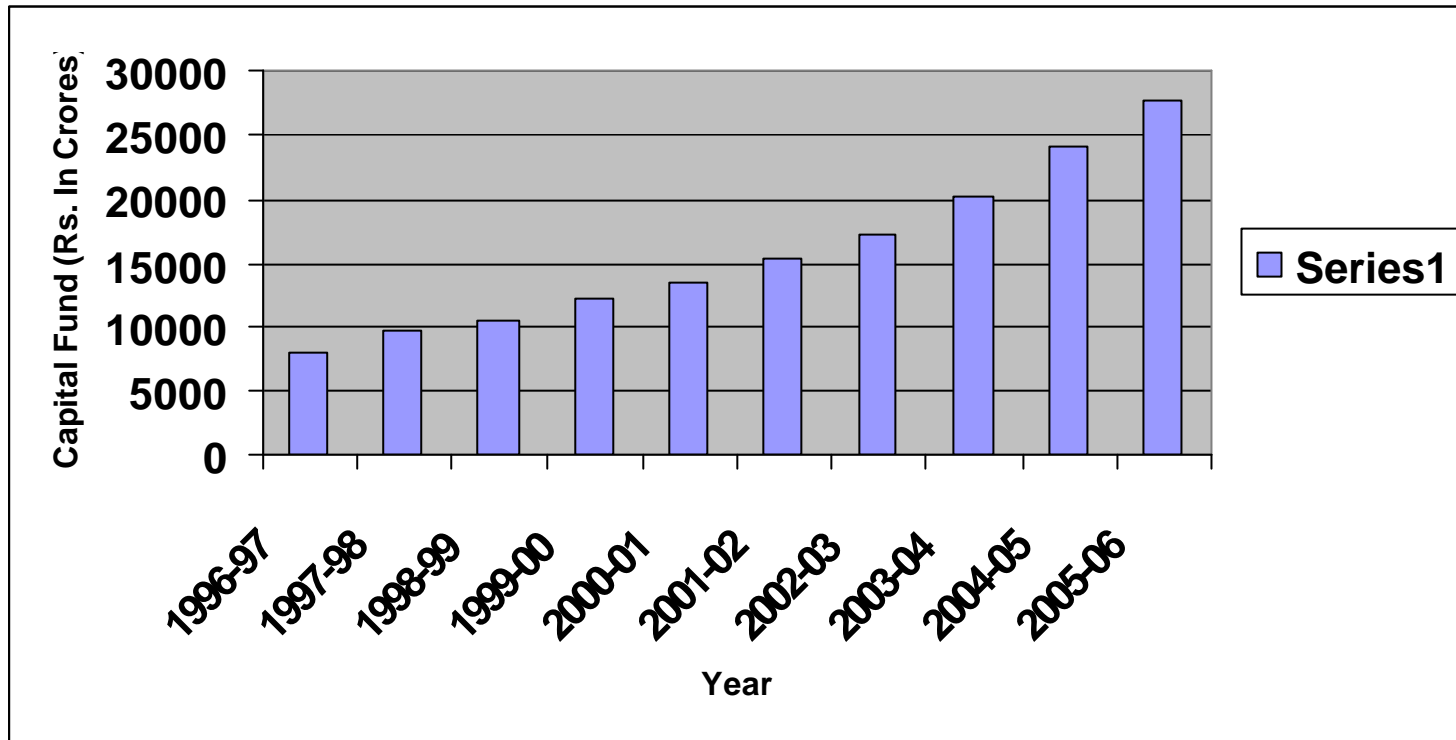
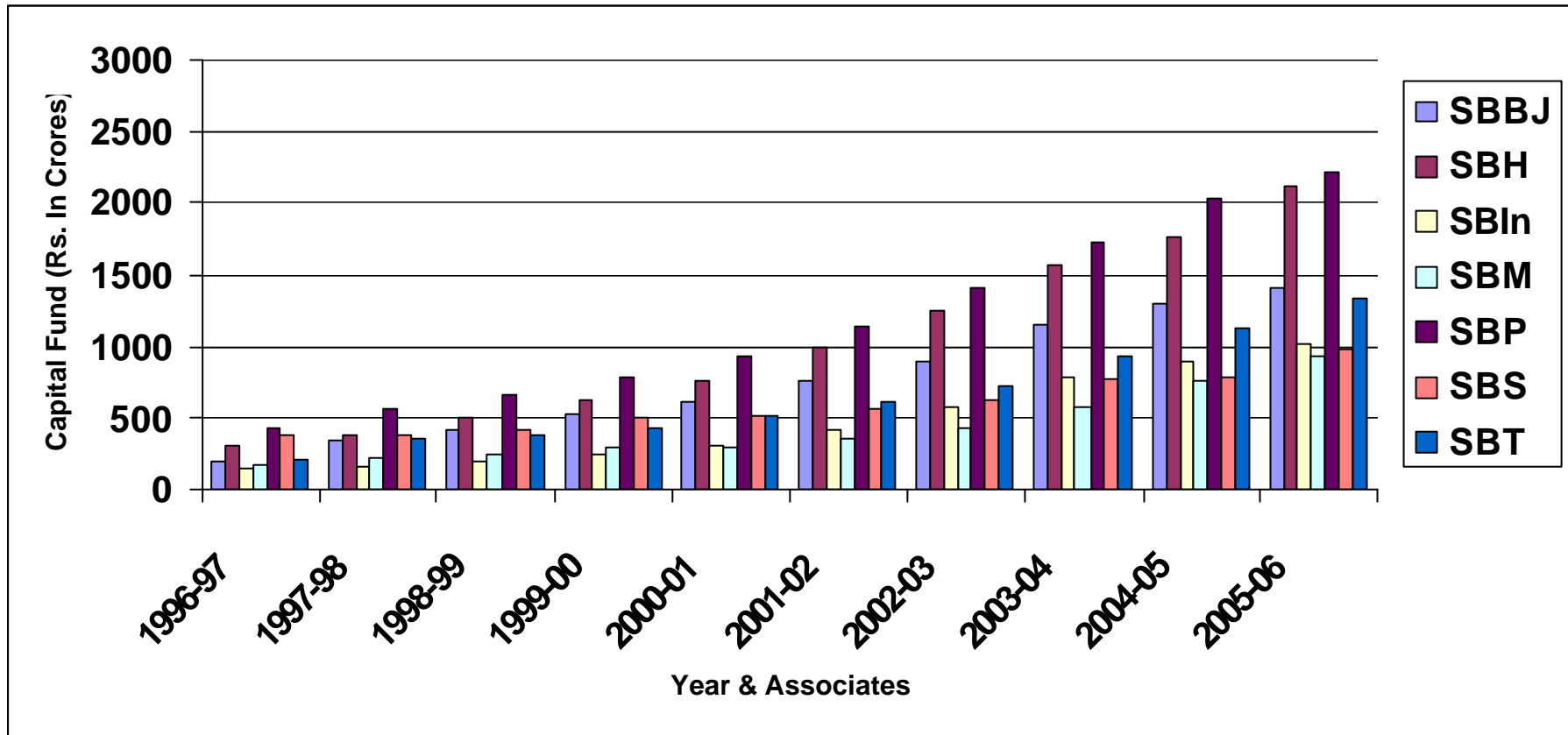
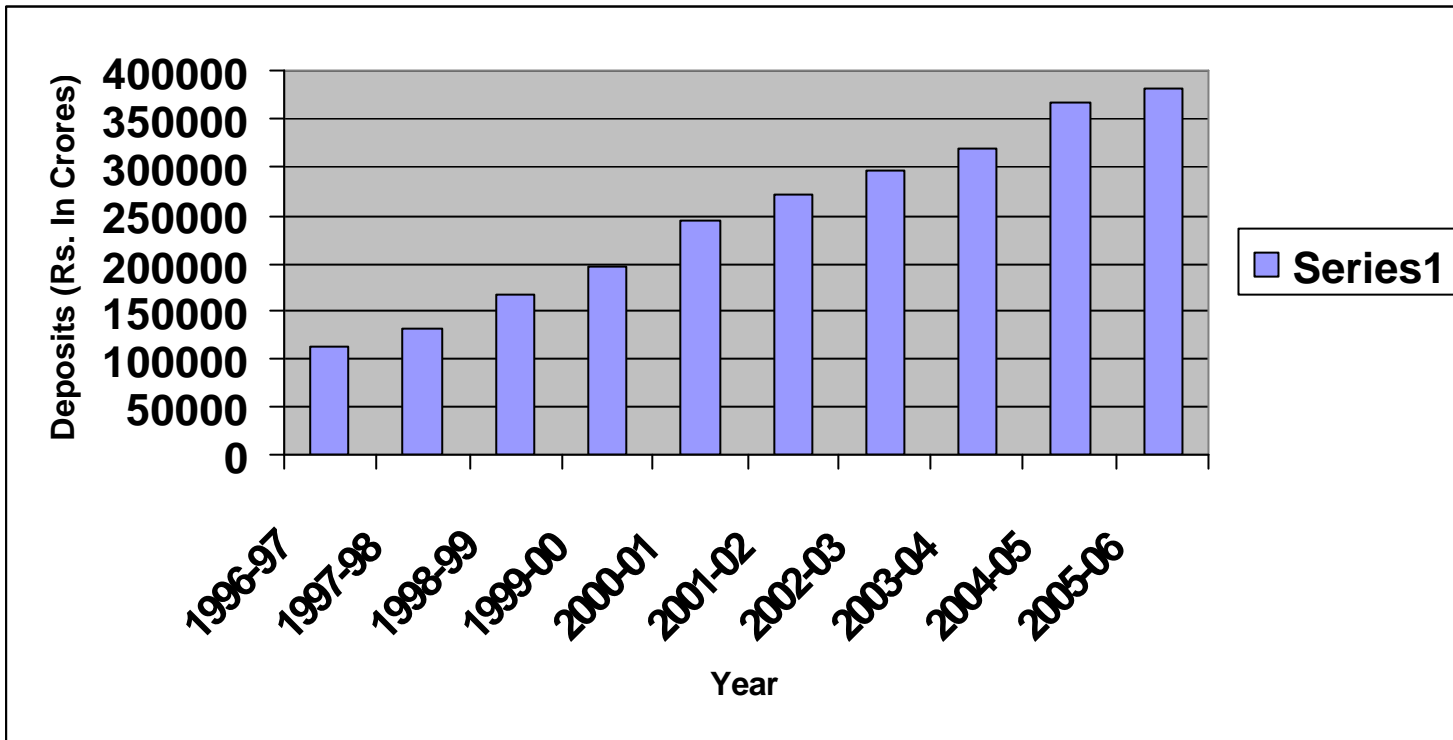


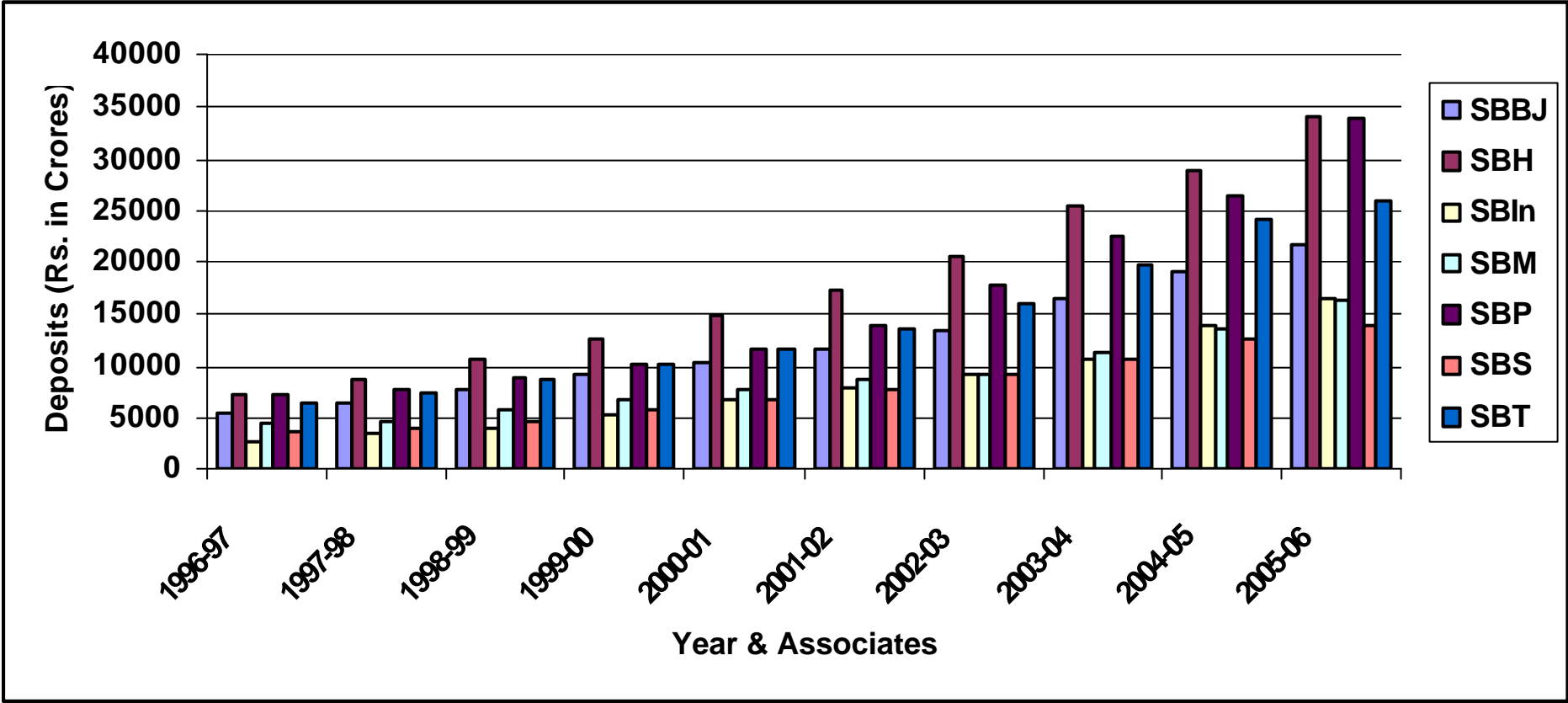
Chart - 1.9  
Growth of Capital Fund of Associates



**Chart - 1.10**  
**Growth of Deposits of SBI**

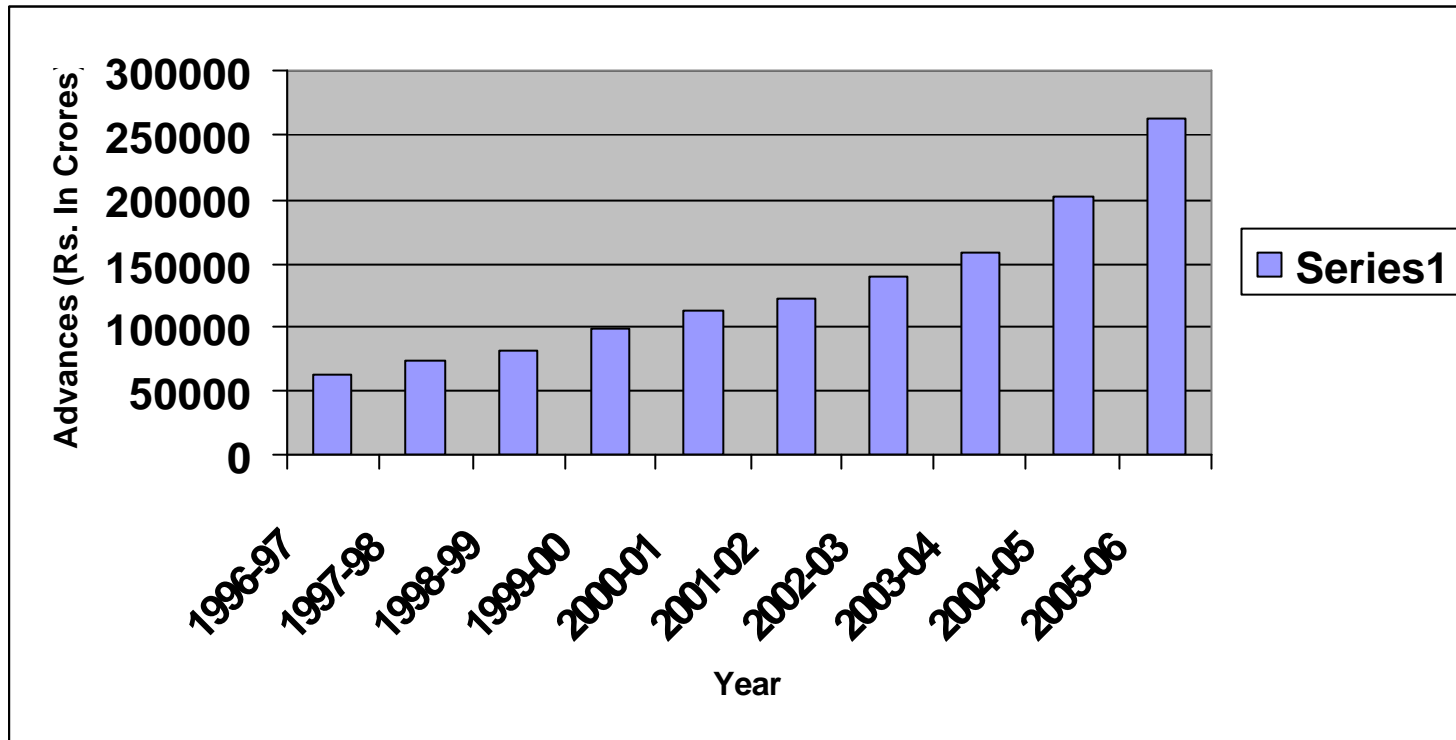


**Chart - 1.10  
Growth of Deposits of Associates**





**Chart - 1.11**  
**Growth of Advances of SBI**



**Chart - 1.11**  
**Growth of Advances of Associates**

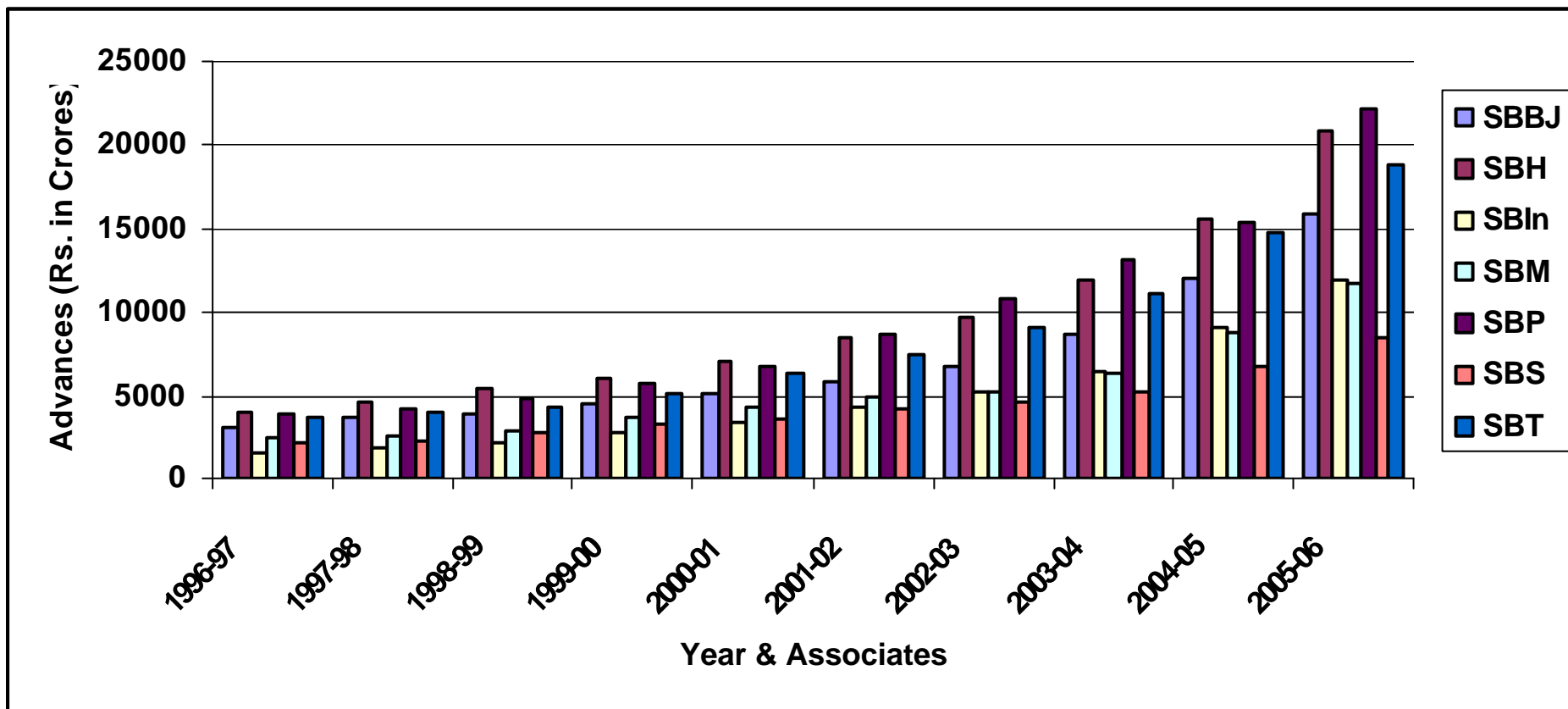
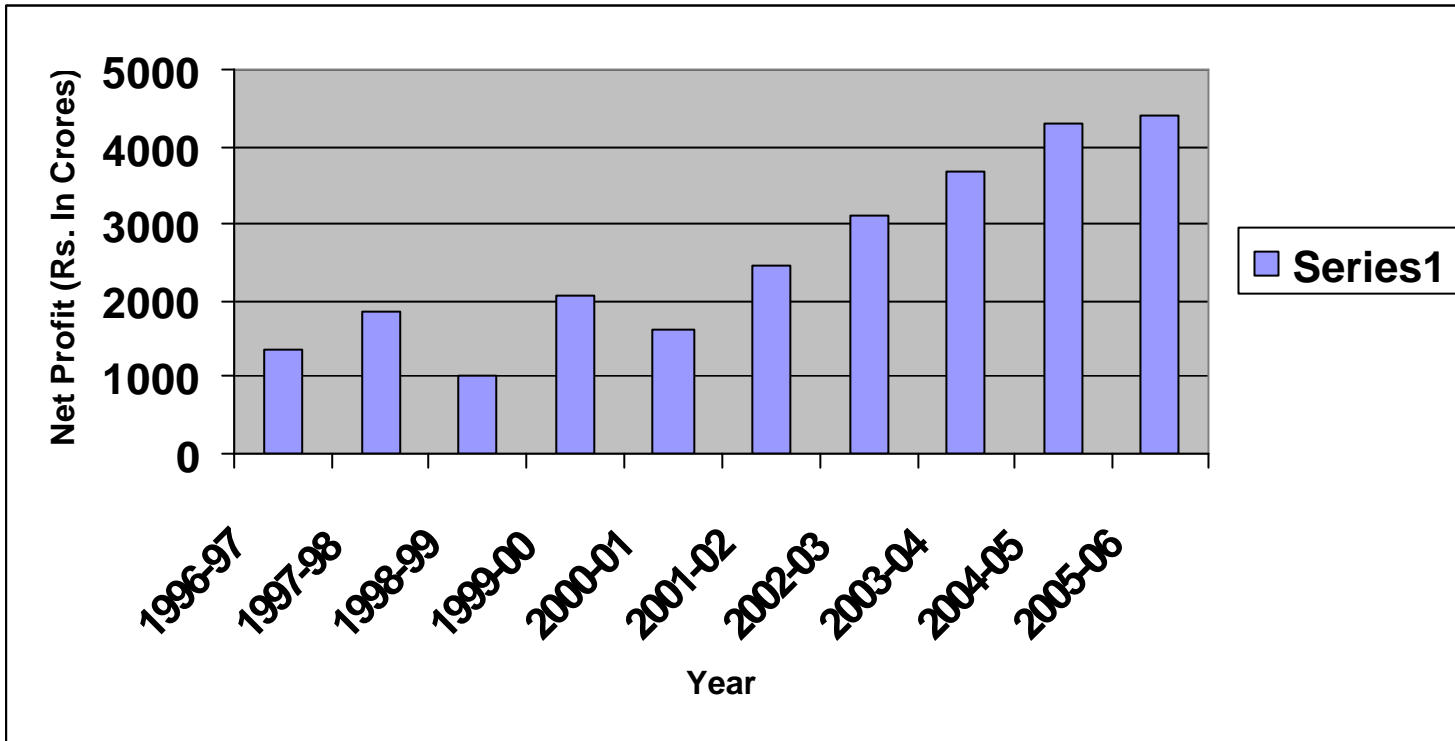
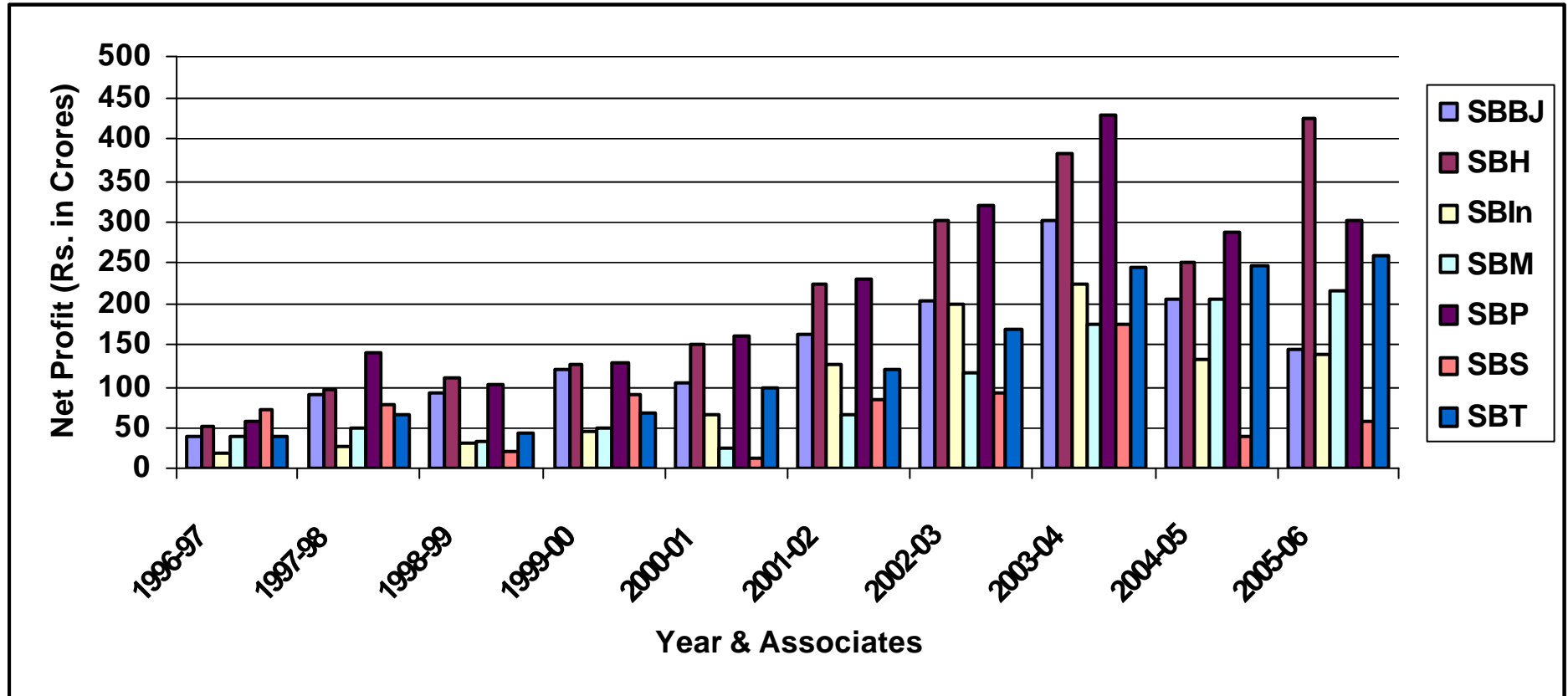


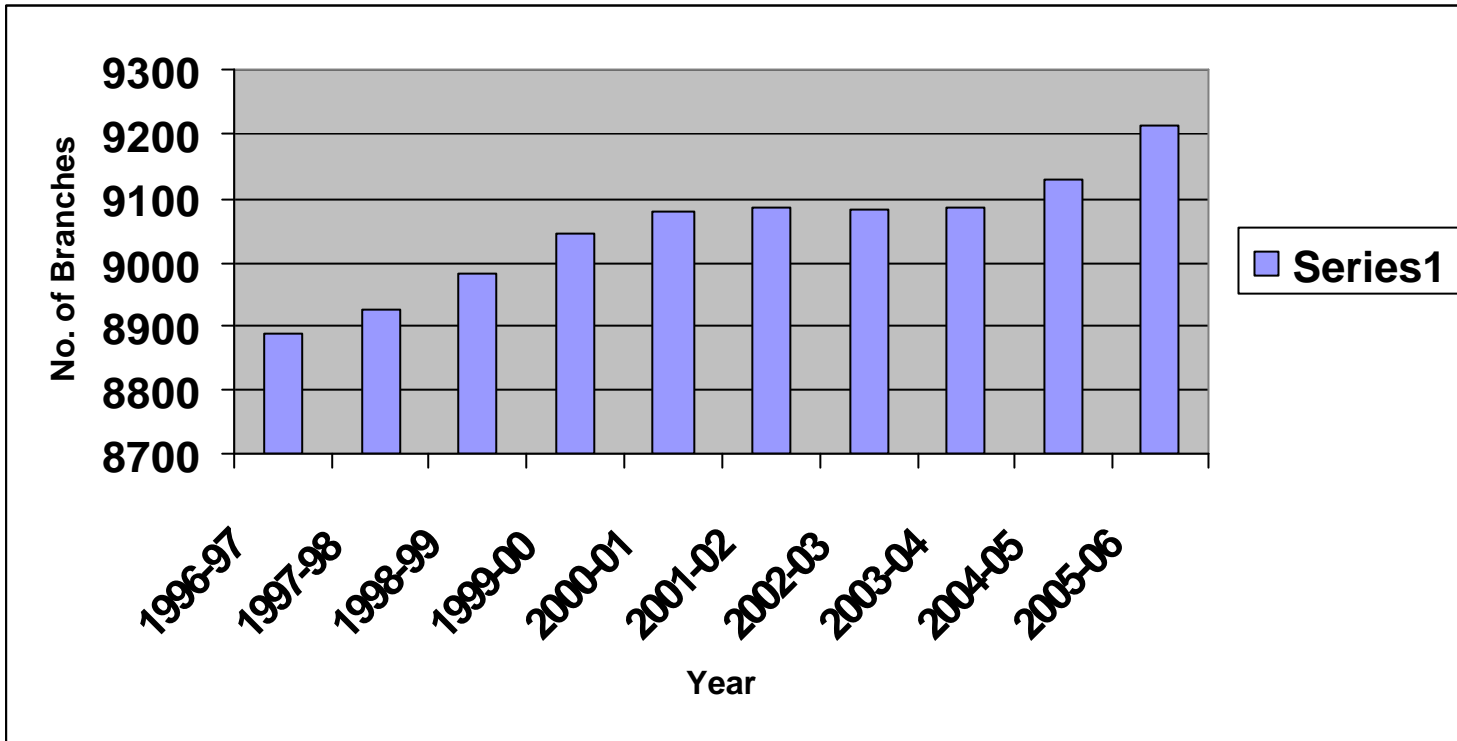
Chart - 1.12  
Growth of Net Profit of SBI



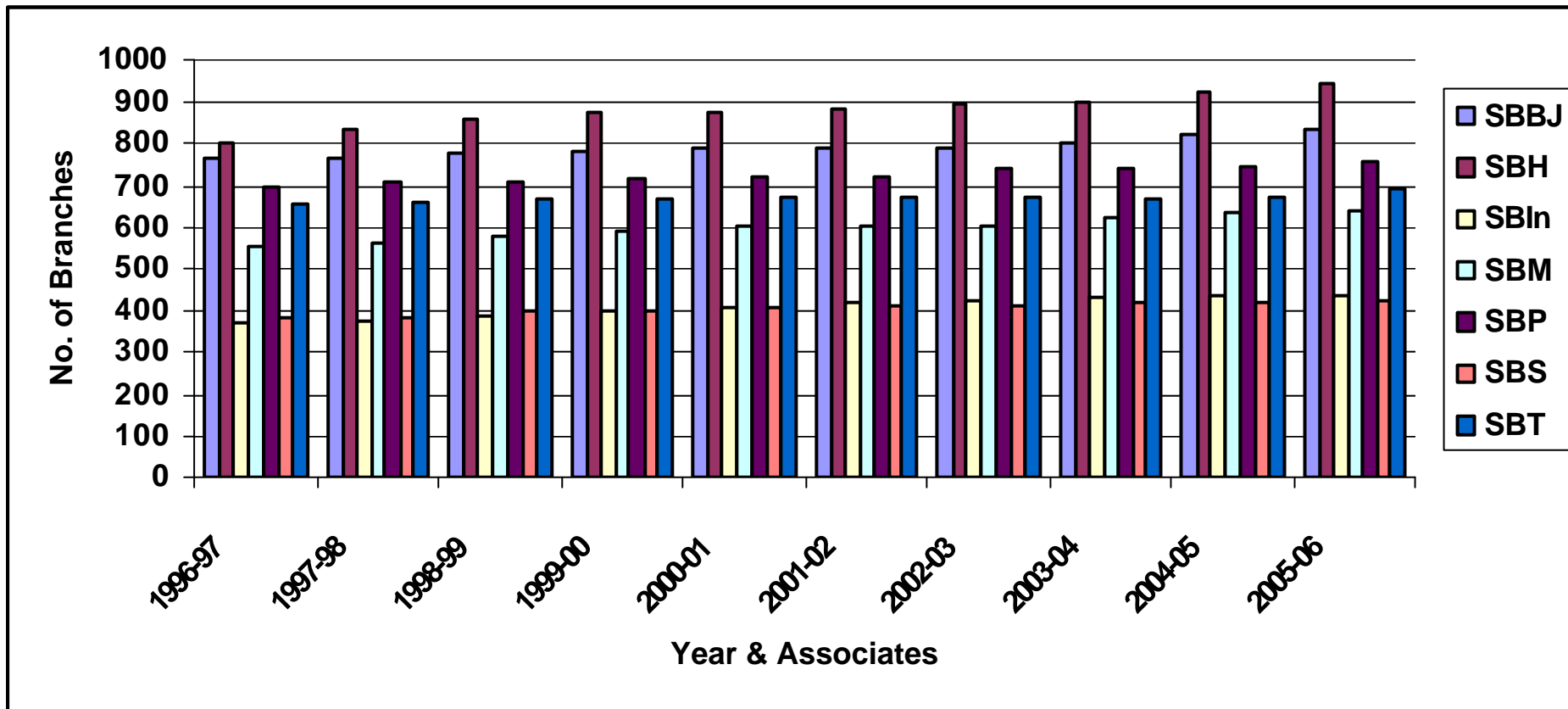
**Chart - 1.12**  
**Growth of Net Profit of Associates**



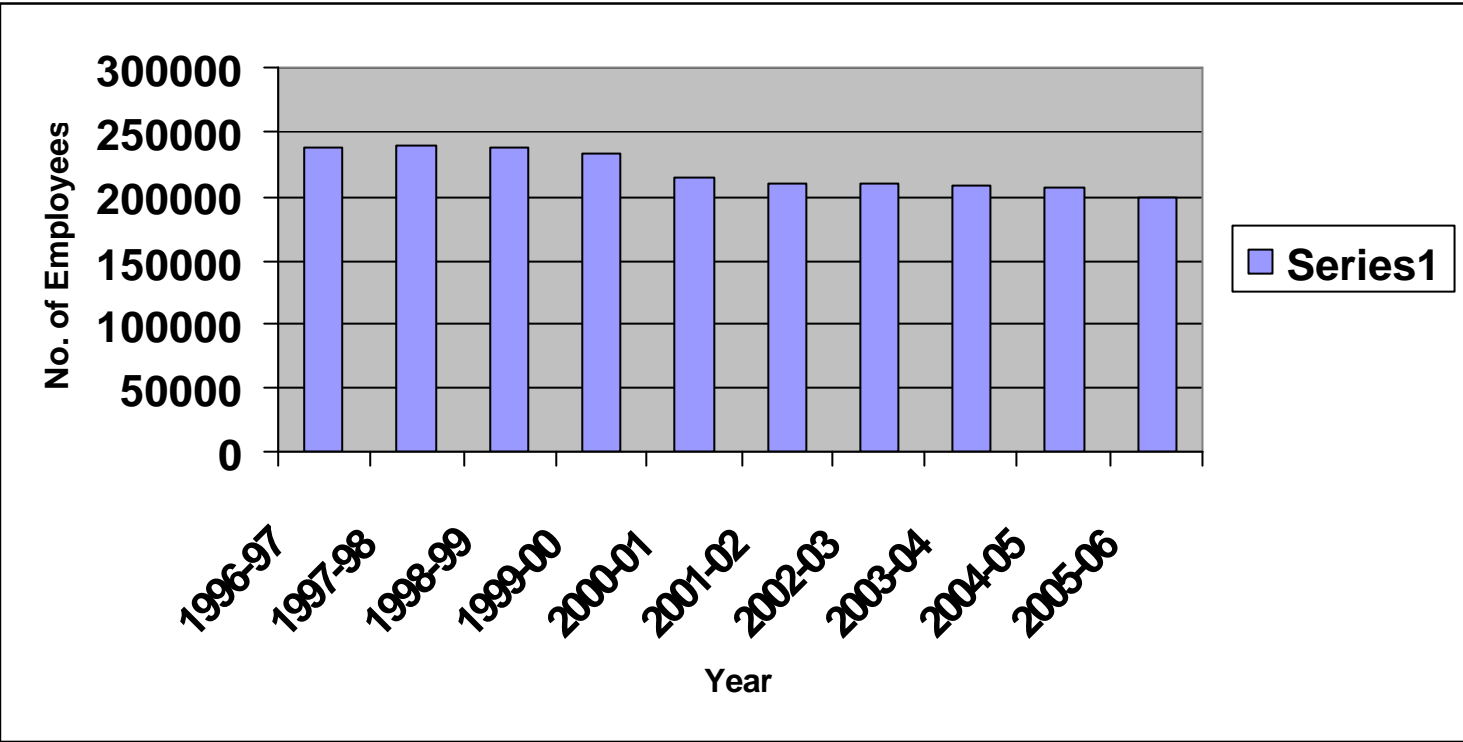
**Chart - 1.13**  
**Growth of No. of Branches of SBI**



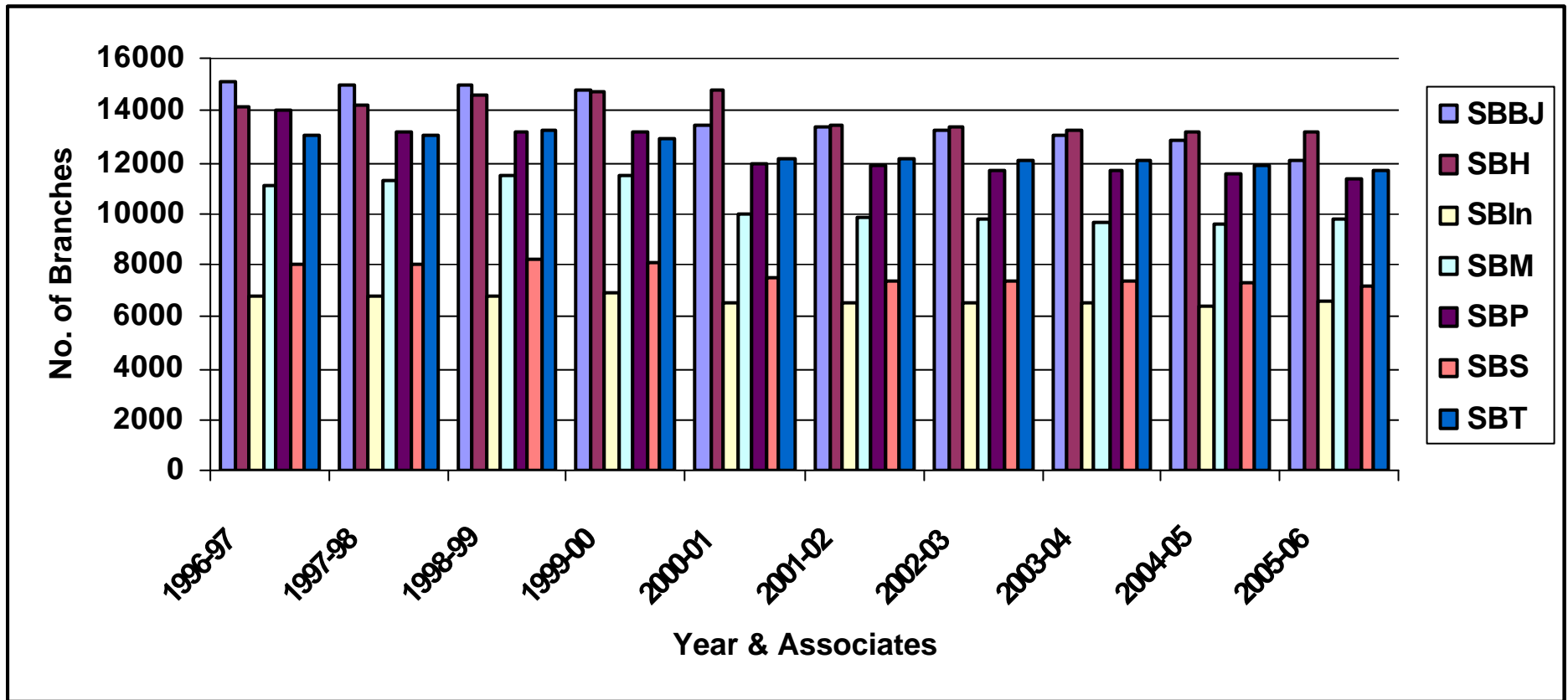
**Chart - 1.13**  
**Growth of No. of Branches of Associates**



**Chart - 1.14**  
**Growth of No. of Employees of SBI**

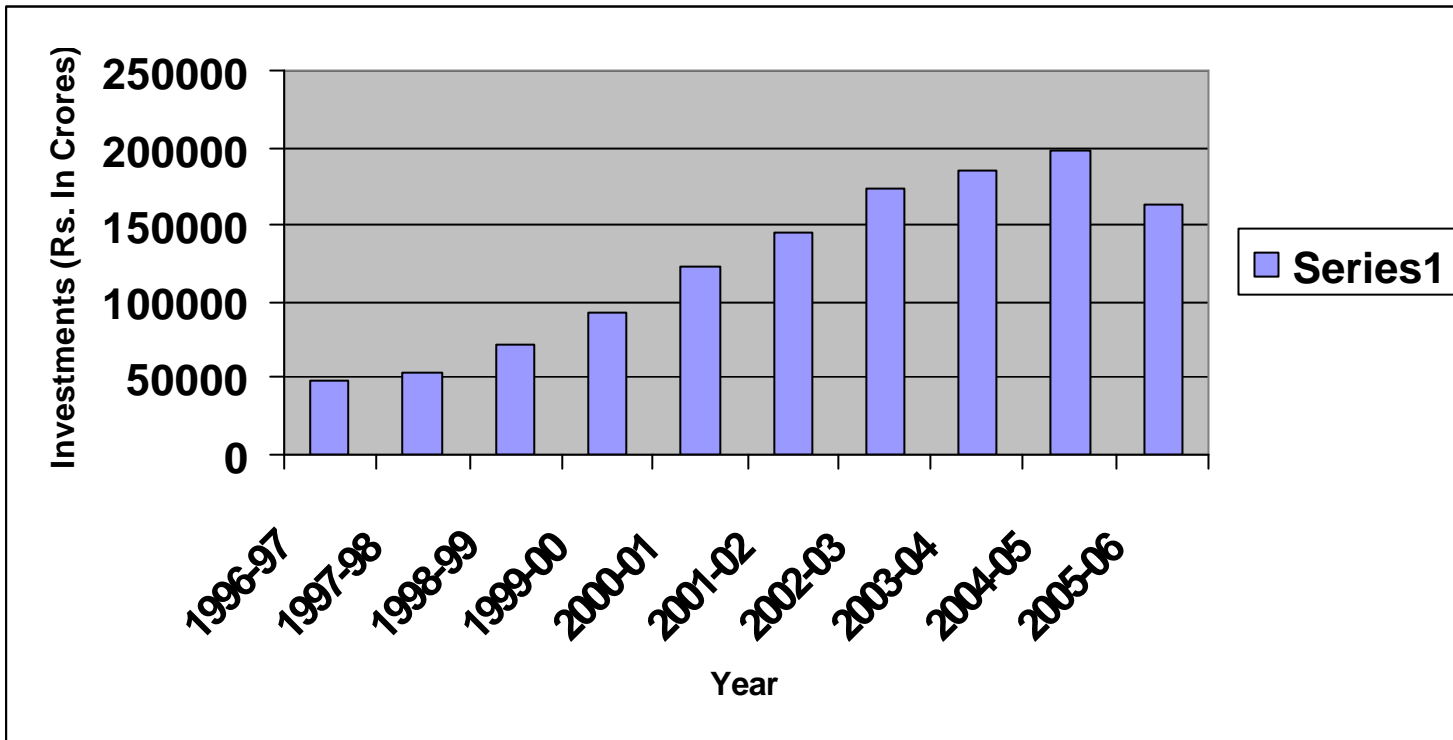


**Chart - 1.14**  
**Growth of No. of Employees of Associates**

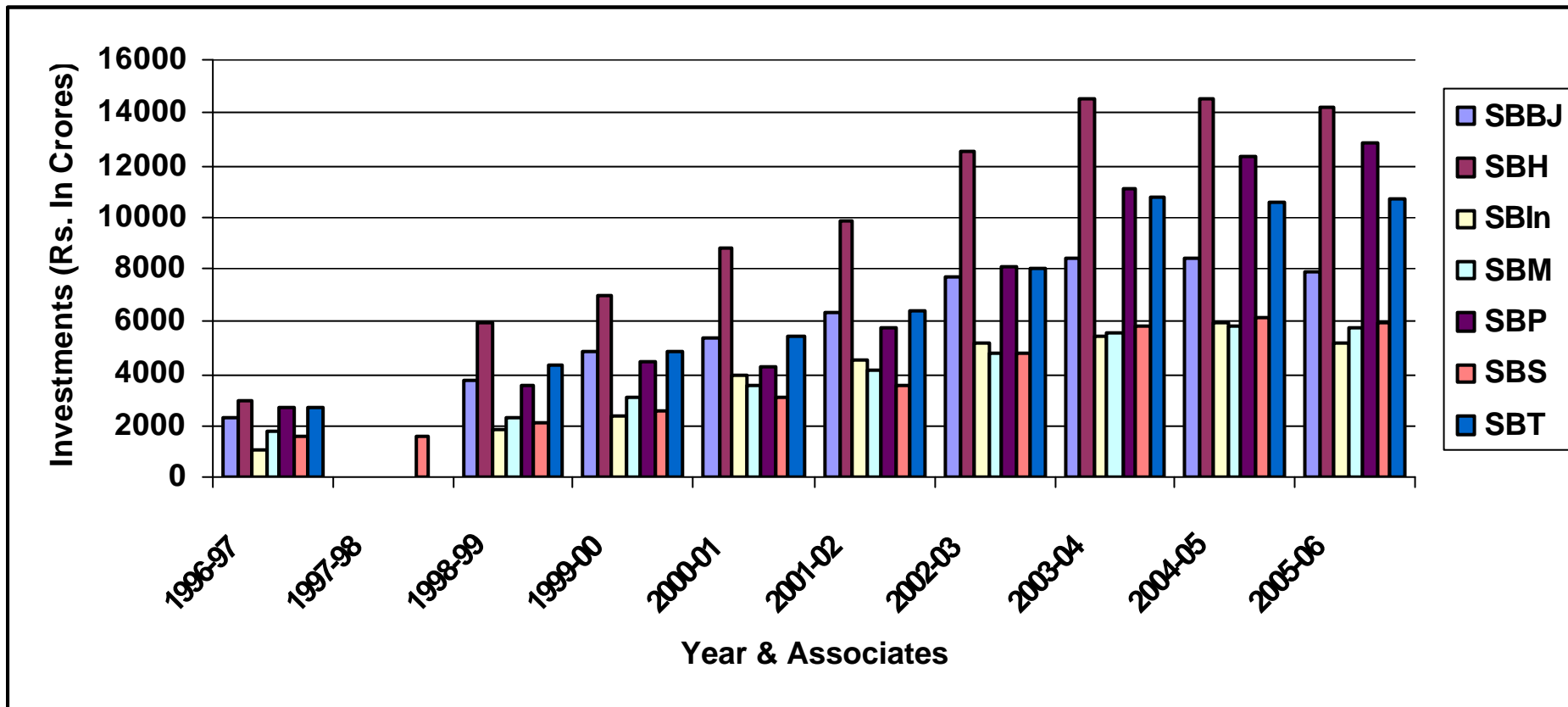




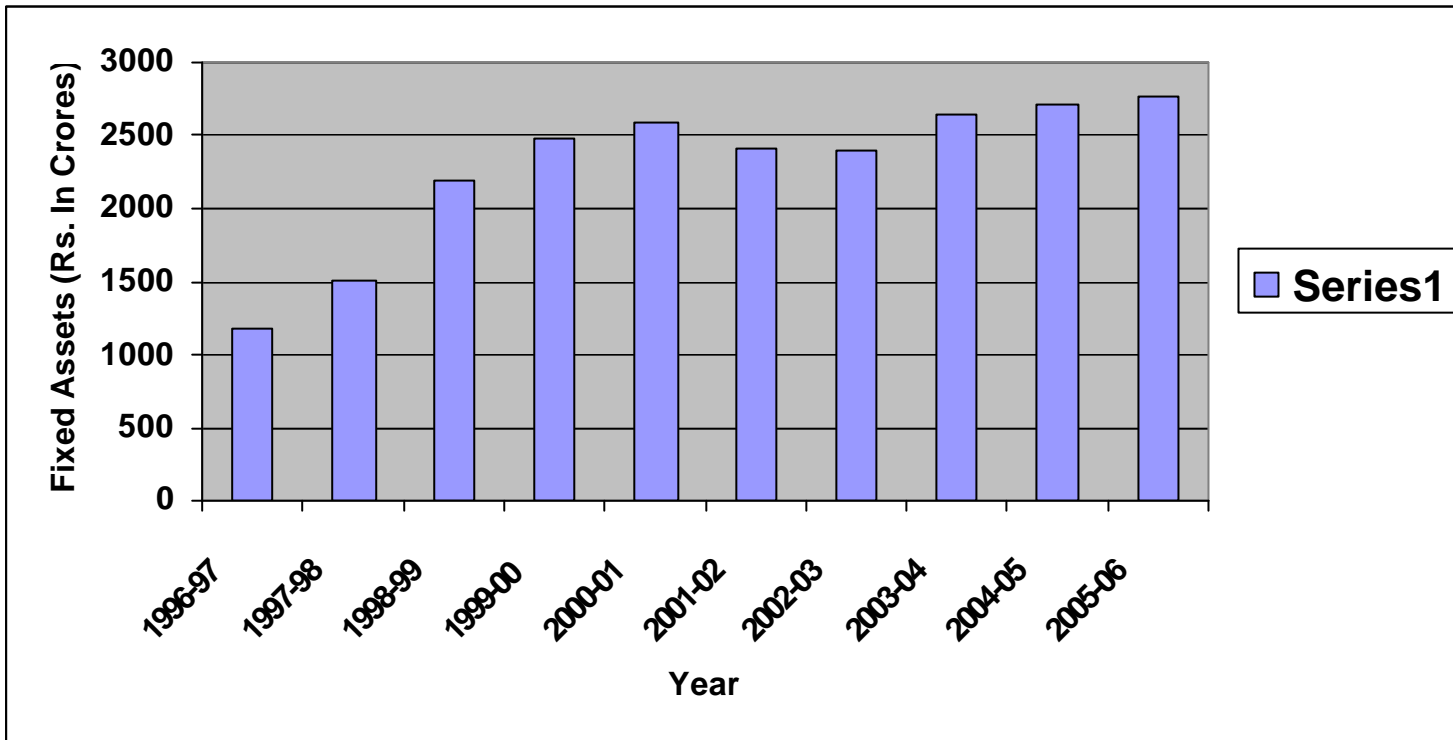
**Chart - 1.15**  
**Growth of Investments of SBI**



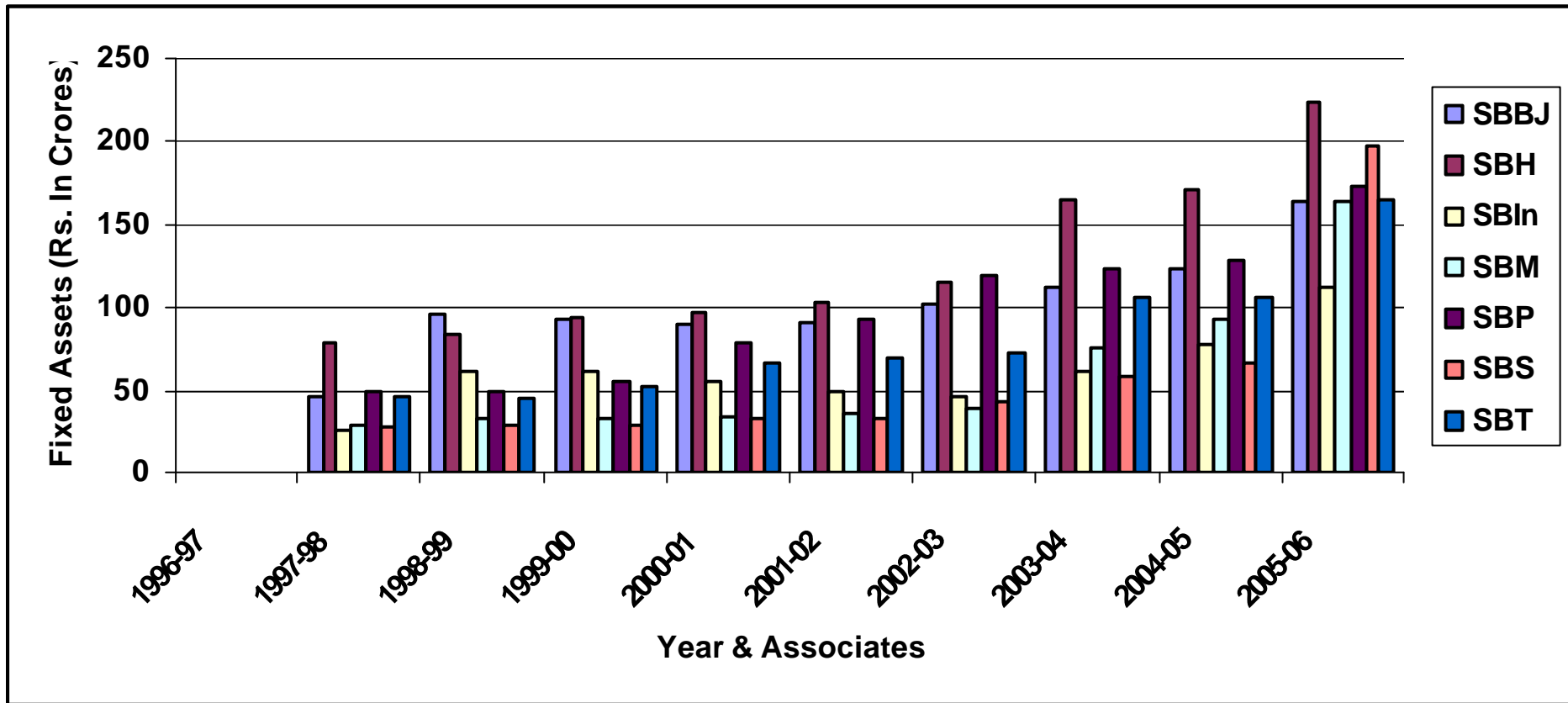
**Chart - 1.15**  
**Growth of Investments of Associates**



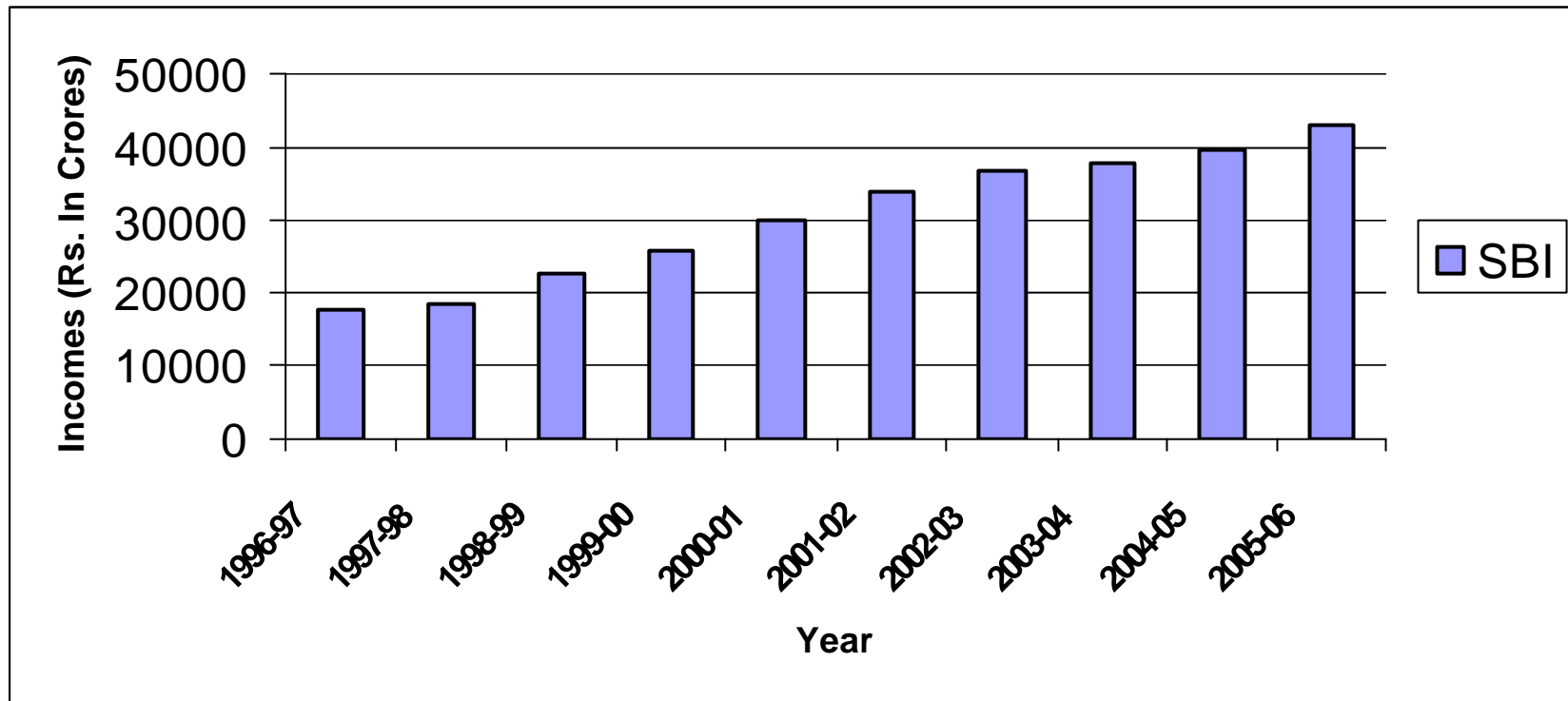
**Chart - 1.16**  
**Growth of Fixed Assets of SBI**



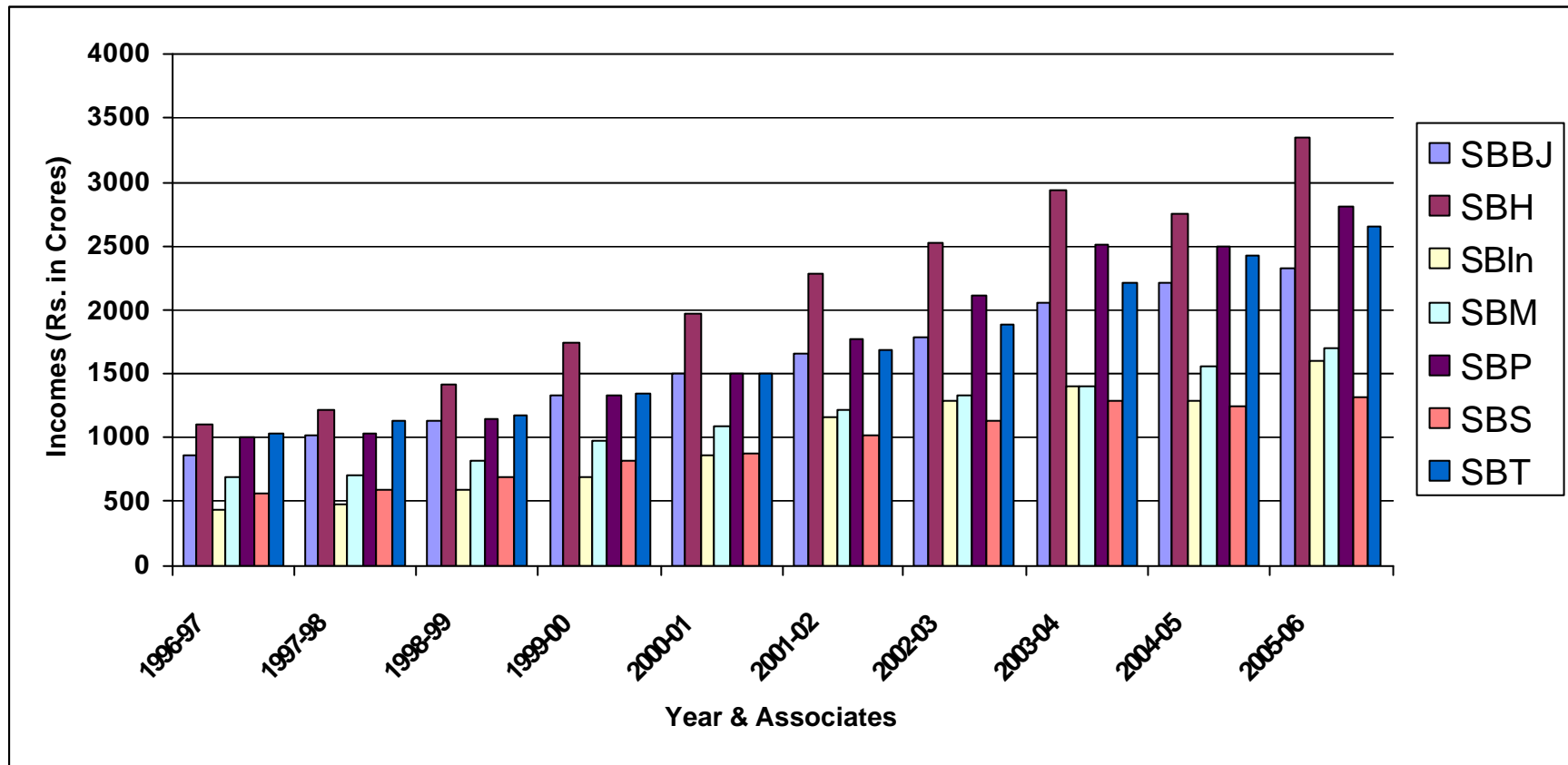
**Chart - 1.16**  
**Growth of Fixed Assets of Associates**



**Chart - 4.1**  
**Trends of Incomes (Base year 1996-97)**



**Chart - 4.1**  
**Trends of Incomes (Base year 1996-97)**



**Chart - 4.2**

**Trends of Interest Earned (Base year 1996-97)**

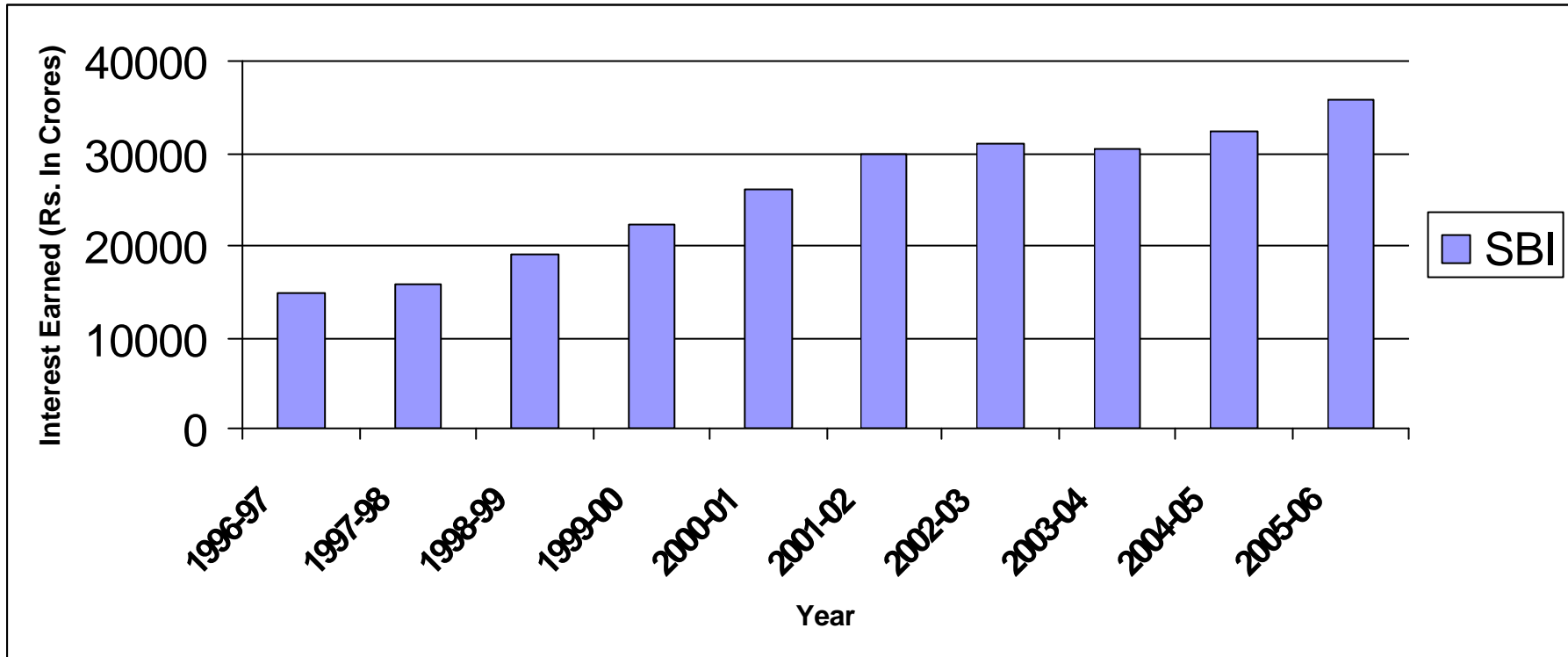


Chart - 4.2

Trends of Interest Earned (Base year 1996-97)

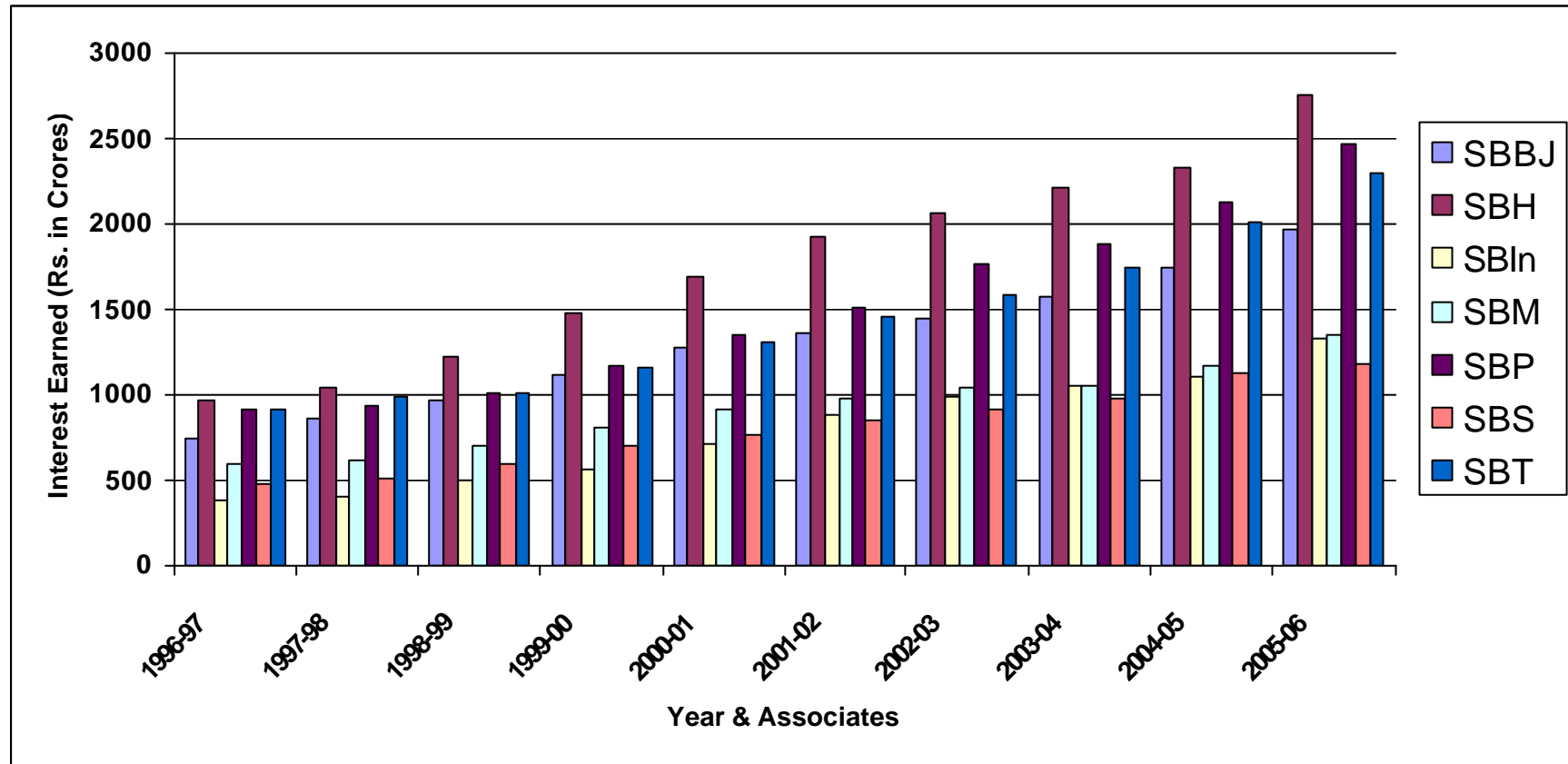




Chart - 4.3

Trends of Non-Interest Income (Base year 1996-97)

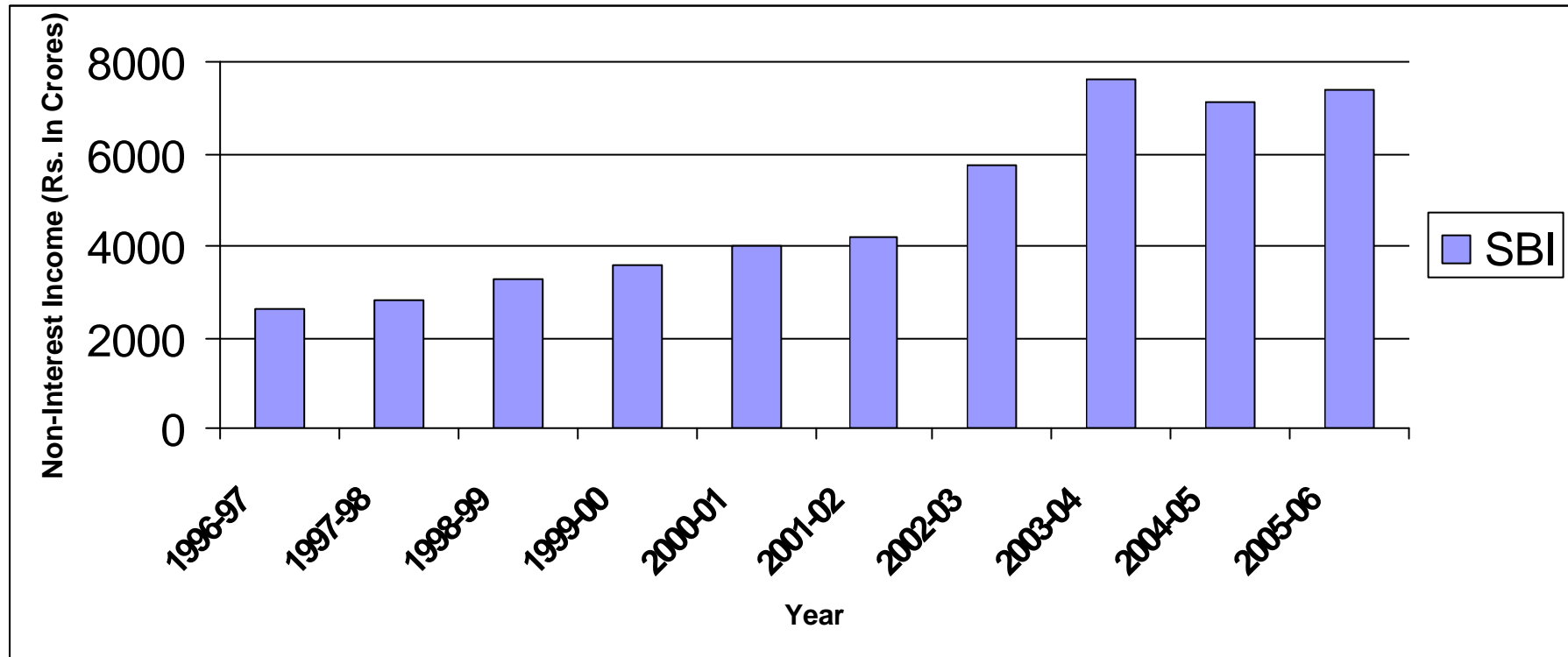
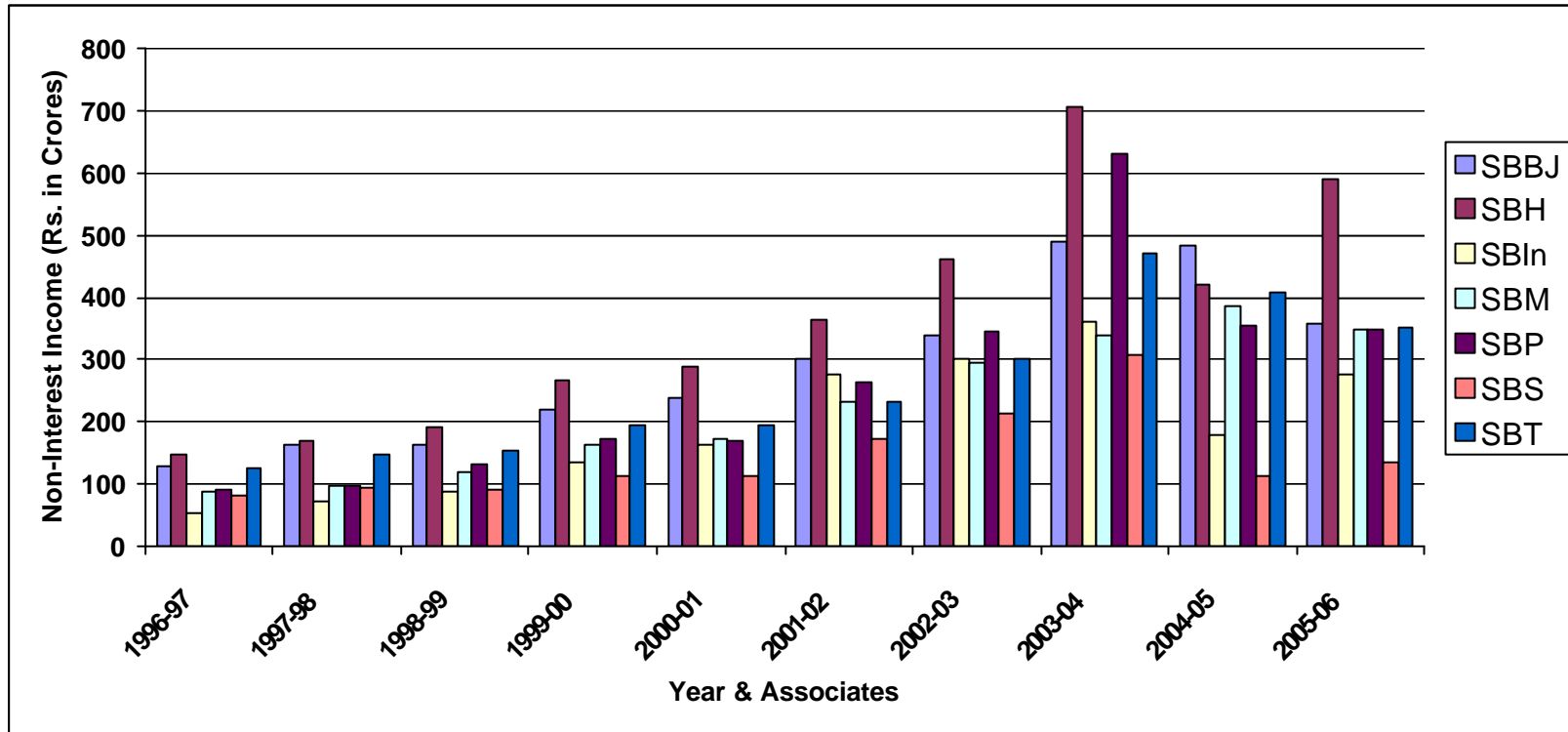


Chart - 4.3

Trends of Non-Interest Income (Base year 1996-97)



**Chart - 4.4**

**Trends of Total Expenditure (Base year 1996-97)**

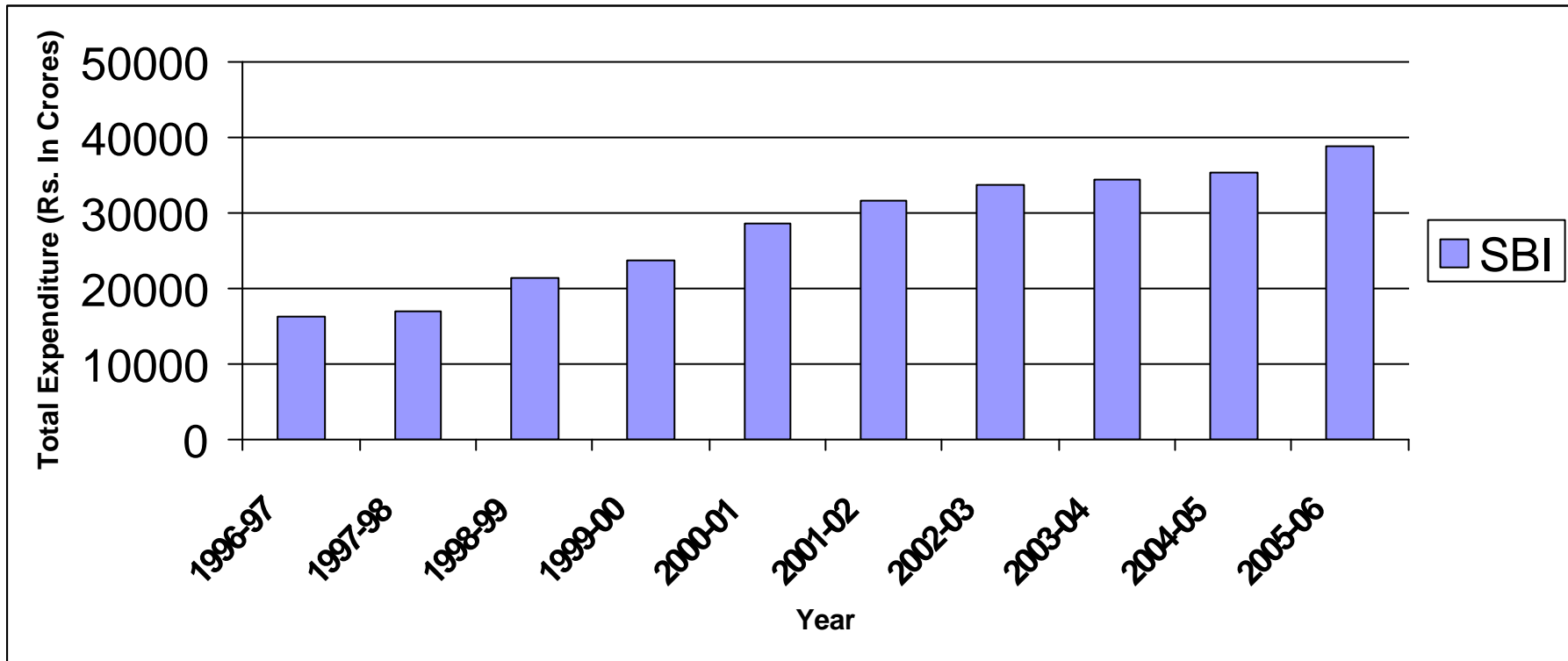
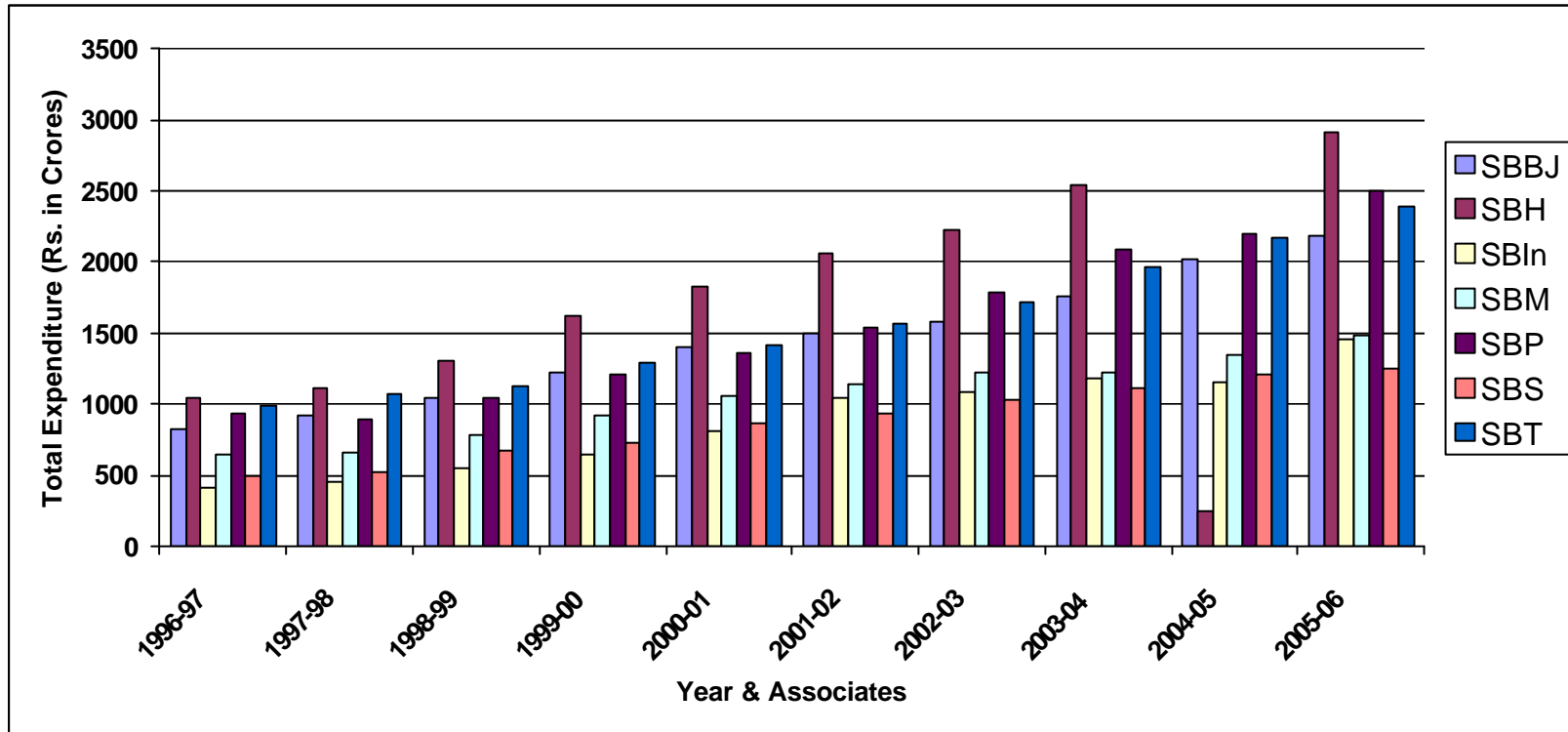


Chart - 4.4

Trends of Total Expenditure (Base year 1996-97)



**Chart - 4.5**

**Trends of Interest Expended (Base year 1996-97)**

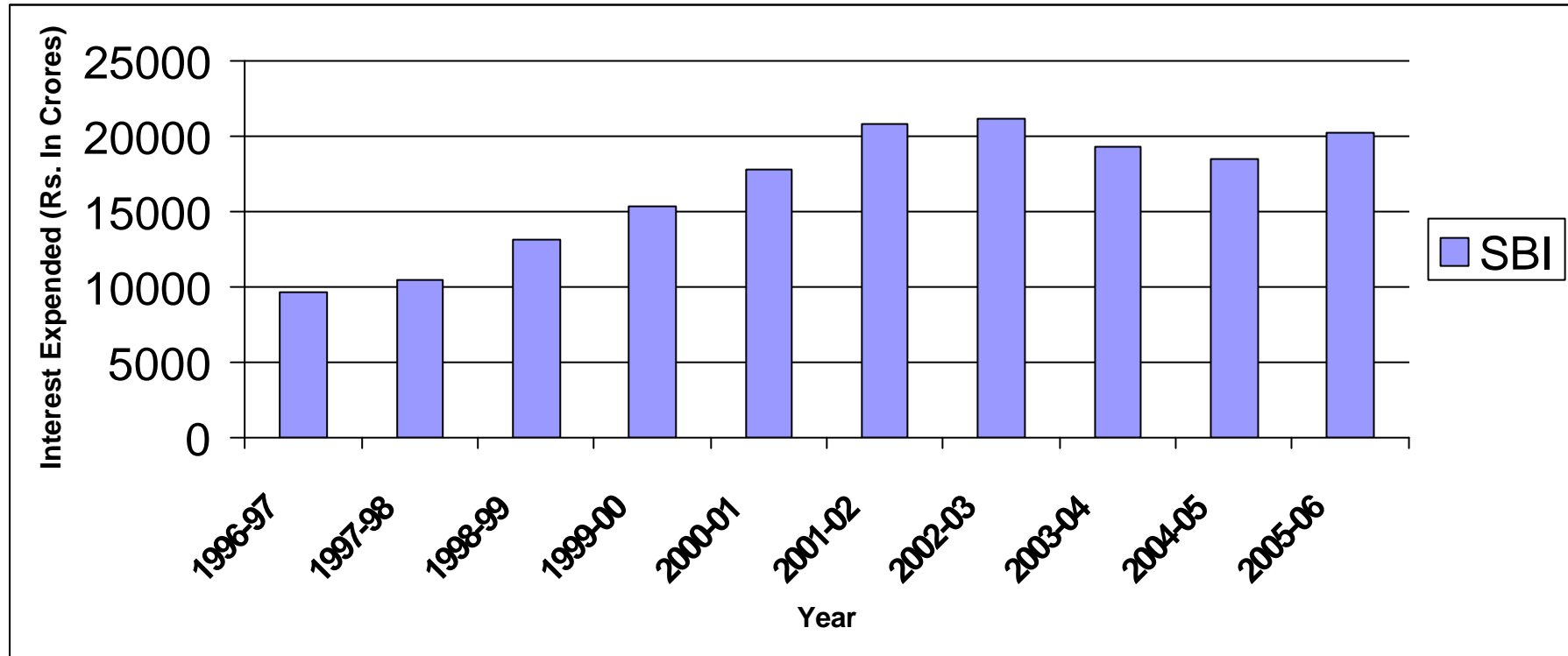
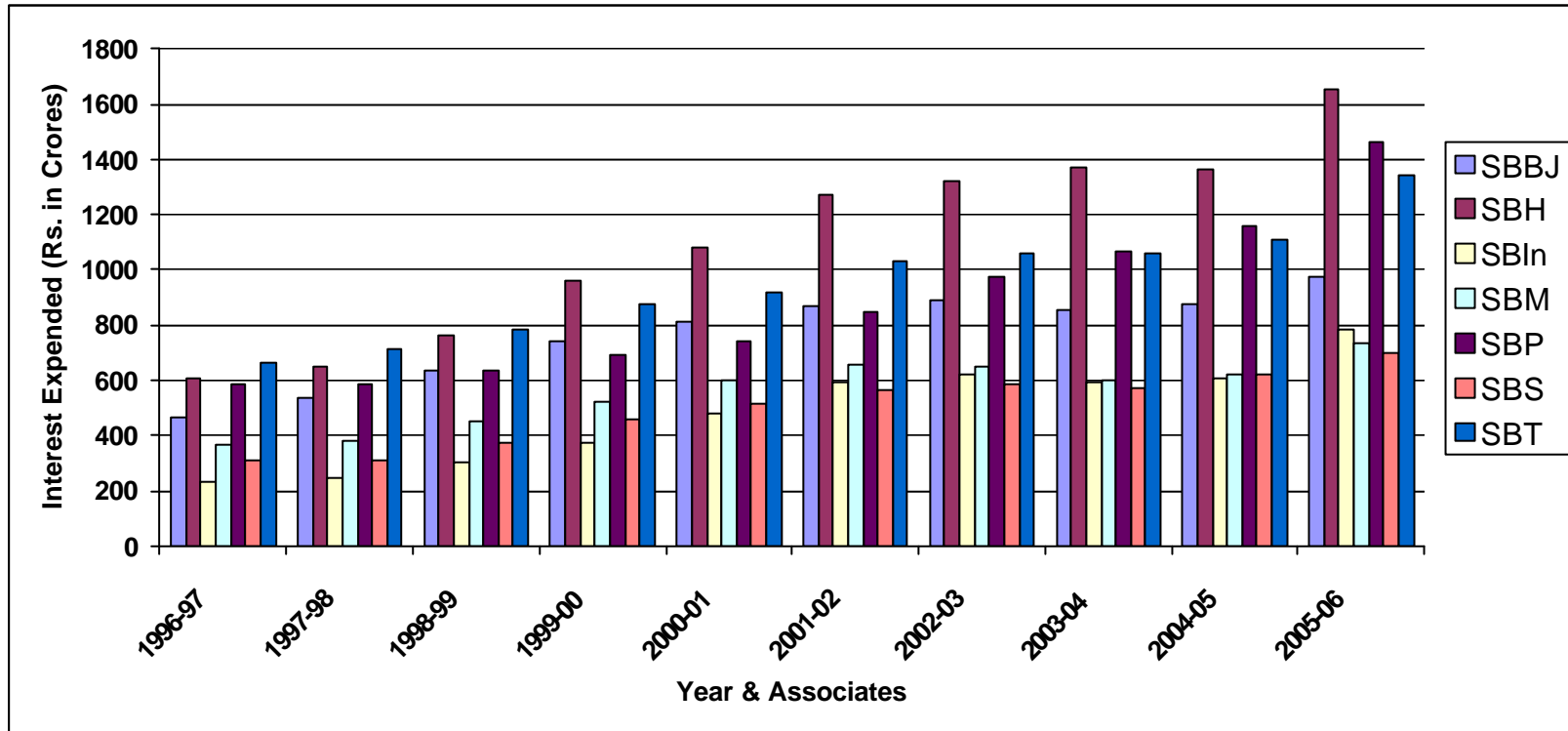


Chart - 4.5

Trends of Interest Expended (Base year 1996-97)



**Chart -4.6**  
**Trends of Operating Expenses (Base year 1996-97)**

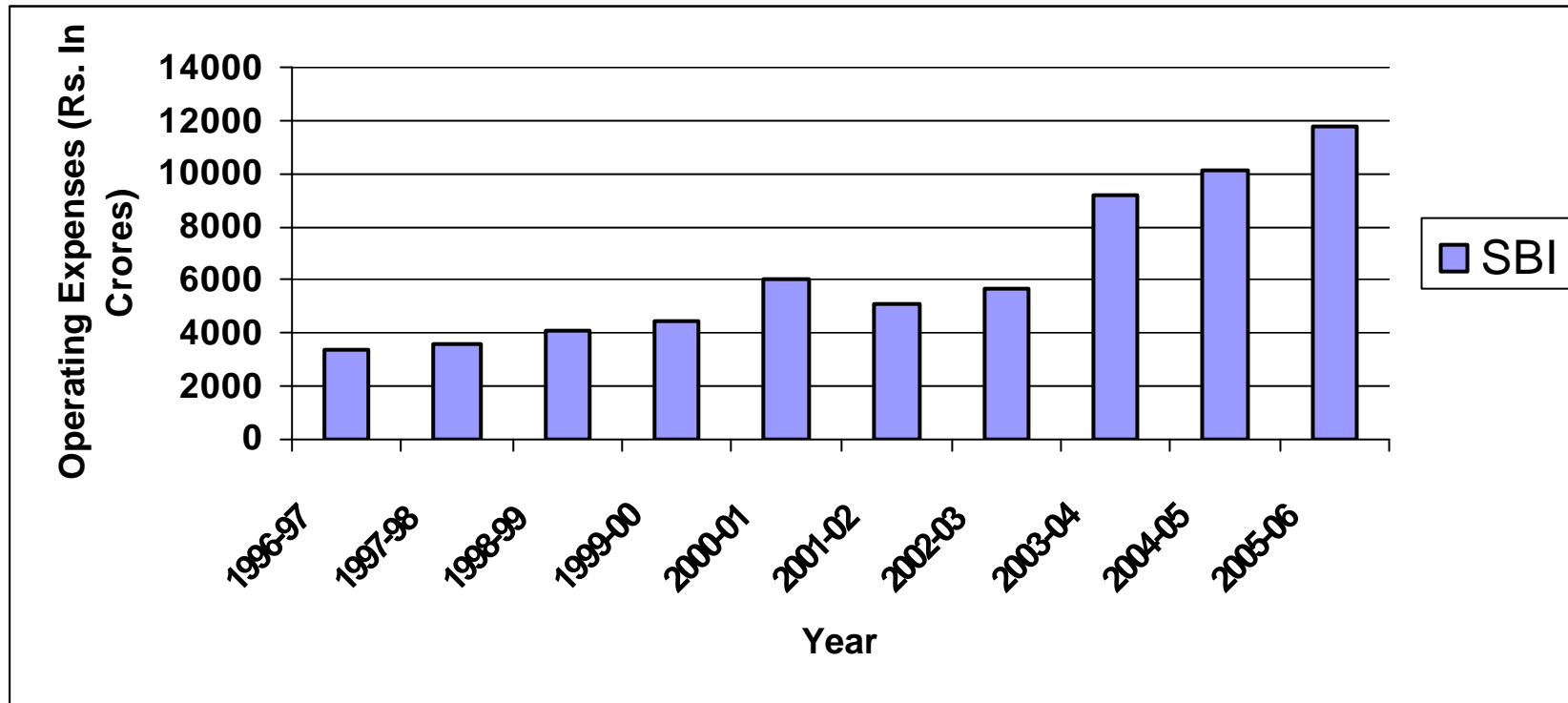
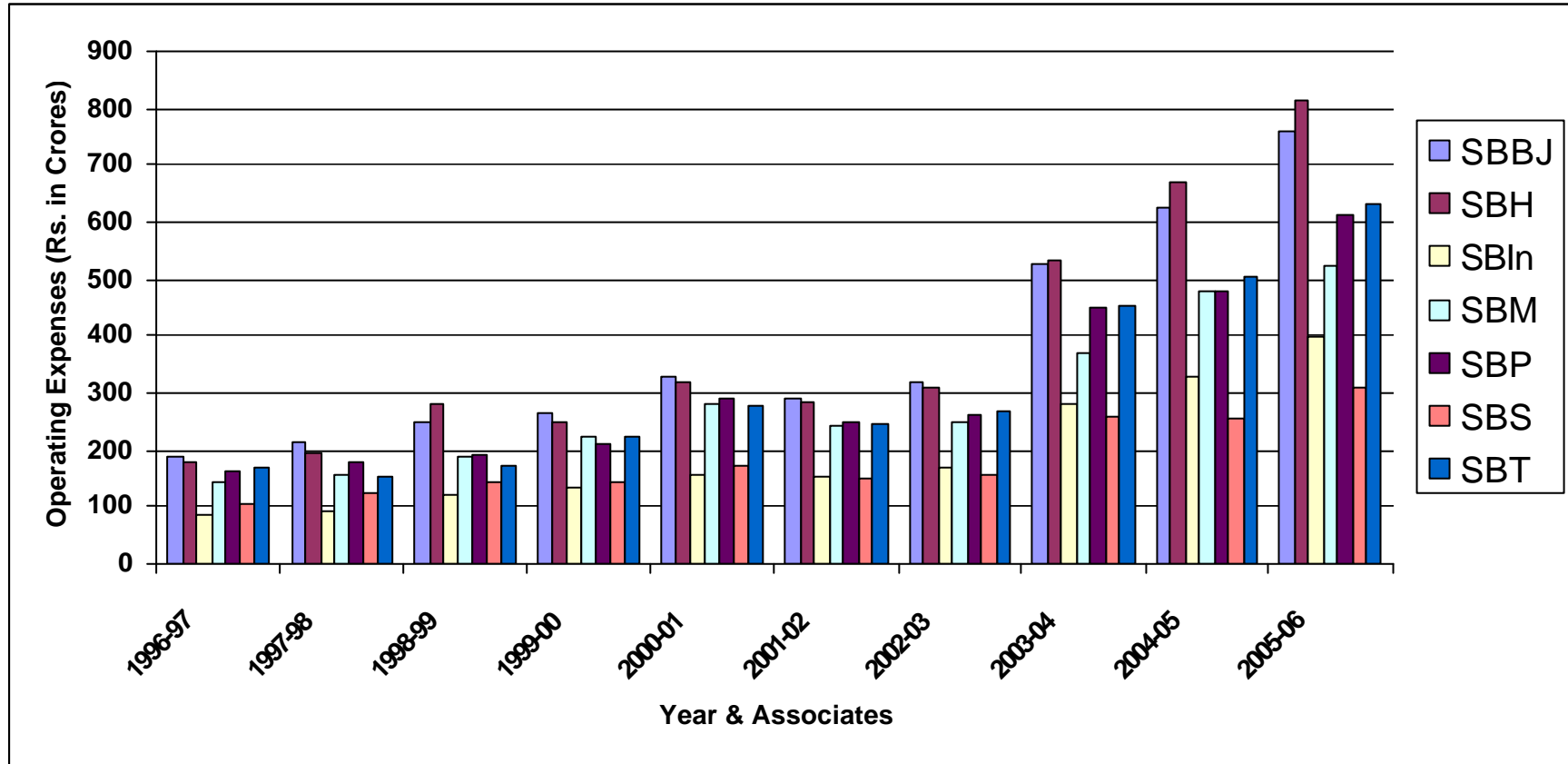


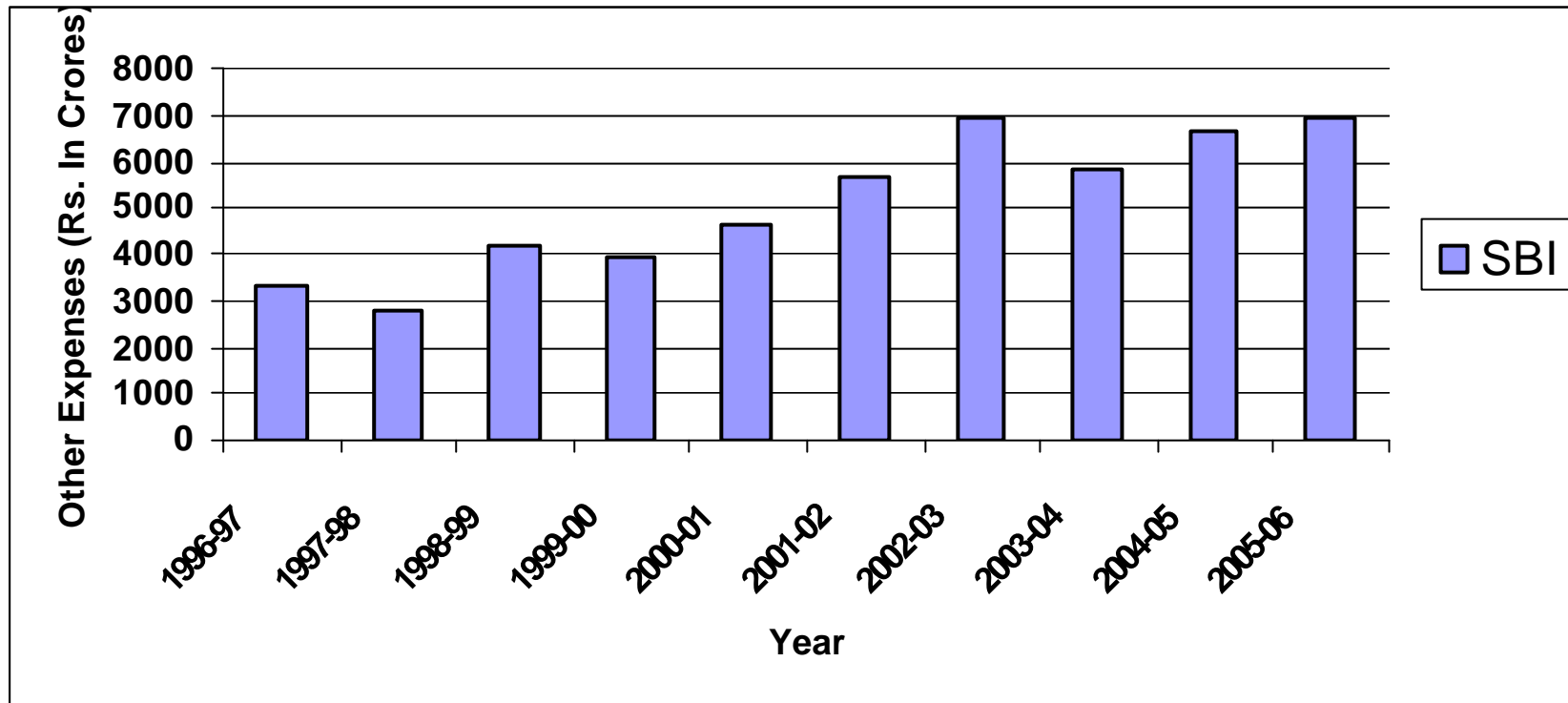
Chart -4.6

Trends of Operating Expenses (Base year 1996-97)

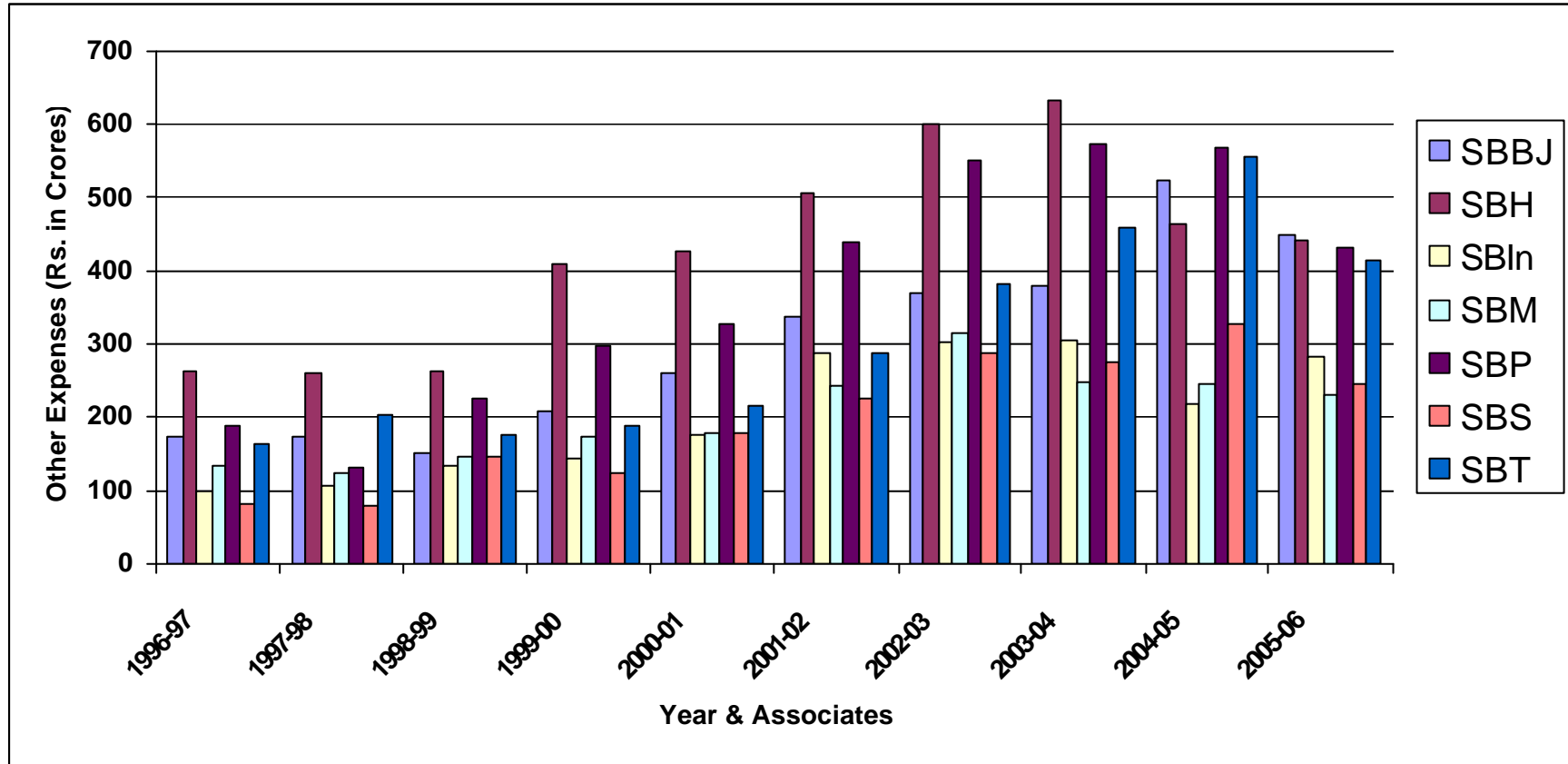




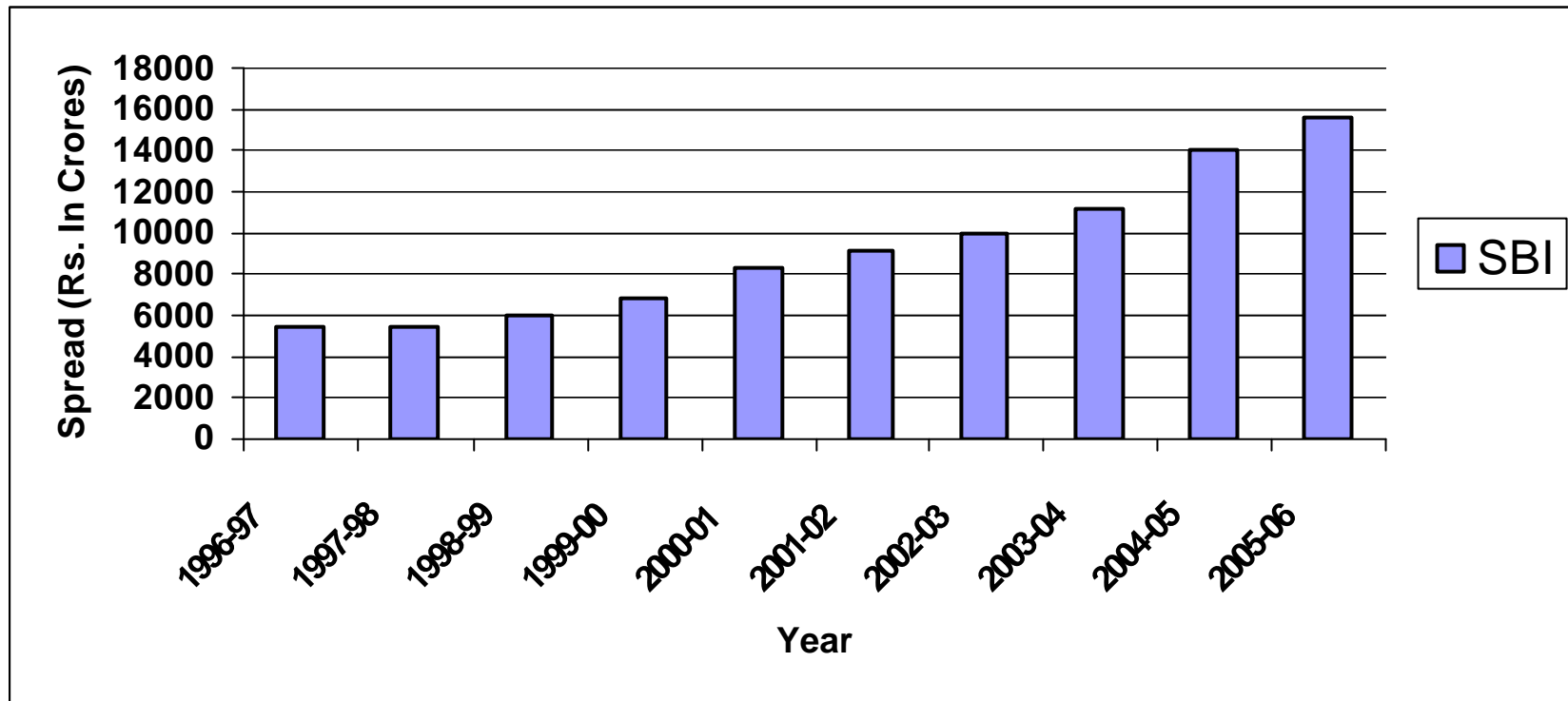
**Chart - 4.7**  
**Trends of Other Expenses (Base year 1996-97)**



**Chart - 4.7**  
**Trends of Other Expenses (Base year 1996-97)**



**Chart - 4.8**  
**Trends of Spread (Base year 1996-97)**



**Chart - 4.8**  
**Trends of Spread (Base year 1996-97)**

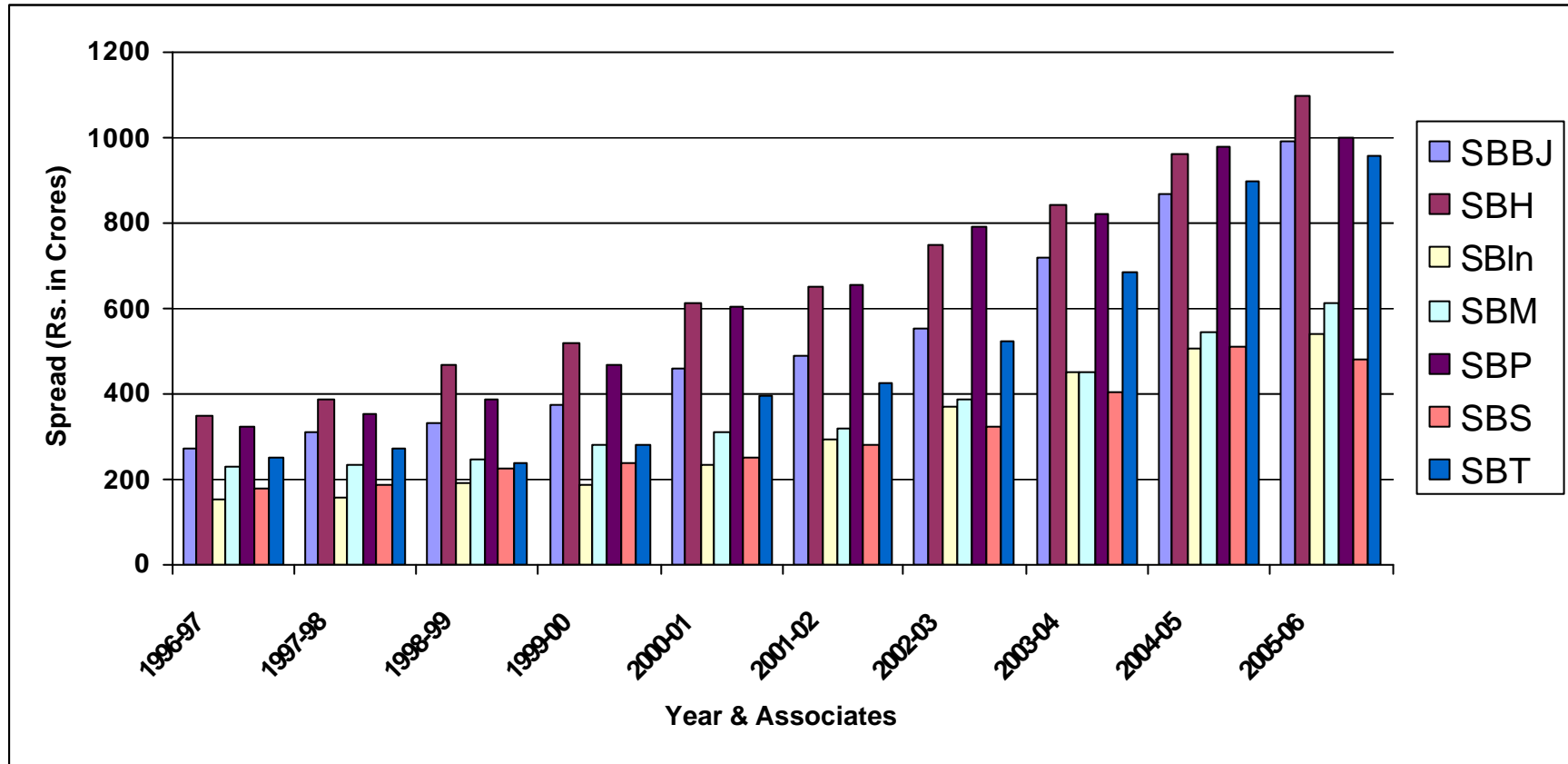


Chart - 4.9  
Trends of Burden (Base year 1996-97)

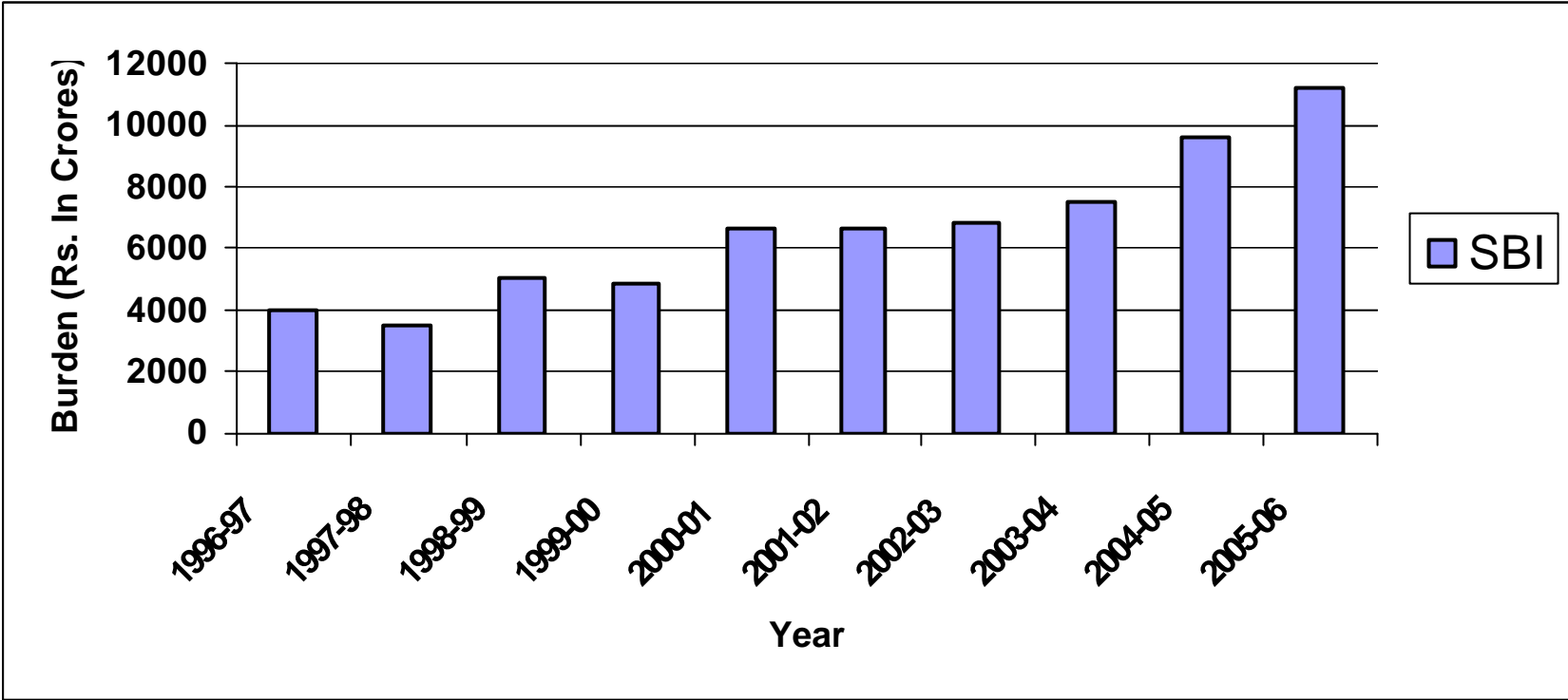
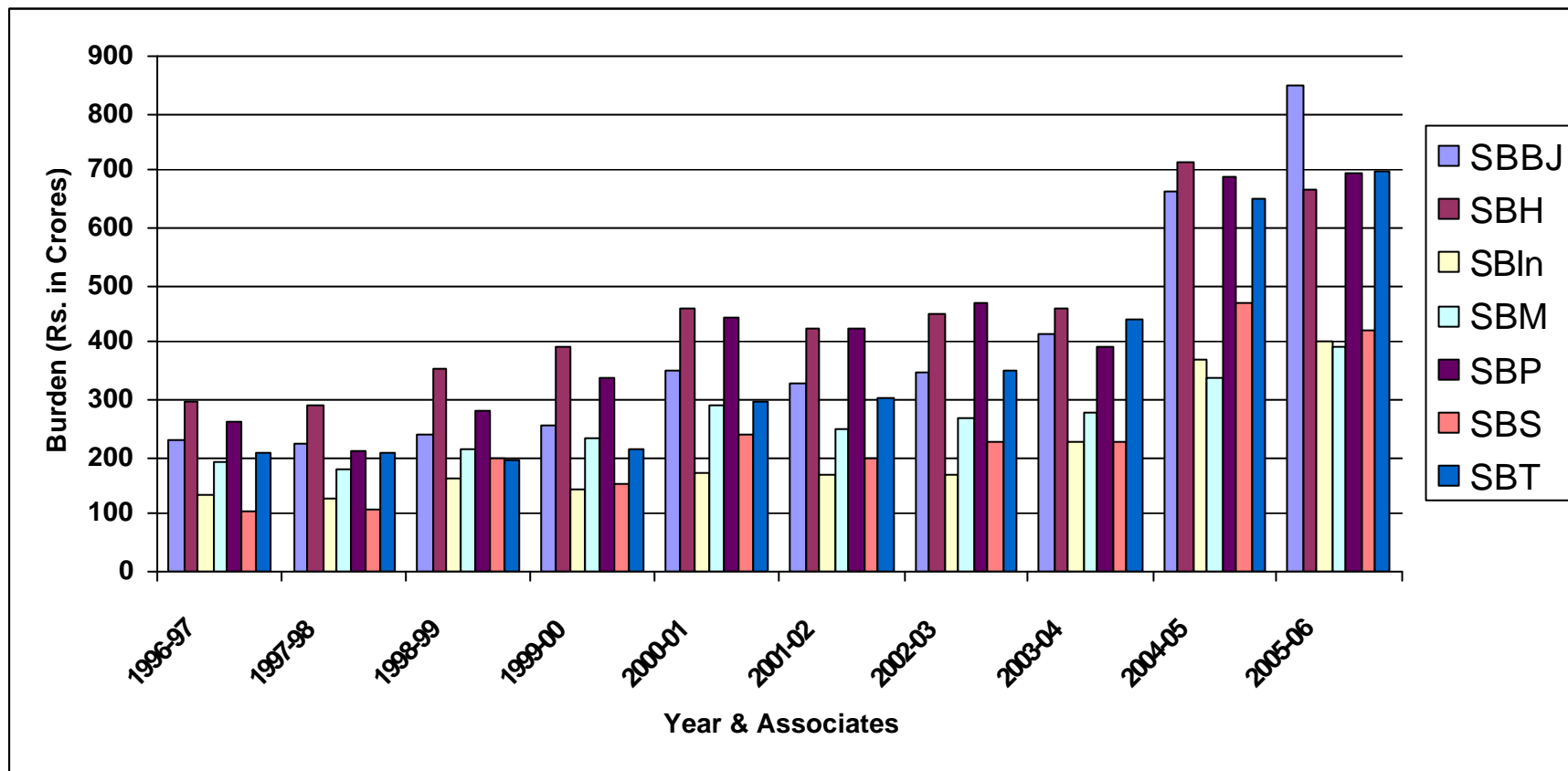
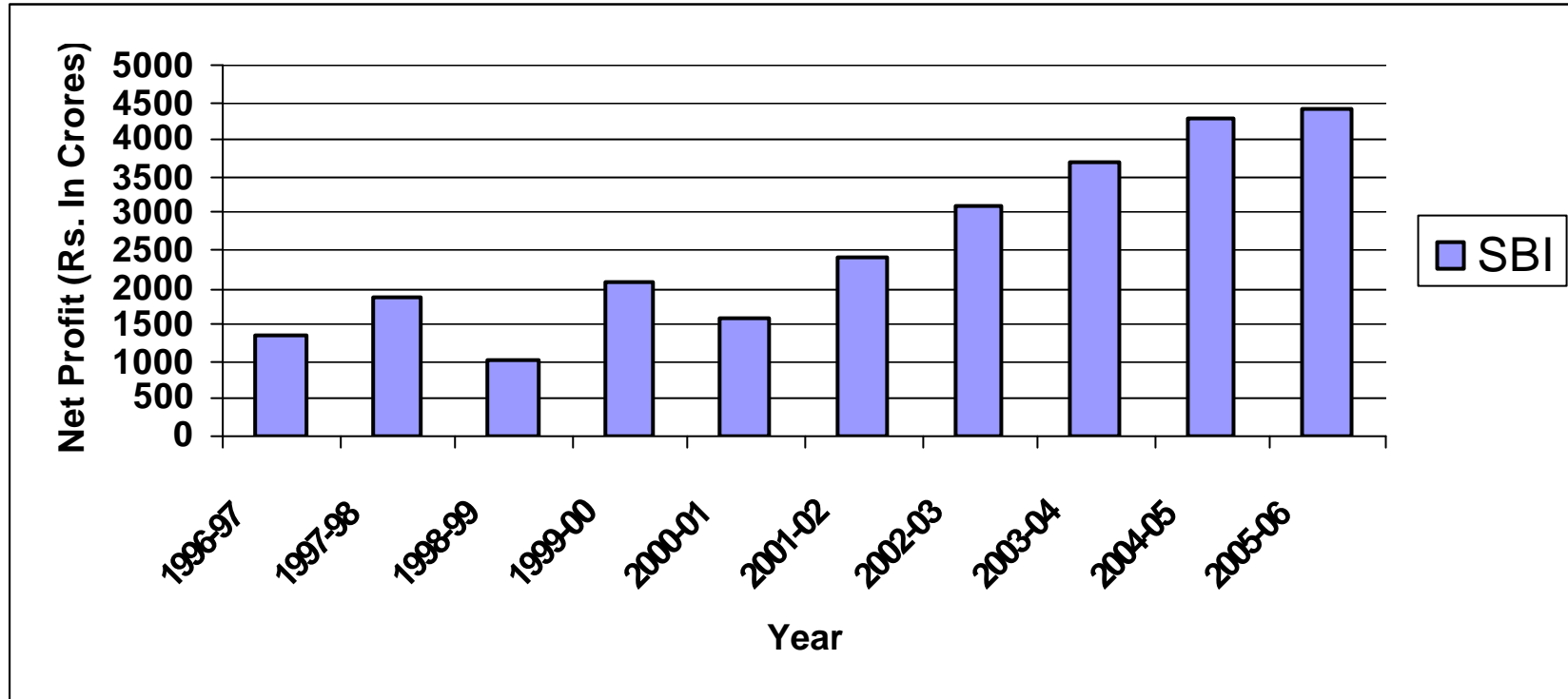


Chart - 4.9  
Trends of Burden (Base year 1996-97)



**Chart - 4.10**  
**Trends of Net Profit (Base year 1996-97)**



**Chart - 4.10**  
**Trends of Net Profit (Base year 1996-97)**

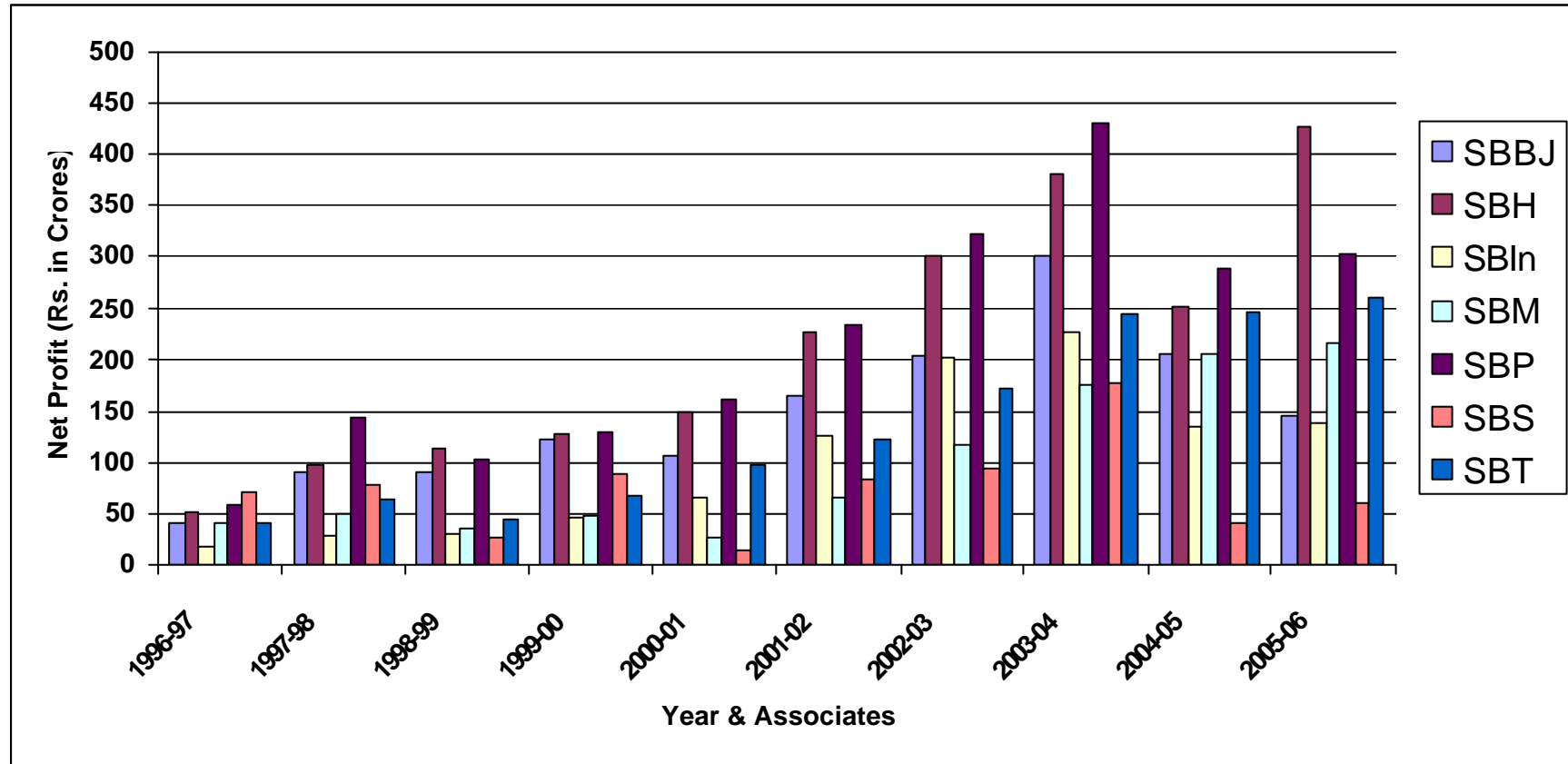
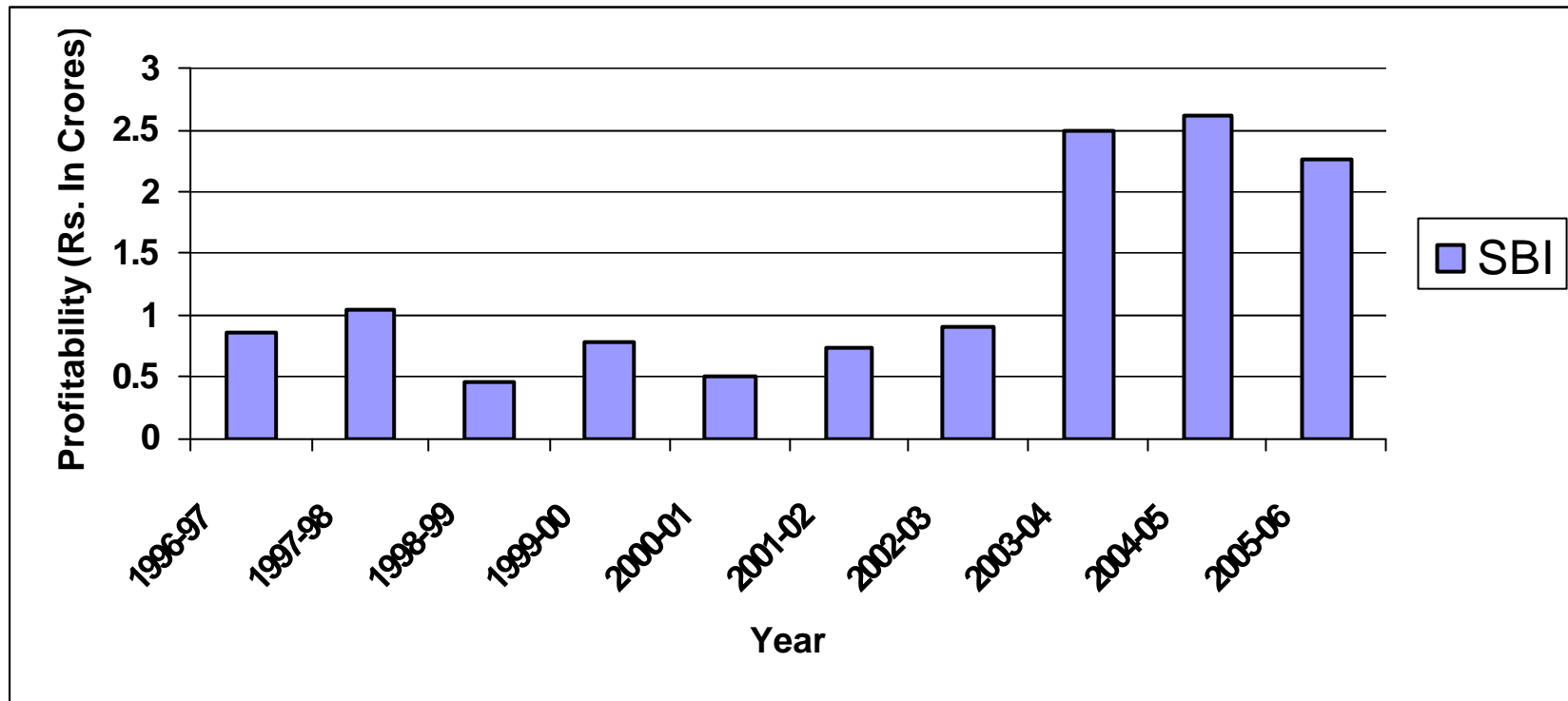
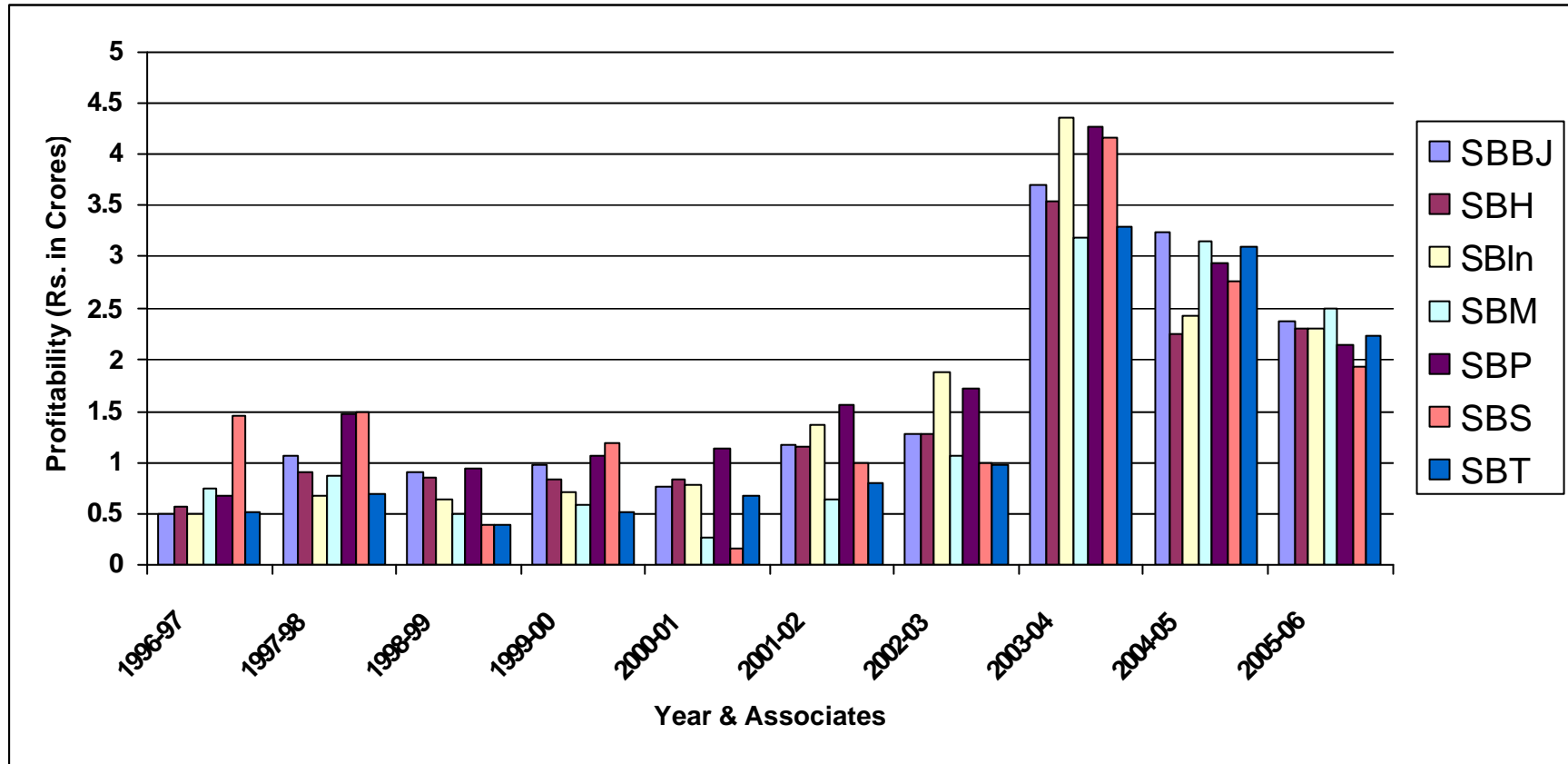




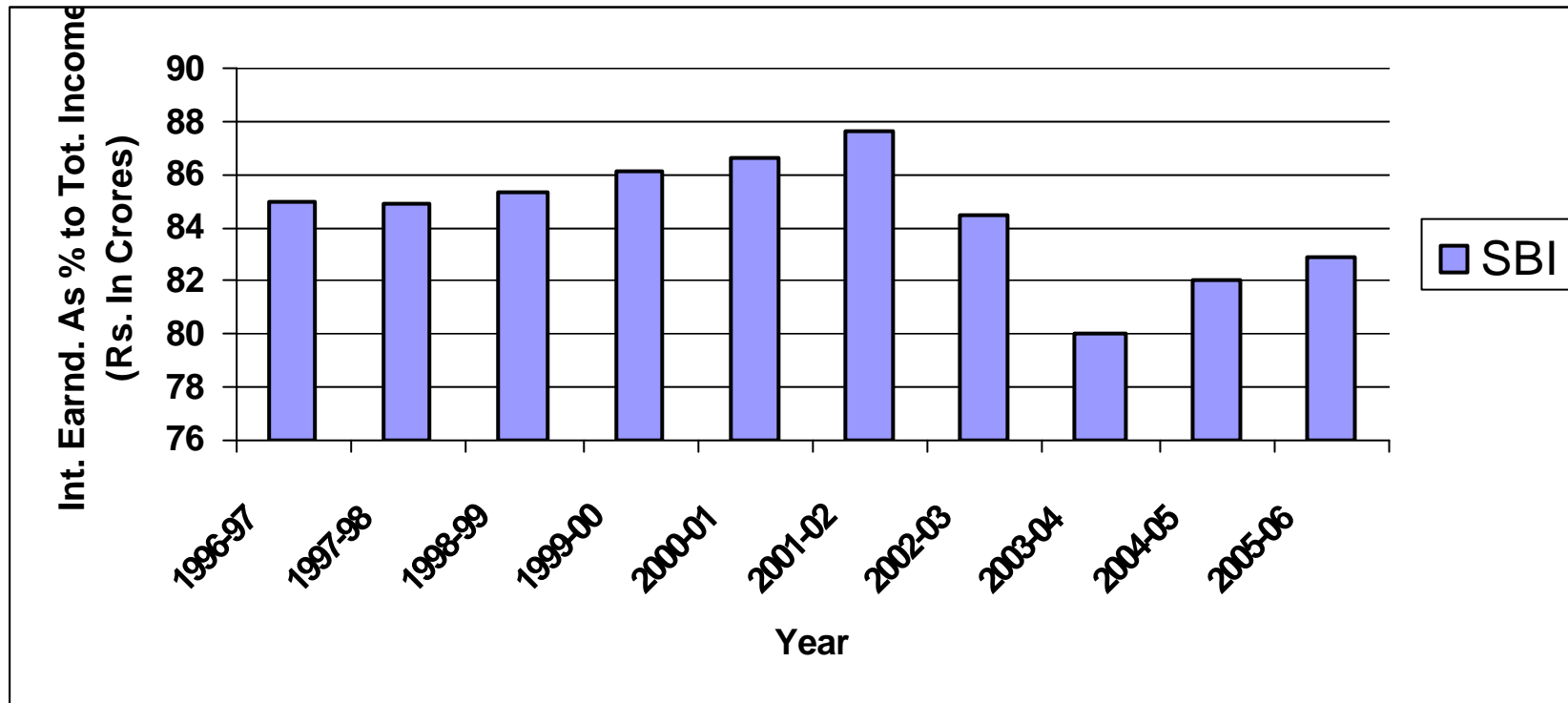
Chart - 4.11  
Trends of Profitability (Base year 1996-97)



**Chart - 4.11**  
**Trends of Profitability (Base year 1996-97)**



**Chart - 4.12**  
**Interest Earned as % to Total Income (Base year 1996-97)**



**Chart - 4.12**  
**Interest Earned as % to Total Income (Base year 1996-97)**

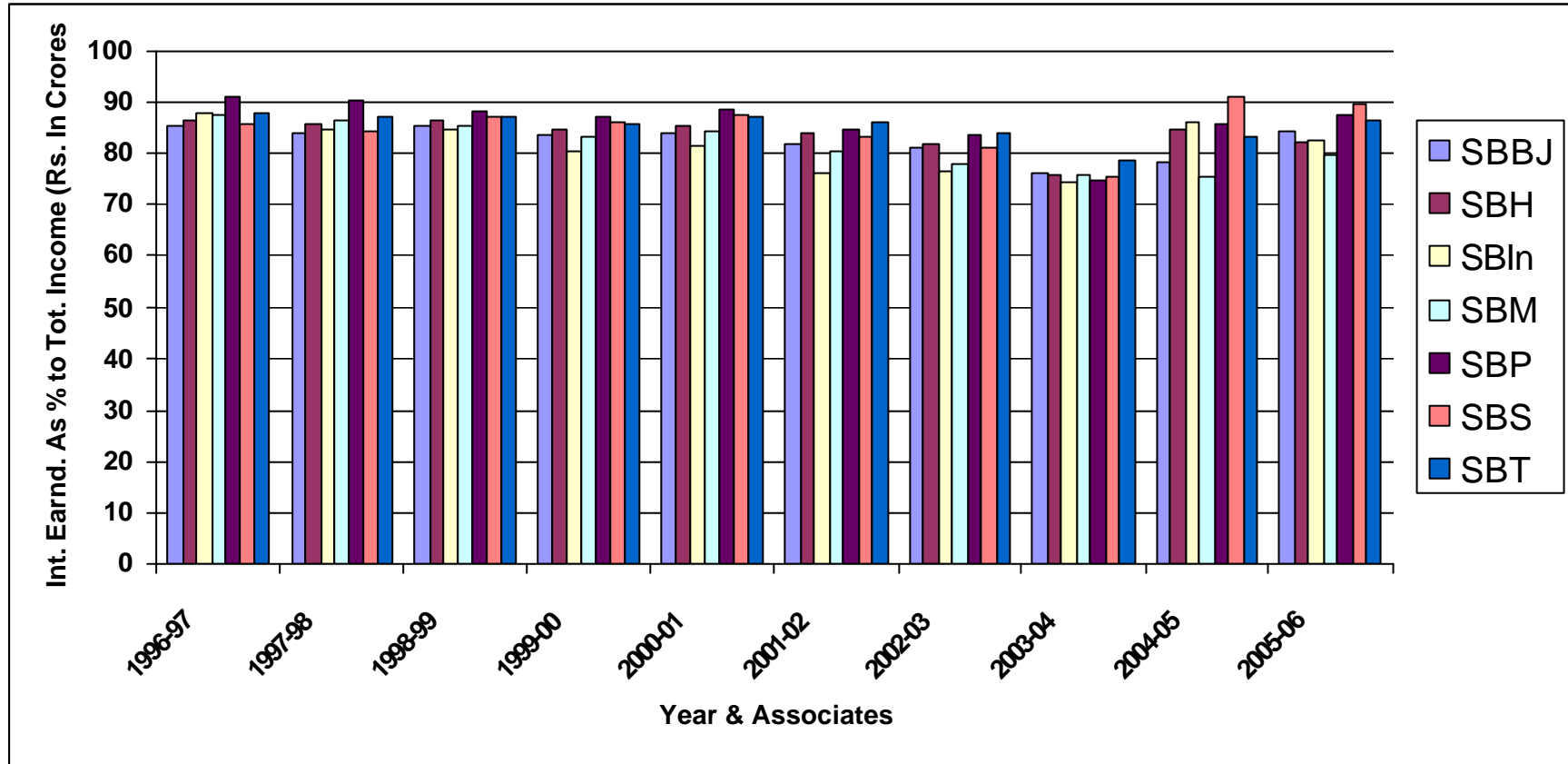
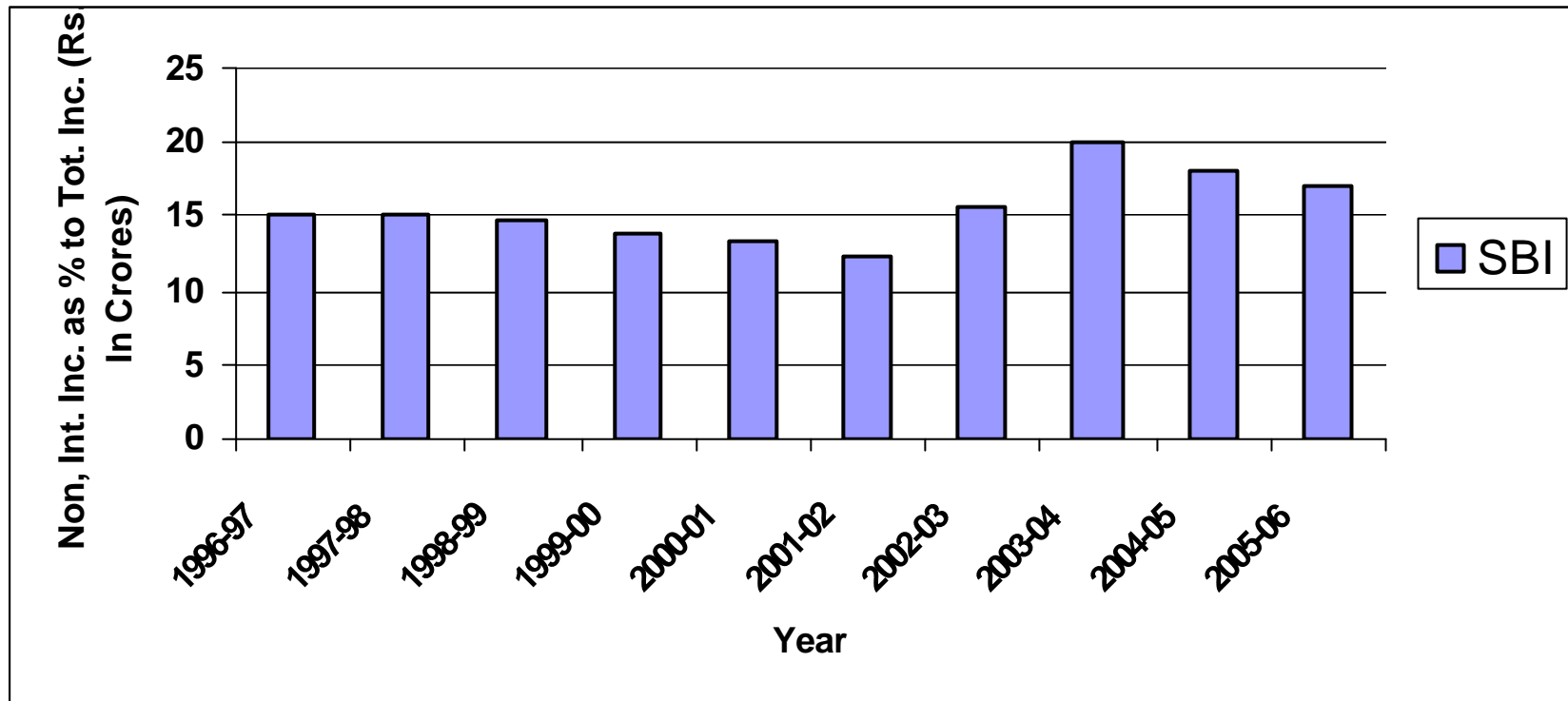
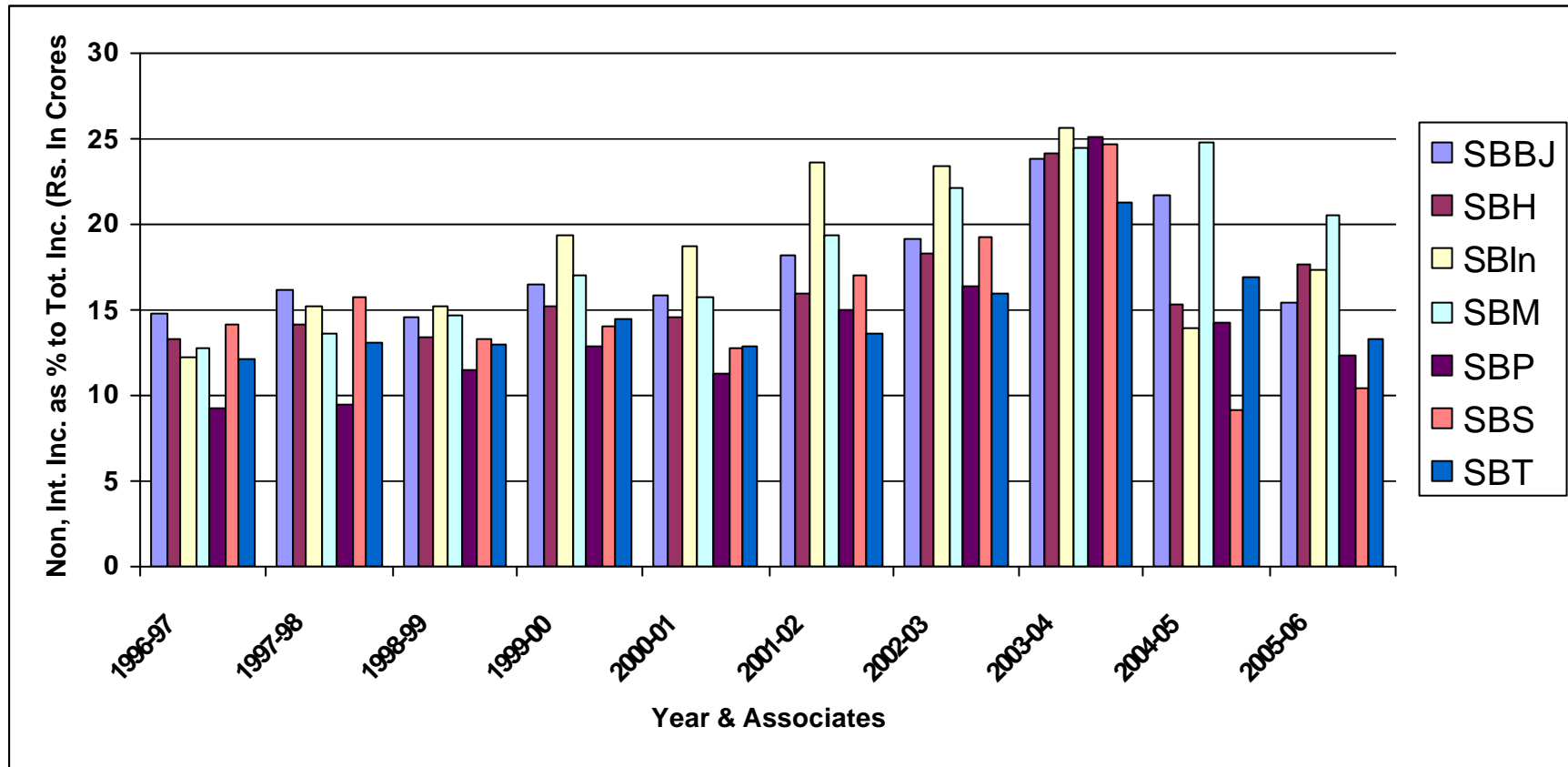


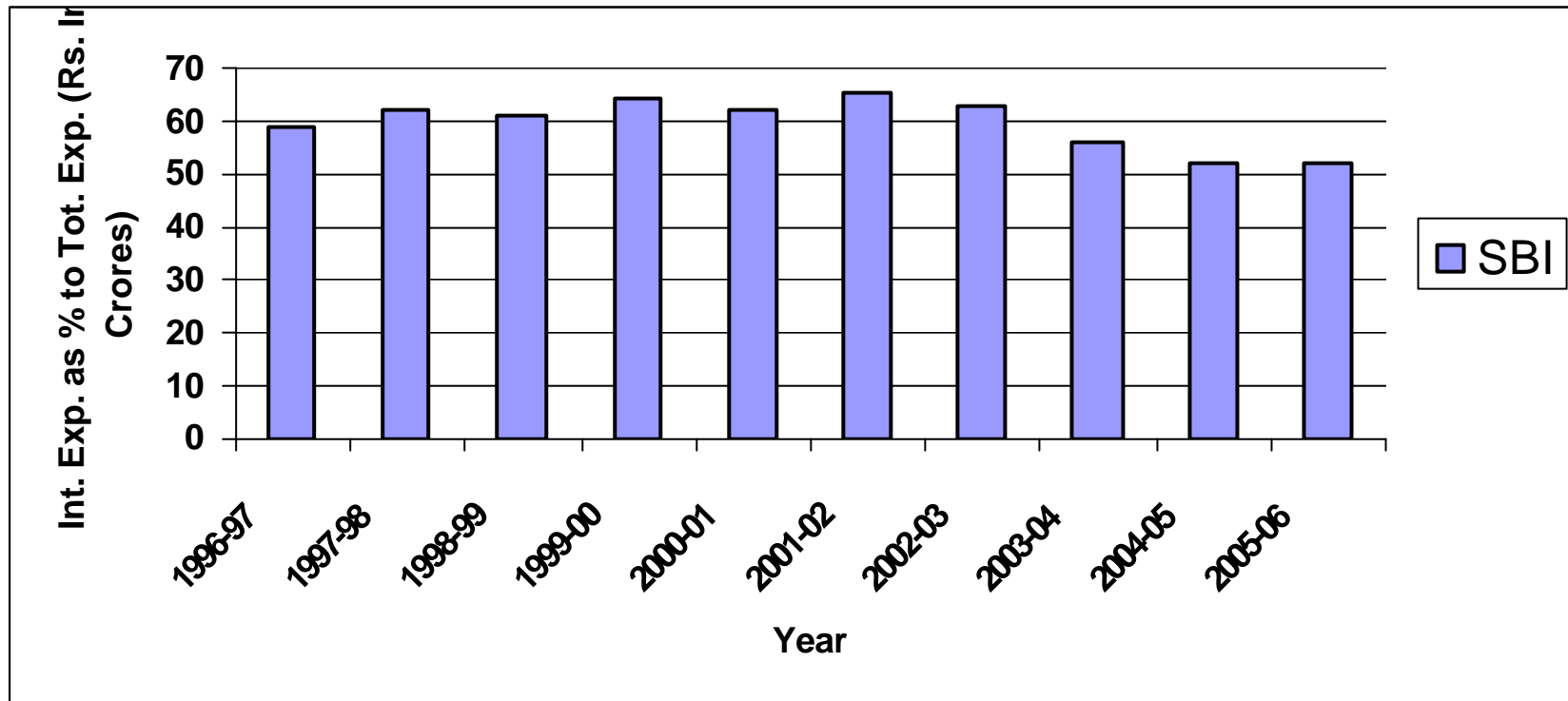
Chart - 4.13  
Non-interest Income as % to Total Income (Base year 1996-97)



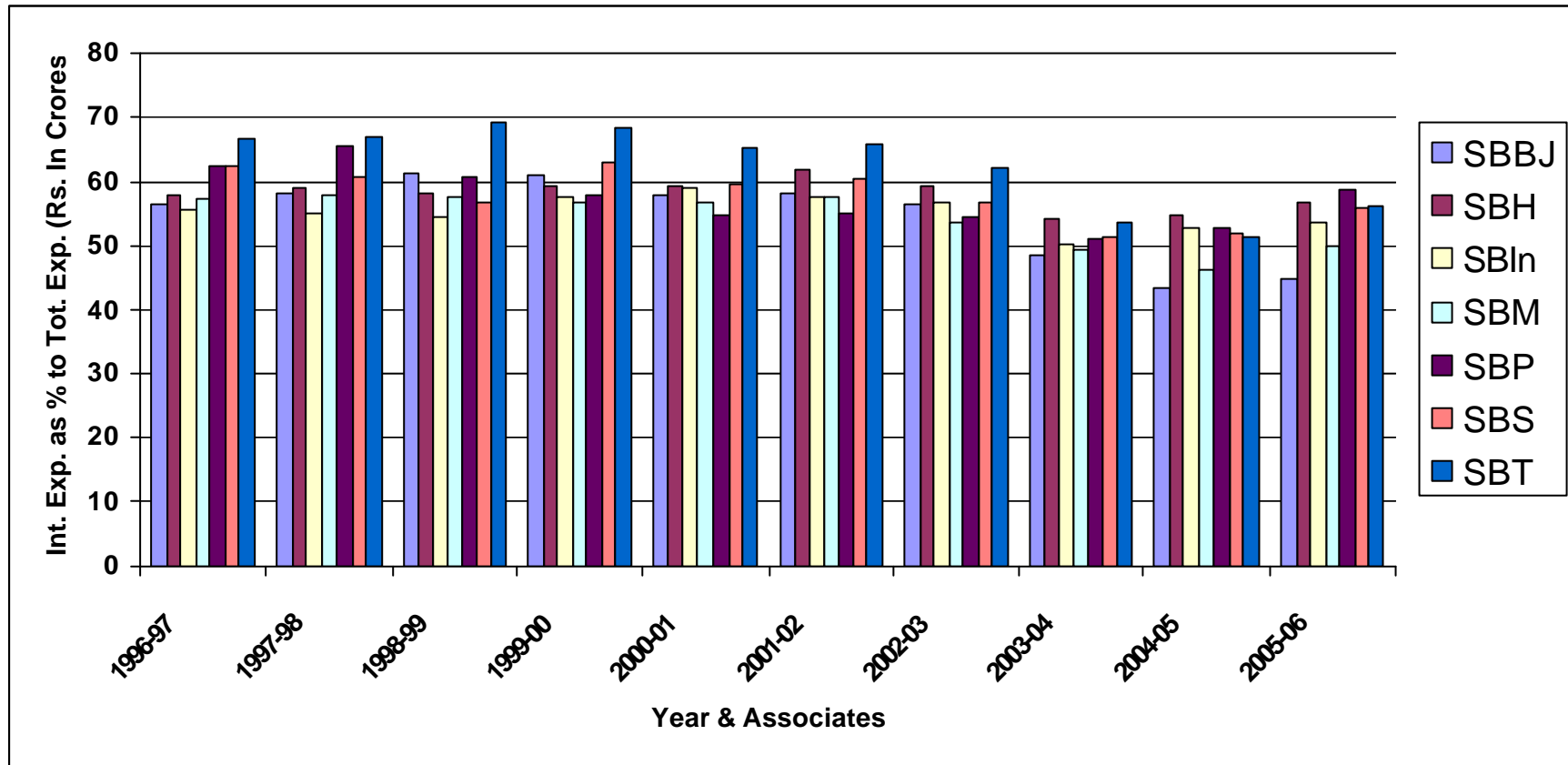
**Chart - 4.13**  
**Non-interest Income as % to Total Income (Base year 1996-97)**



**Chart - 4.14**  
**Interest Expended as % to Total Expenditure (Base year 1996-97)**

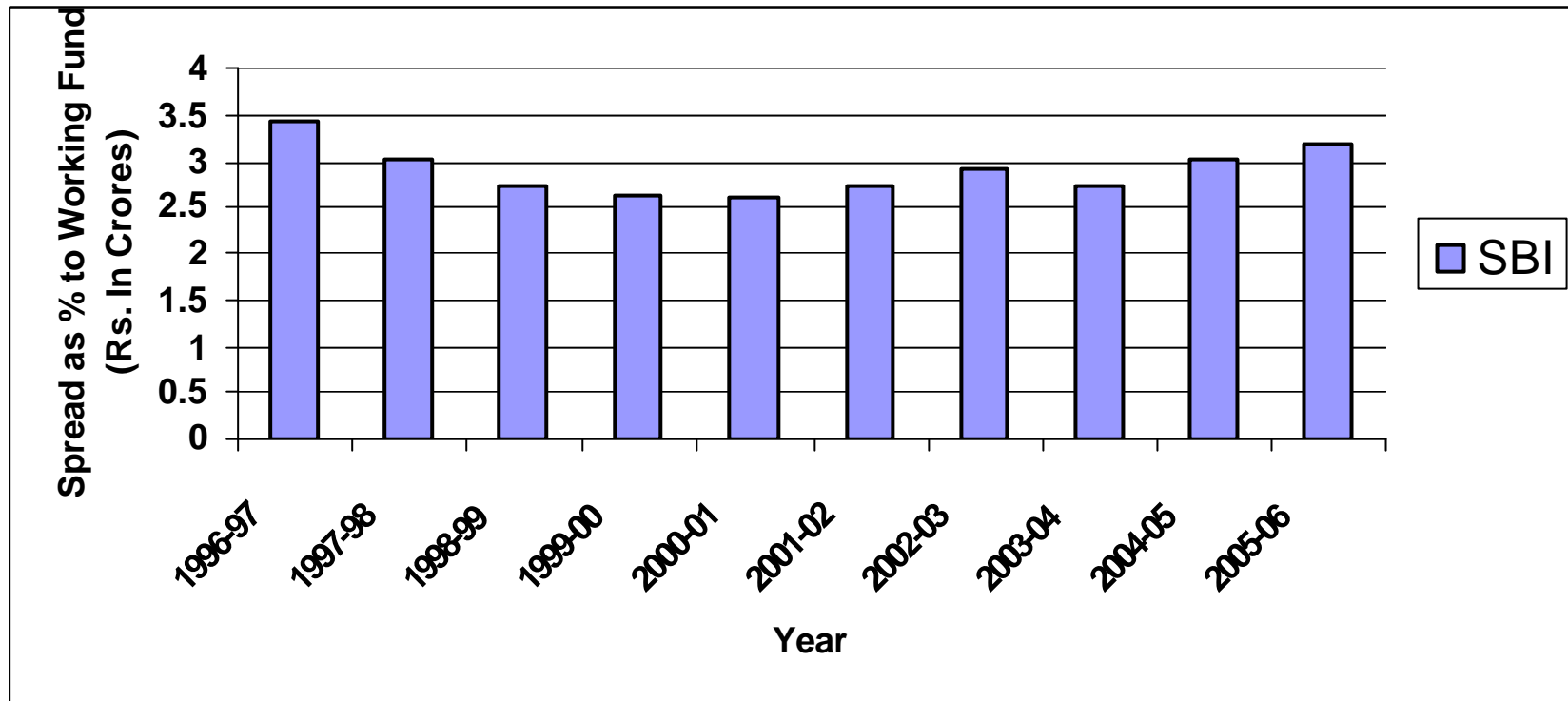


**Chart - 4.14**  
**Interest Expended as % to Total Expenditure (Base year 1996-97)**

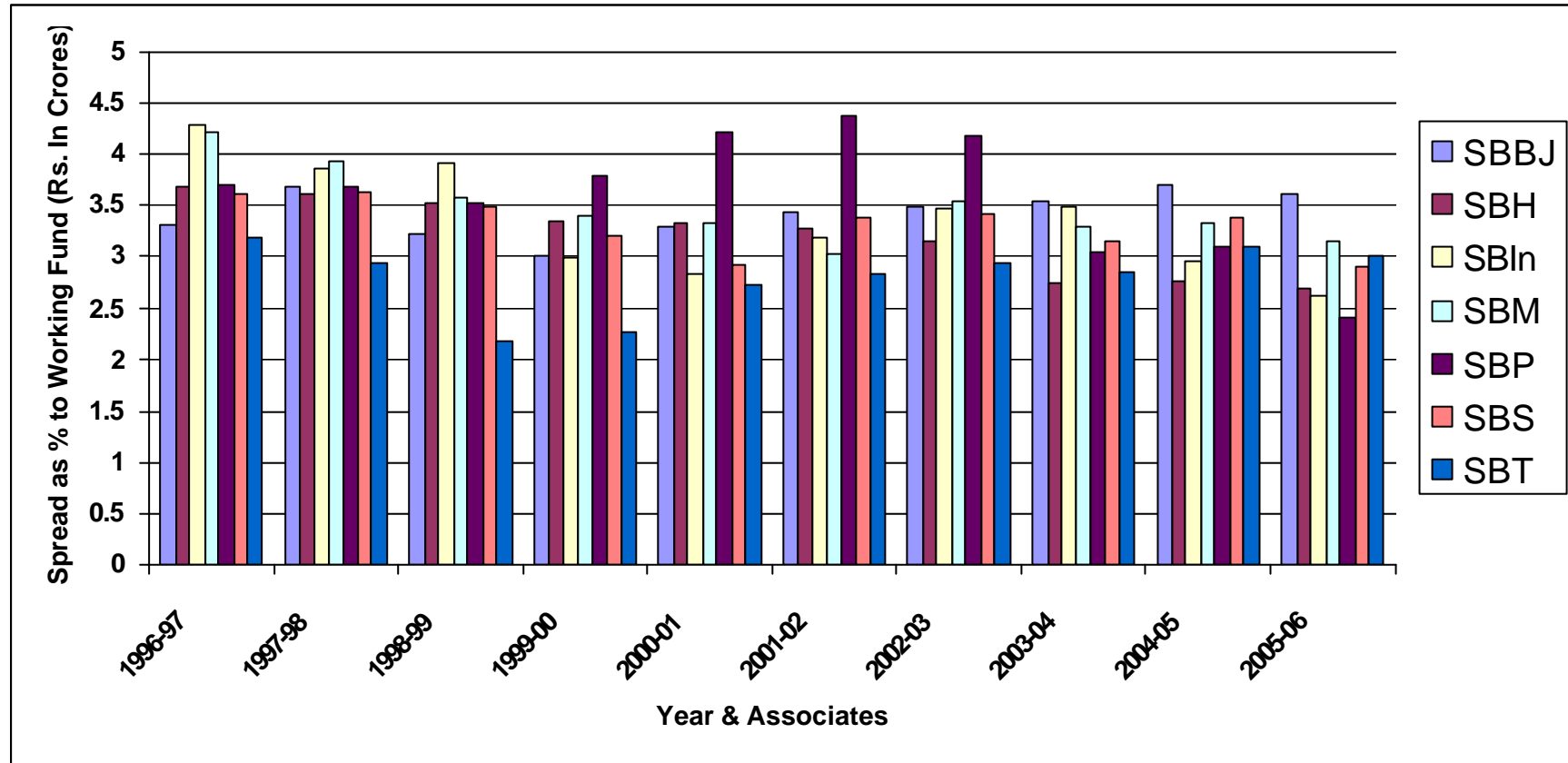




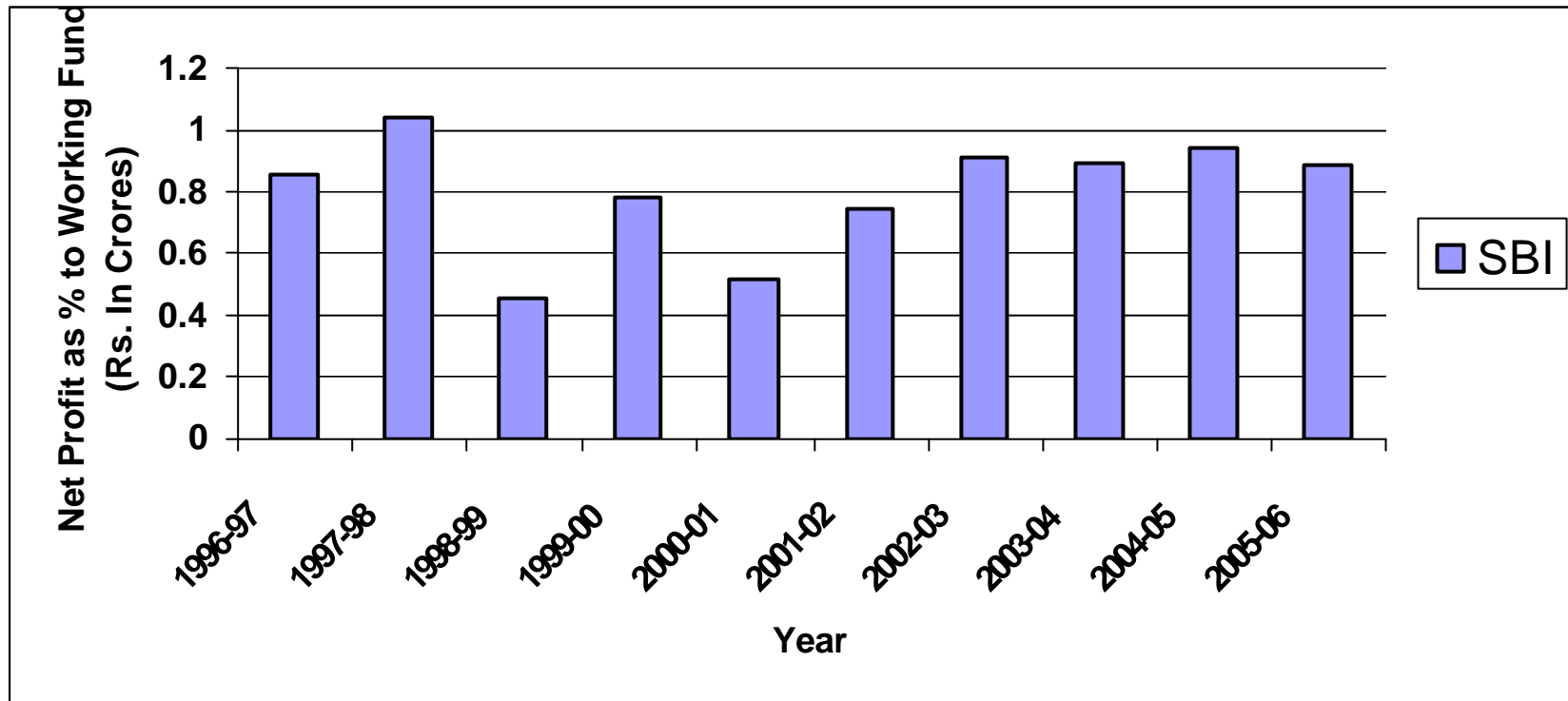
**Chart - 4.15**  
**Spread as % to Working Fund (Base year 1996-97)**



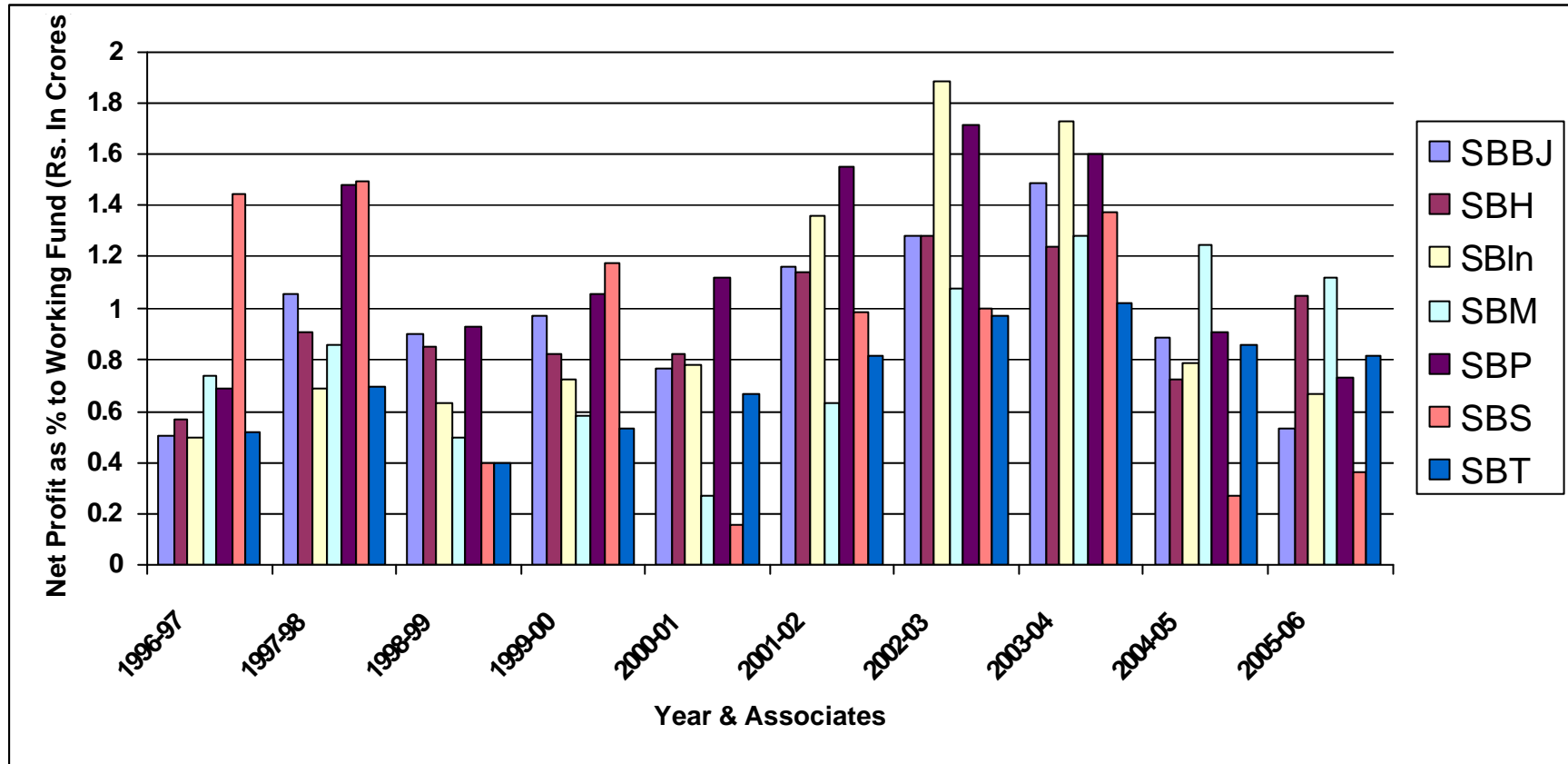
**Chart - 4.15**  
**Spread as % to Working Fund (Base year 1996-97)**



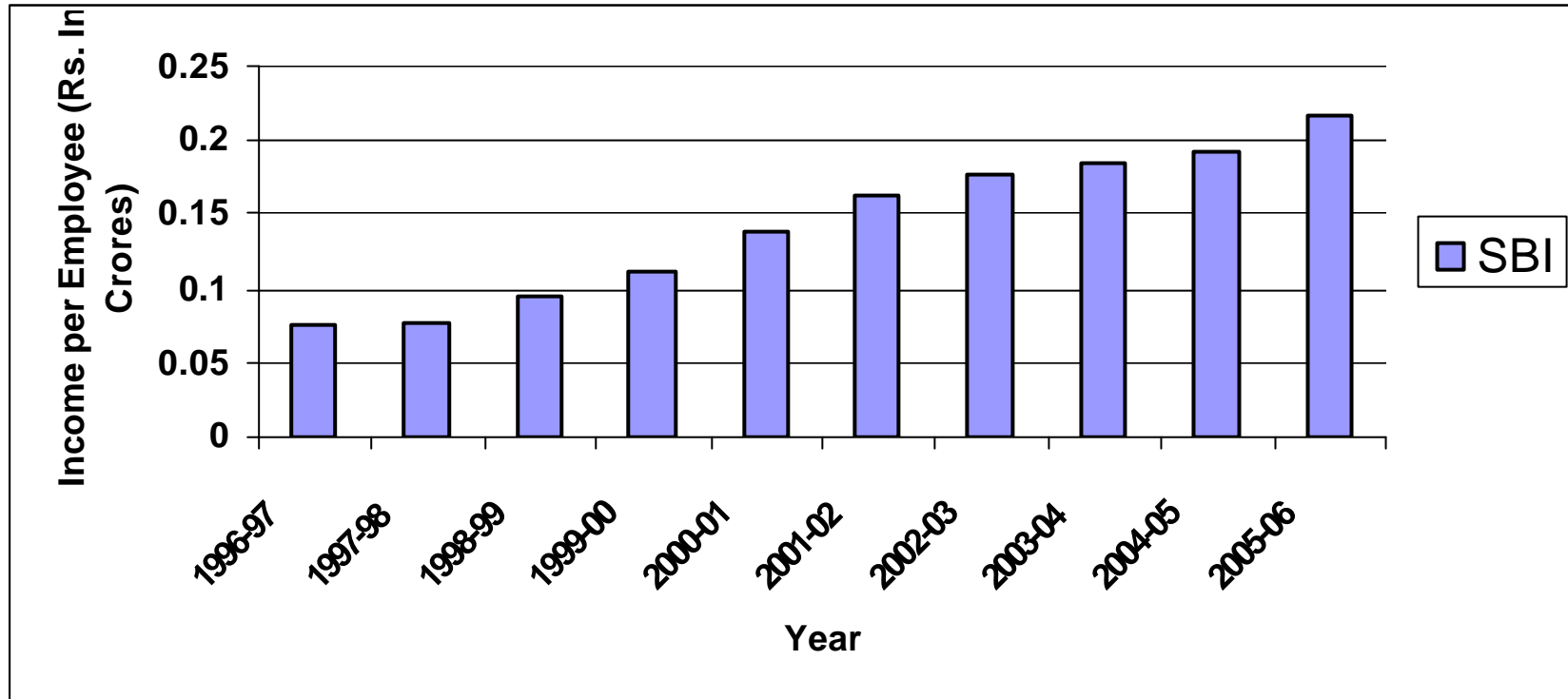
**Chart - 4.16**  
**Net Profit as % to Working Fund (Base year 1996-97)**



**Chart - 4.16**  
**Net Profit as % to Working Fund (Base year 1996-97)**



**Chart - 5.1**  
**Income per Employee (Rs. in Crores) (Base year-1996-97)**



**Chart - 5.1**  
**Income per Employee (Rs. in Crores) (Base year-1996-97)**

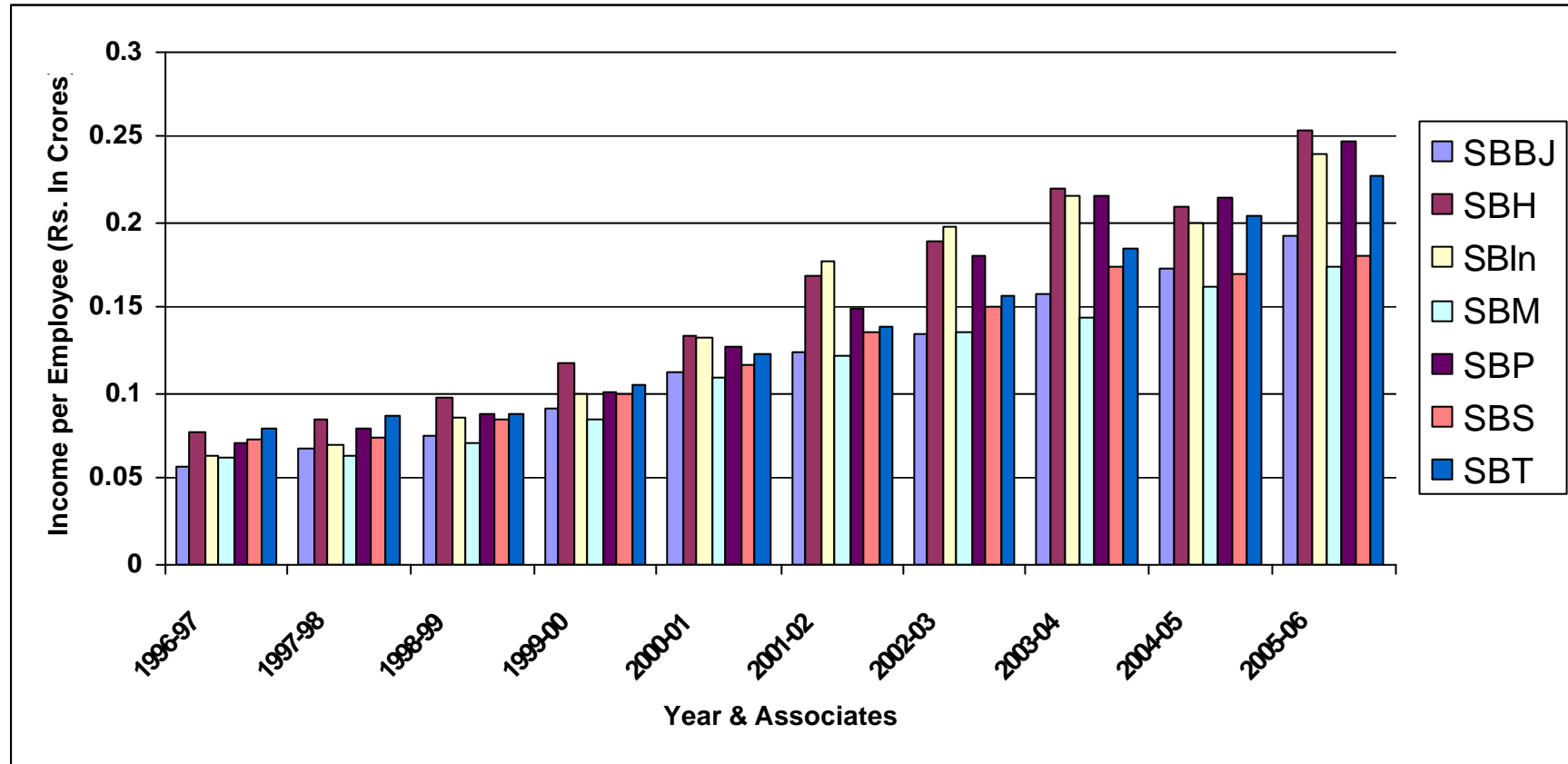
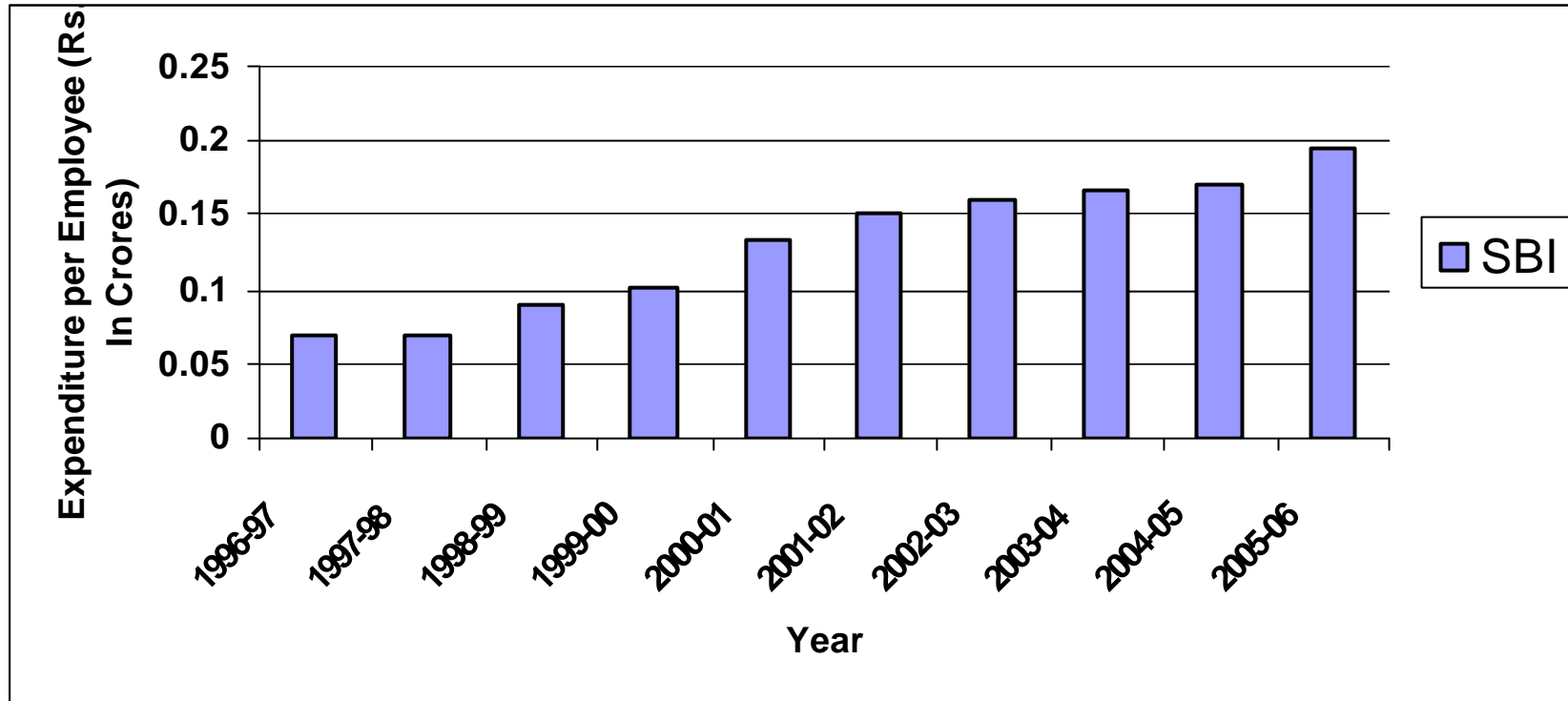


Chart - 5.2  
Expenditure per Employee (Rs. in Crores) (Base year - 1996-97)



**Chart - 5.2**  
**Expenditure per Employee (Rs. in Crores) (Base year - 1996-97)**

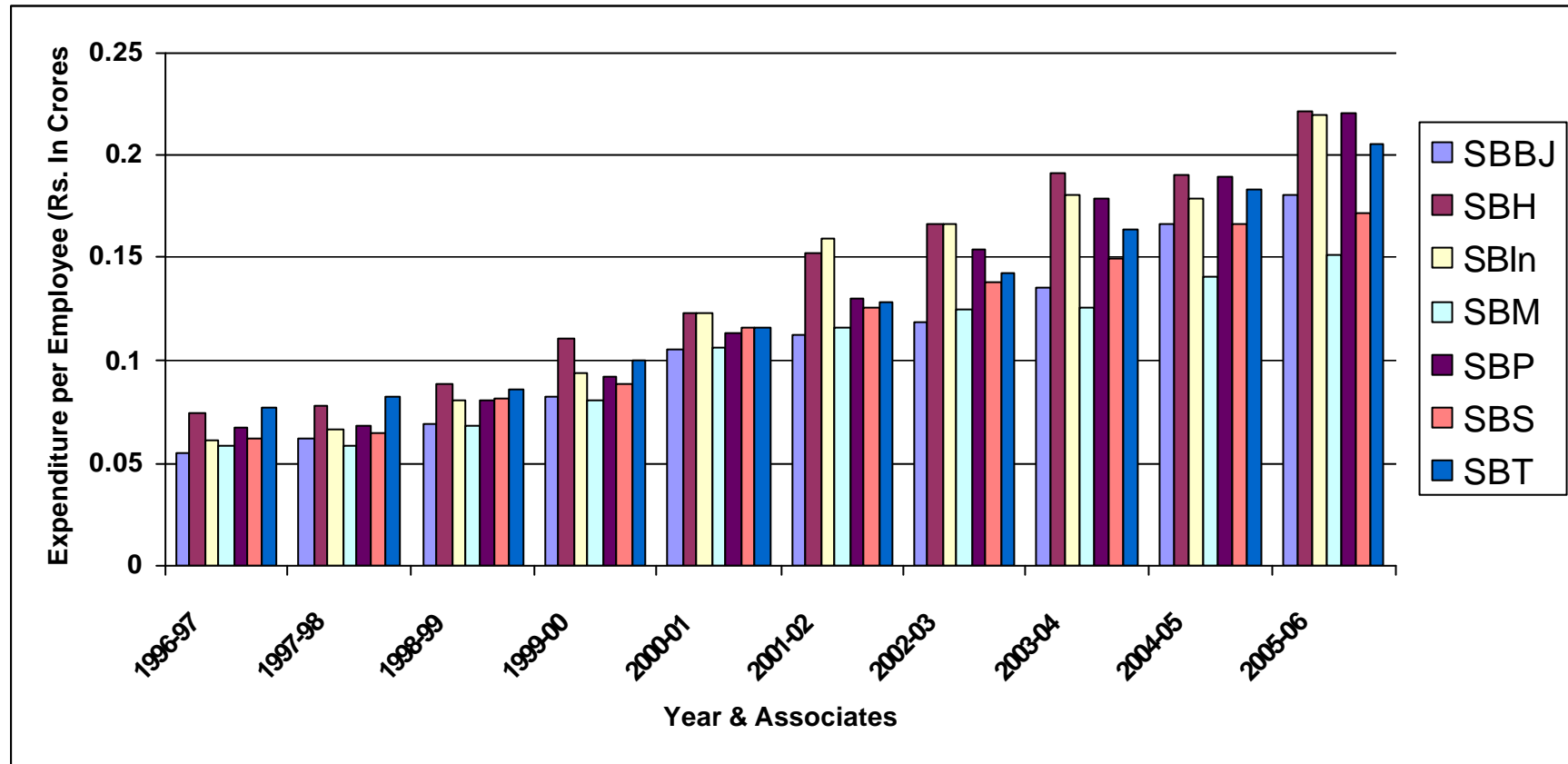
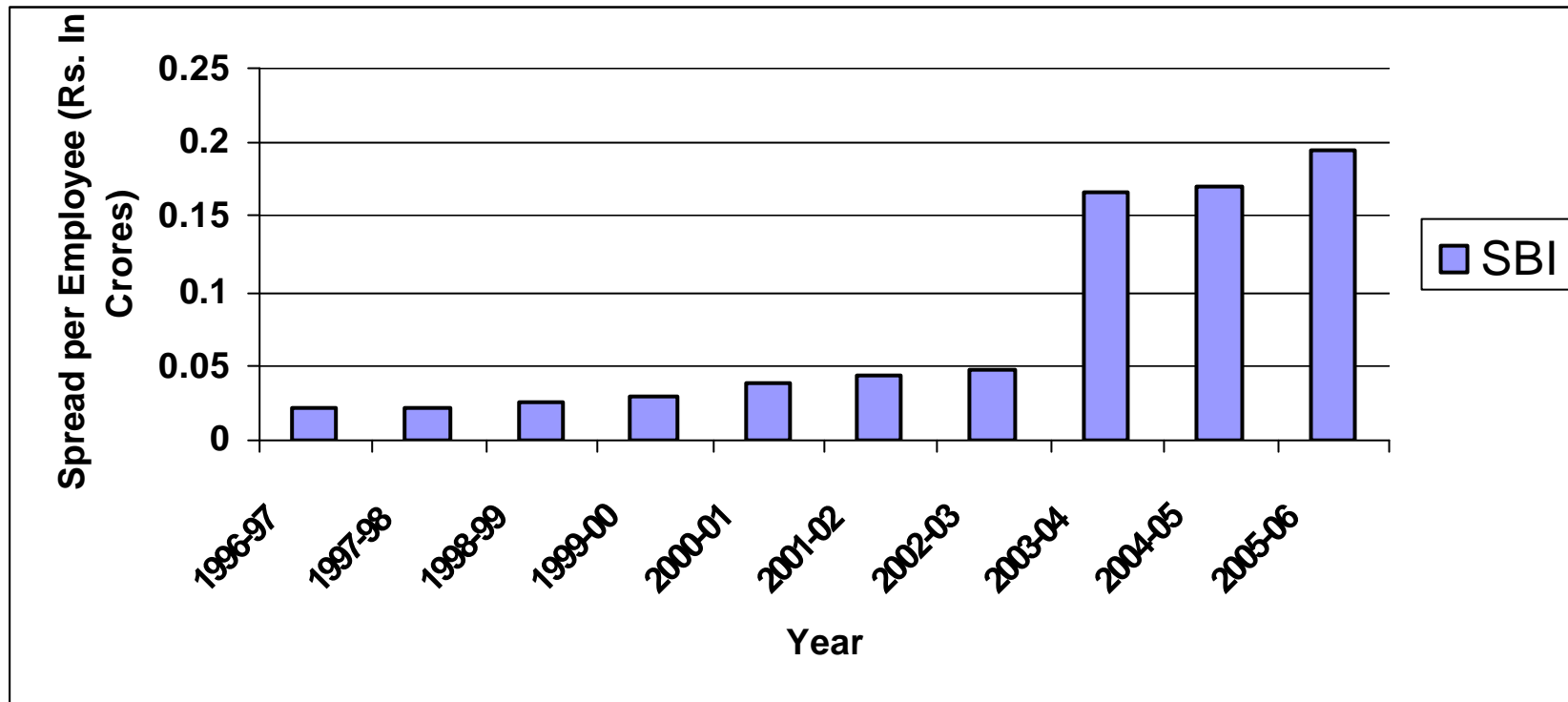




Chart - 5.3  
Spread Per employee (Rs. in Crores) (Base year 1996-97)



**Chart - 5.3**  
**Spread Per employee (Rs. in Crores) (Base year 1996-97)**

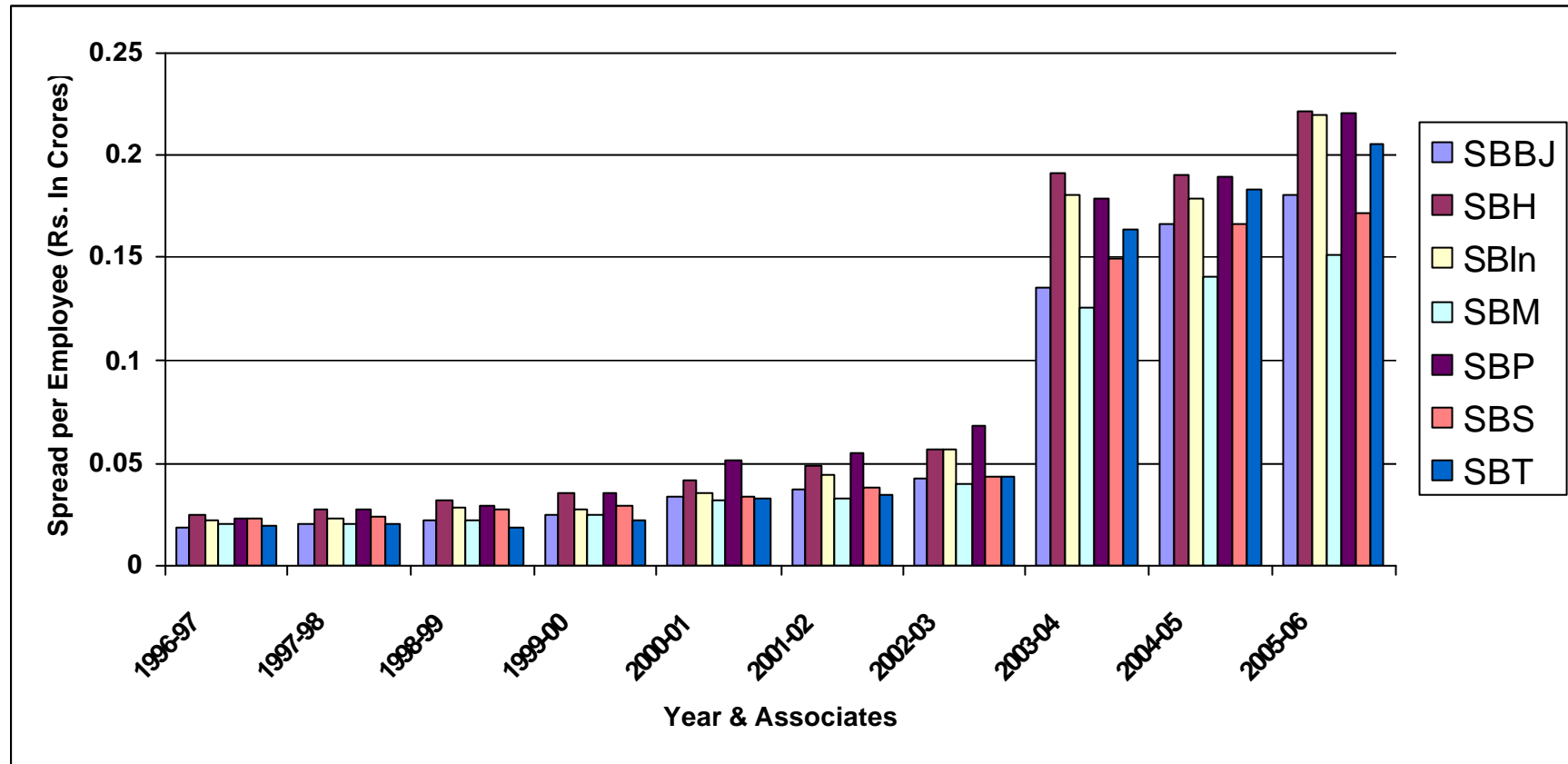
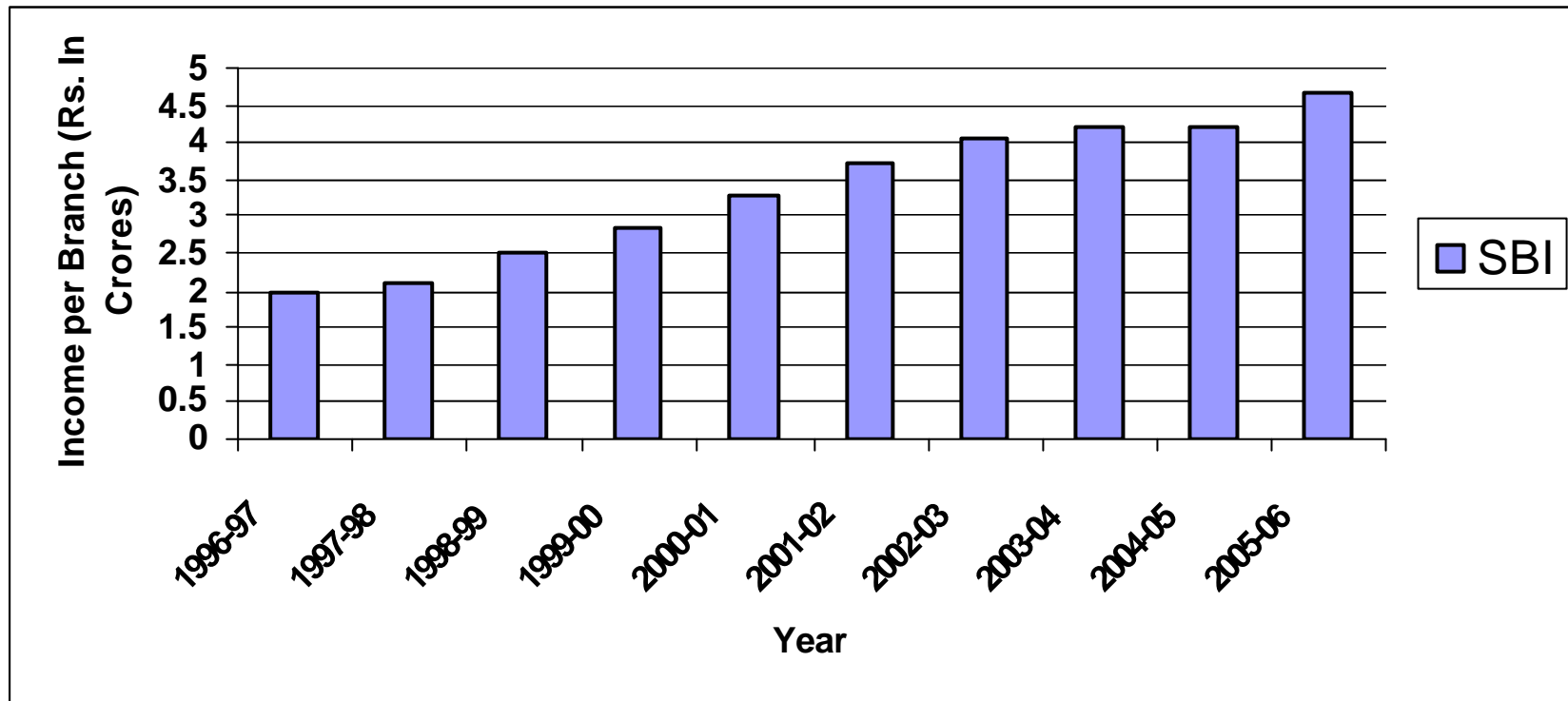


Chart - 5.4  
Income per Branch (Rs. in Crores) (Base year - 1996-97)



**Chart - 5.4**  
**Income per Branch (Rs. in Crores) (Base year - 1996-97)**

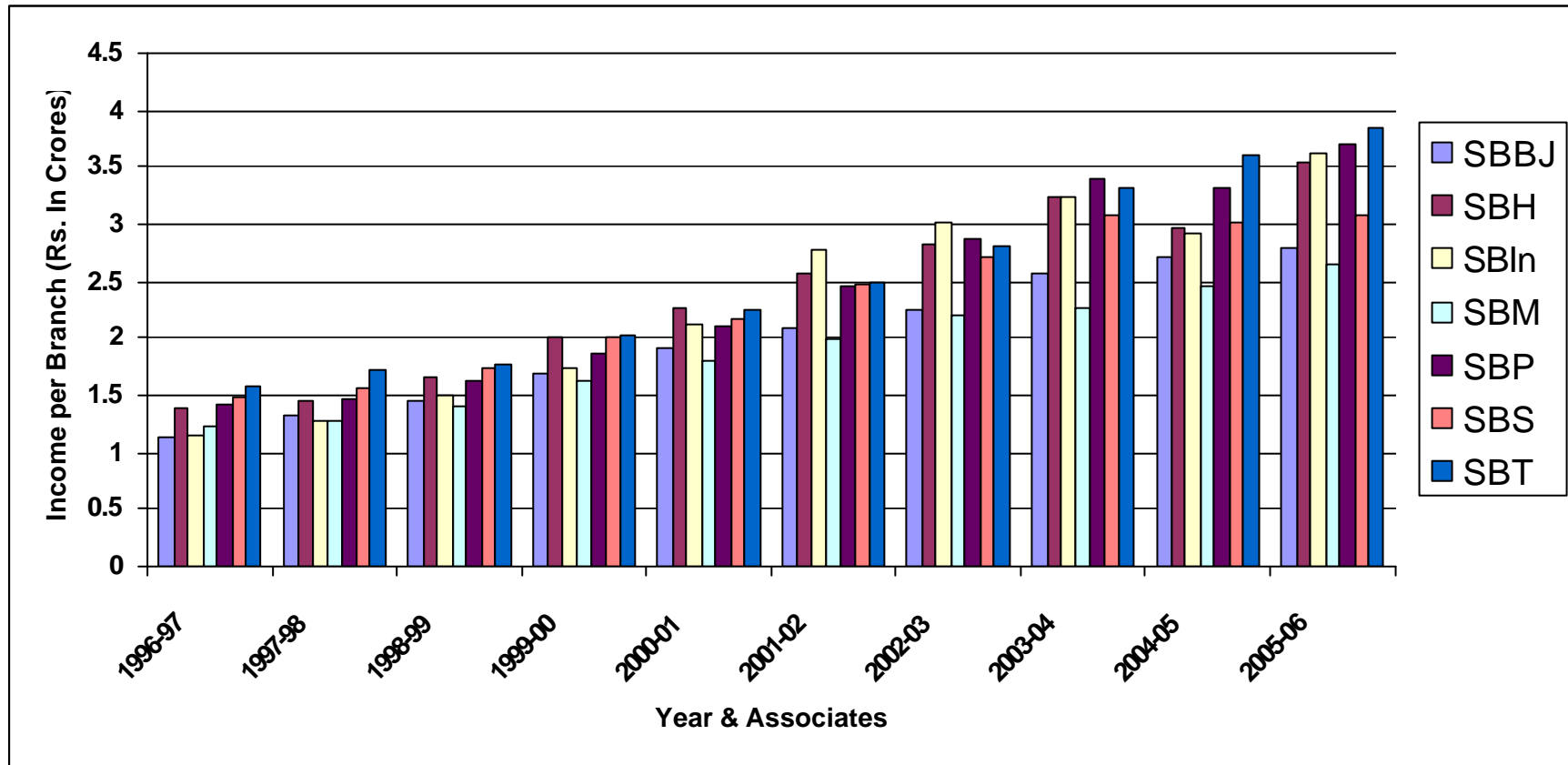


Chart – 5.5  
Expenditure per Branch (Rs. in Crores) (Base year - 1996-97)

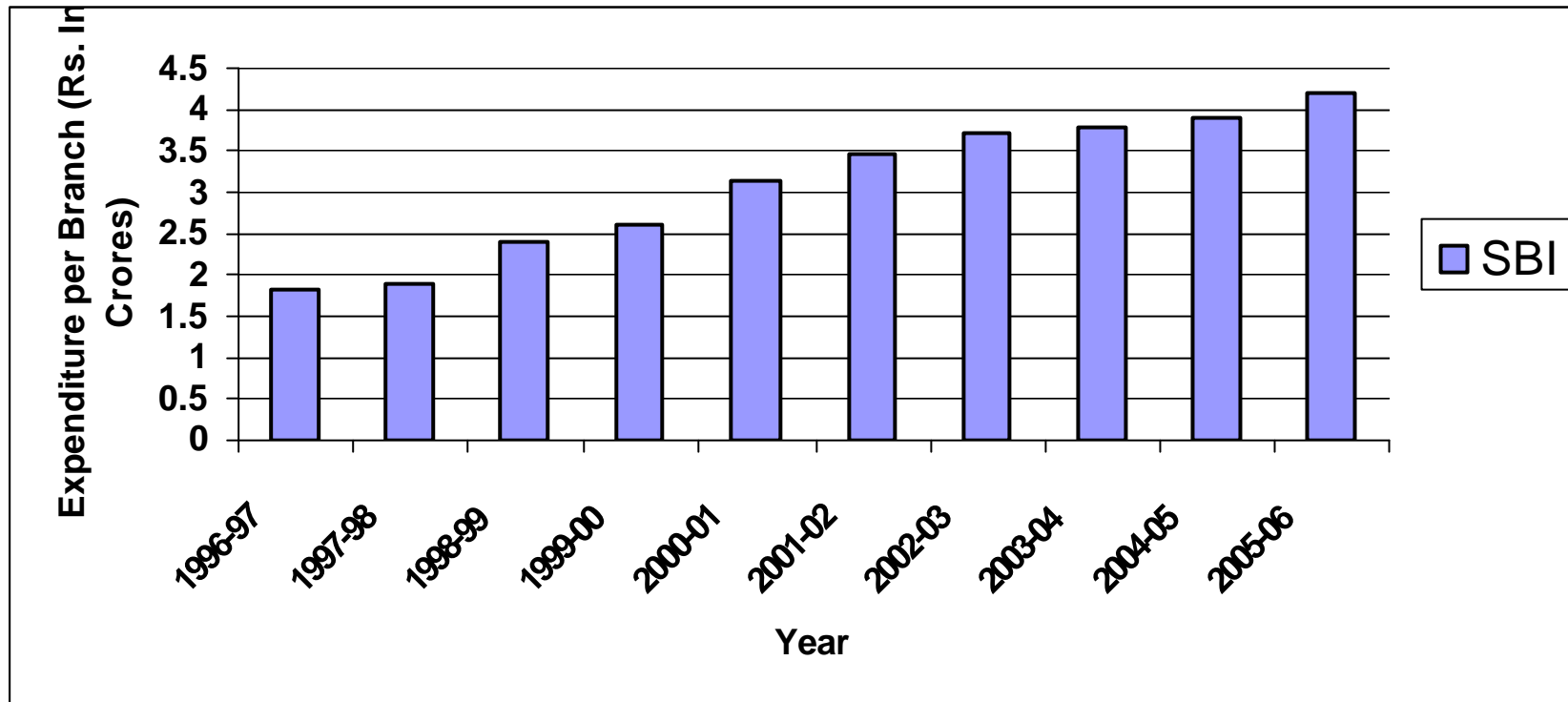
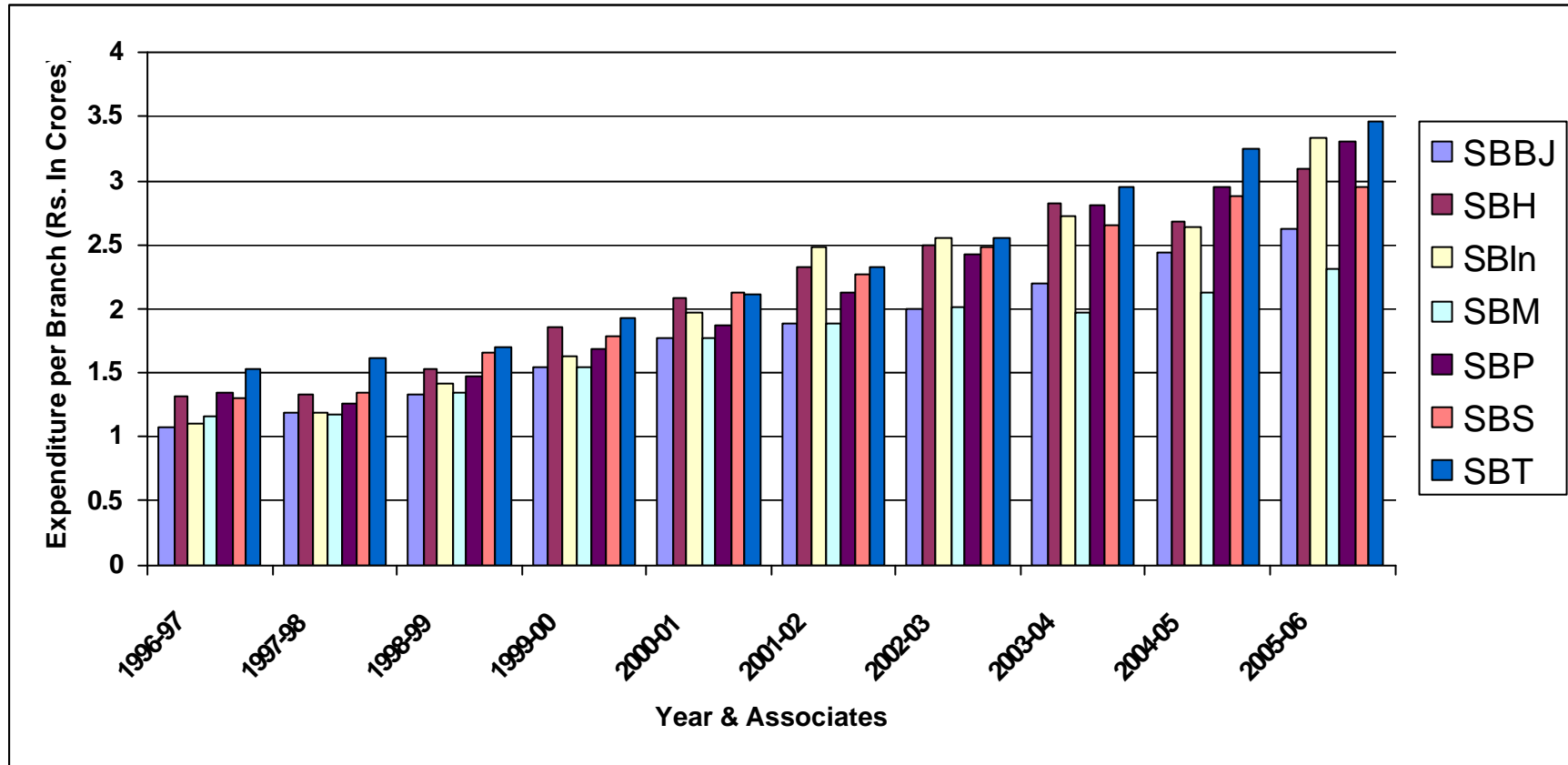
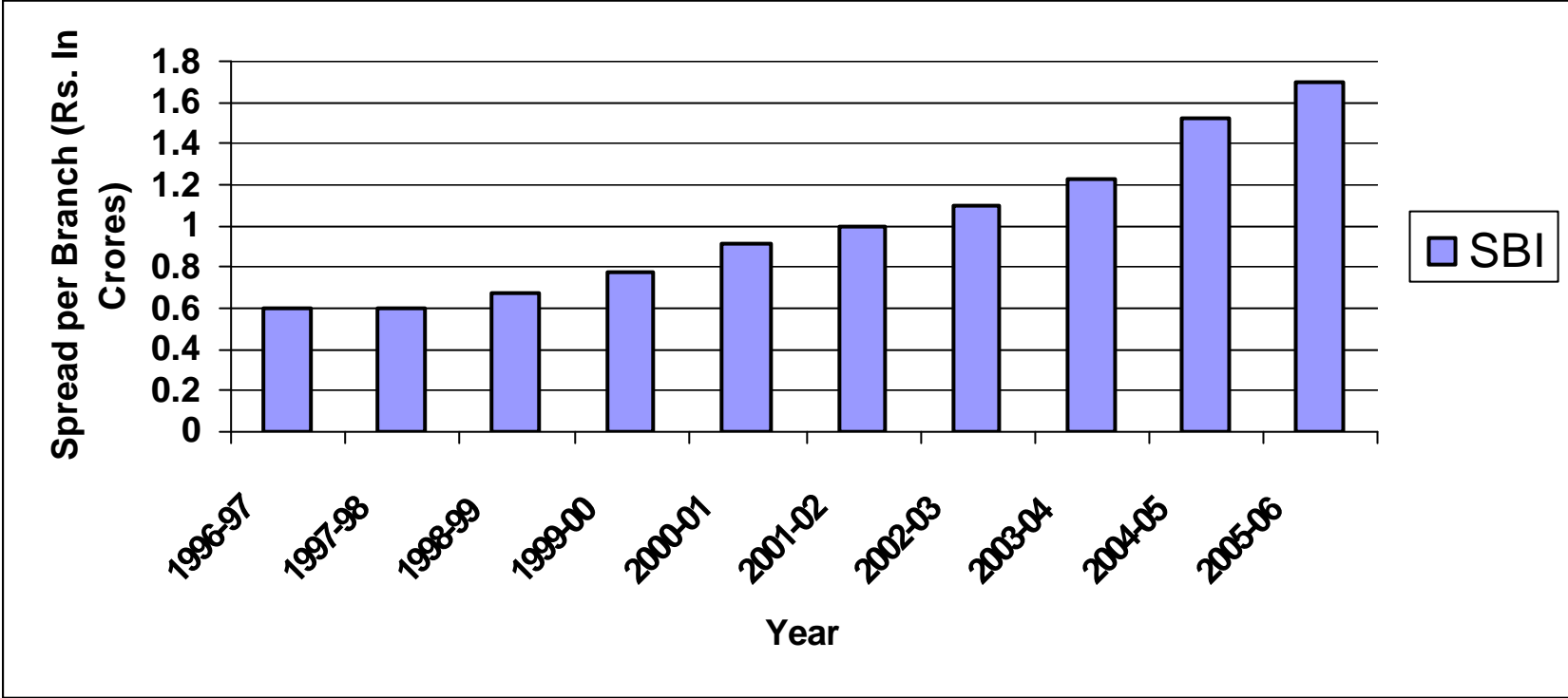


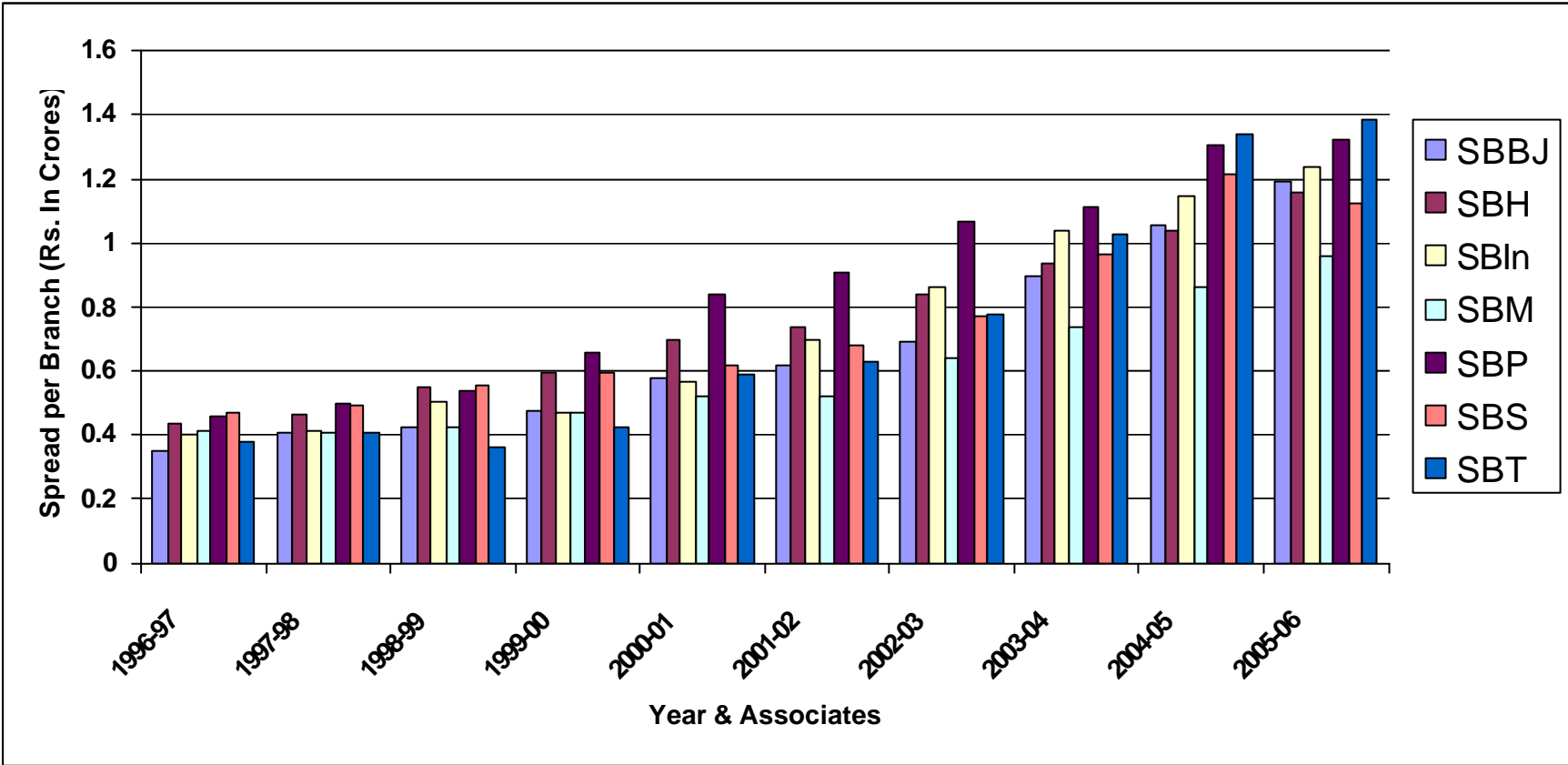
Chart – 5.5  
**Expenditure per Branch (Rs. in Crores) (Base year - 1996-97)**



**Chart - 5.6**  
**Spread per Branch (Rs. in Crores) (Base year 1996-97)**

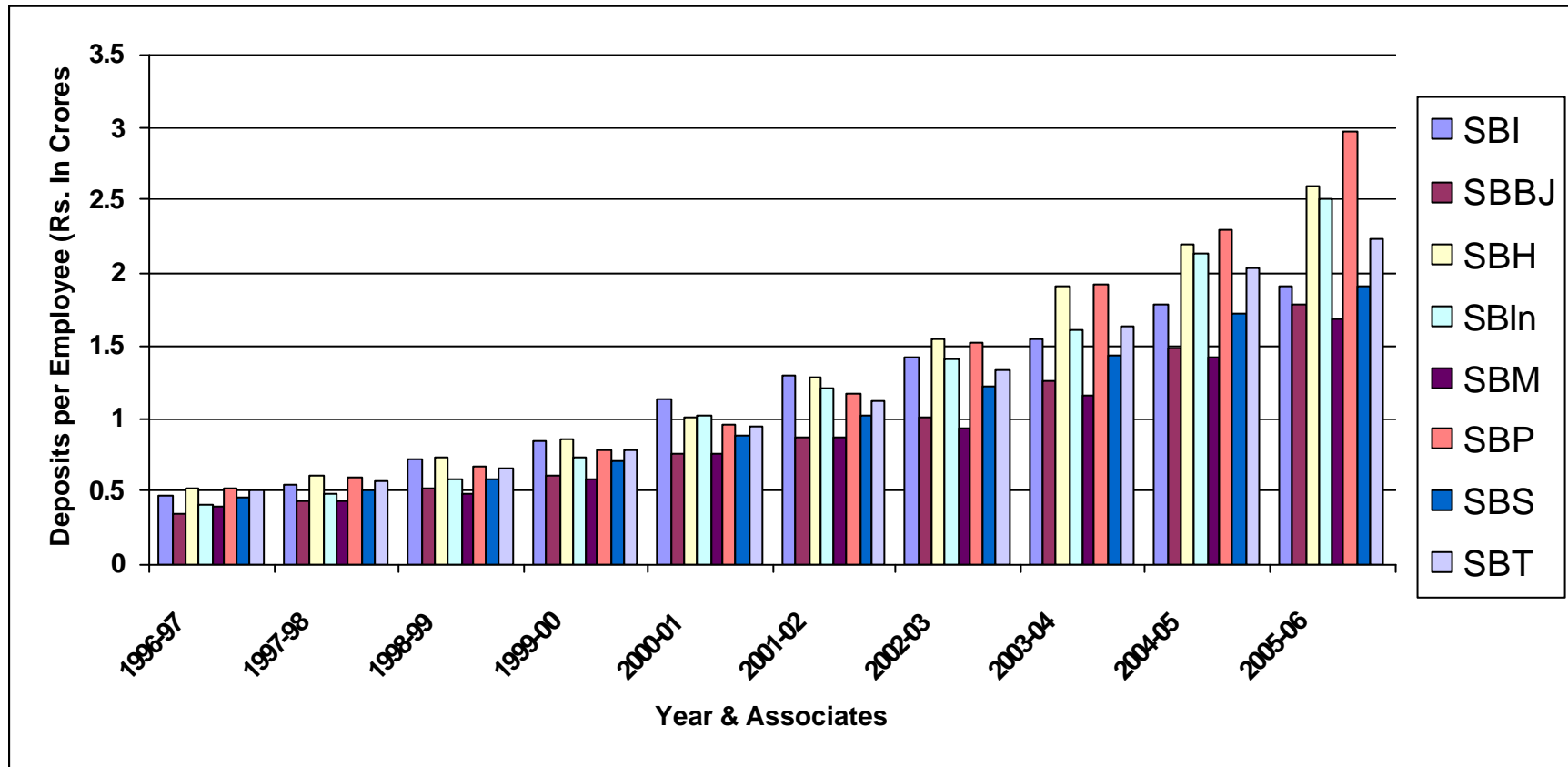


**Chart - 5.6**  
**Spread per Branch (Rs. in Crores) (Base year 1996-97)**

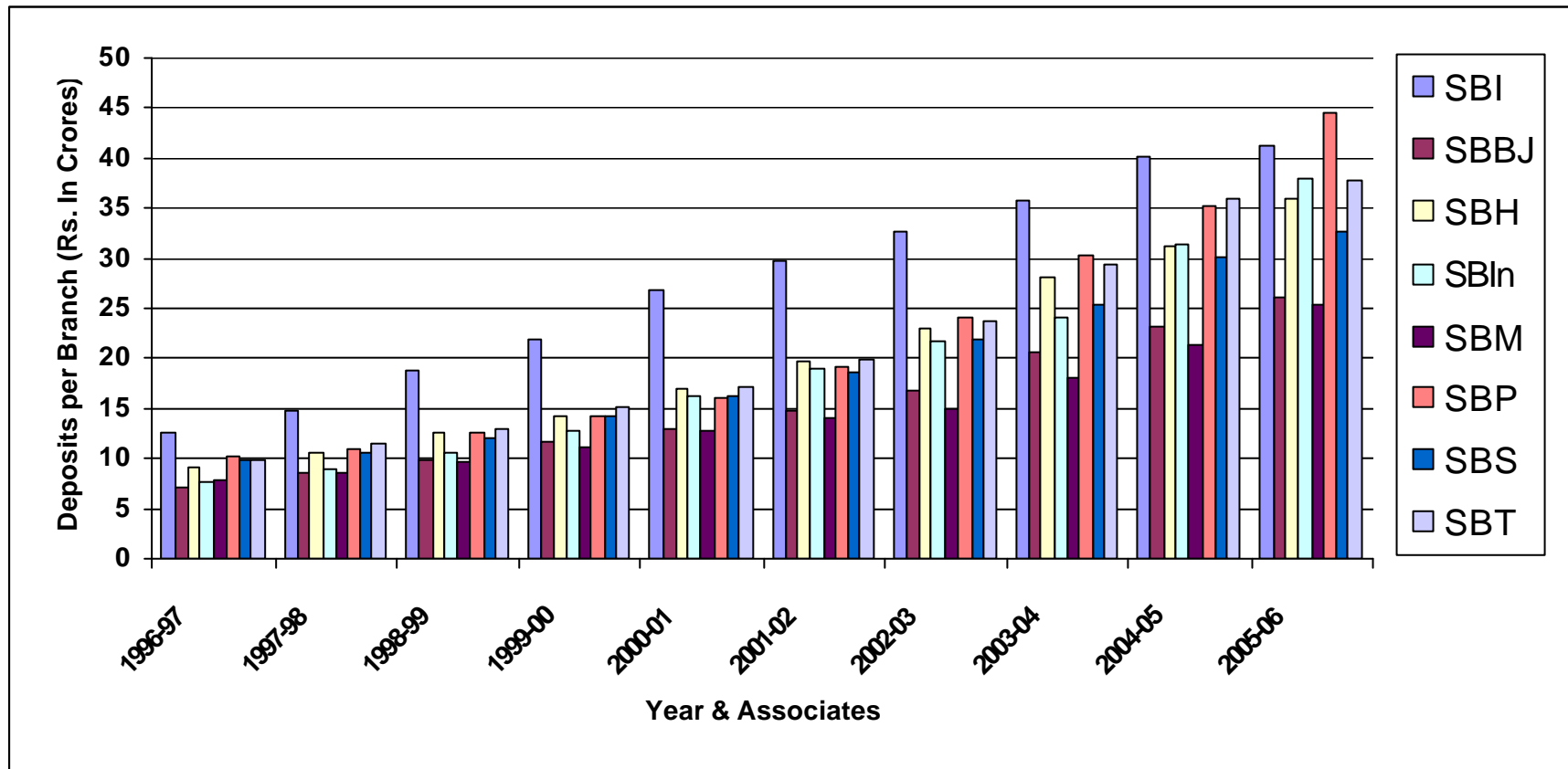




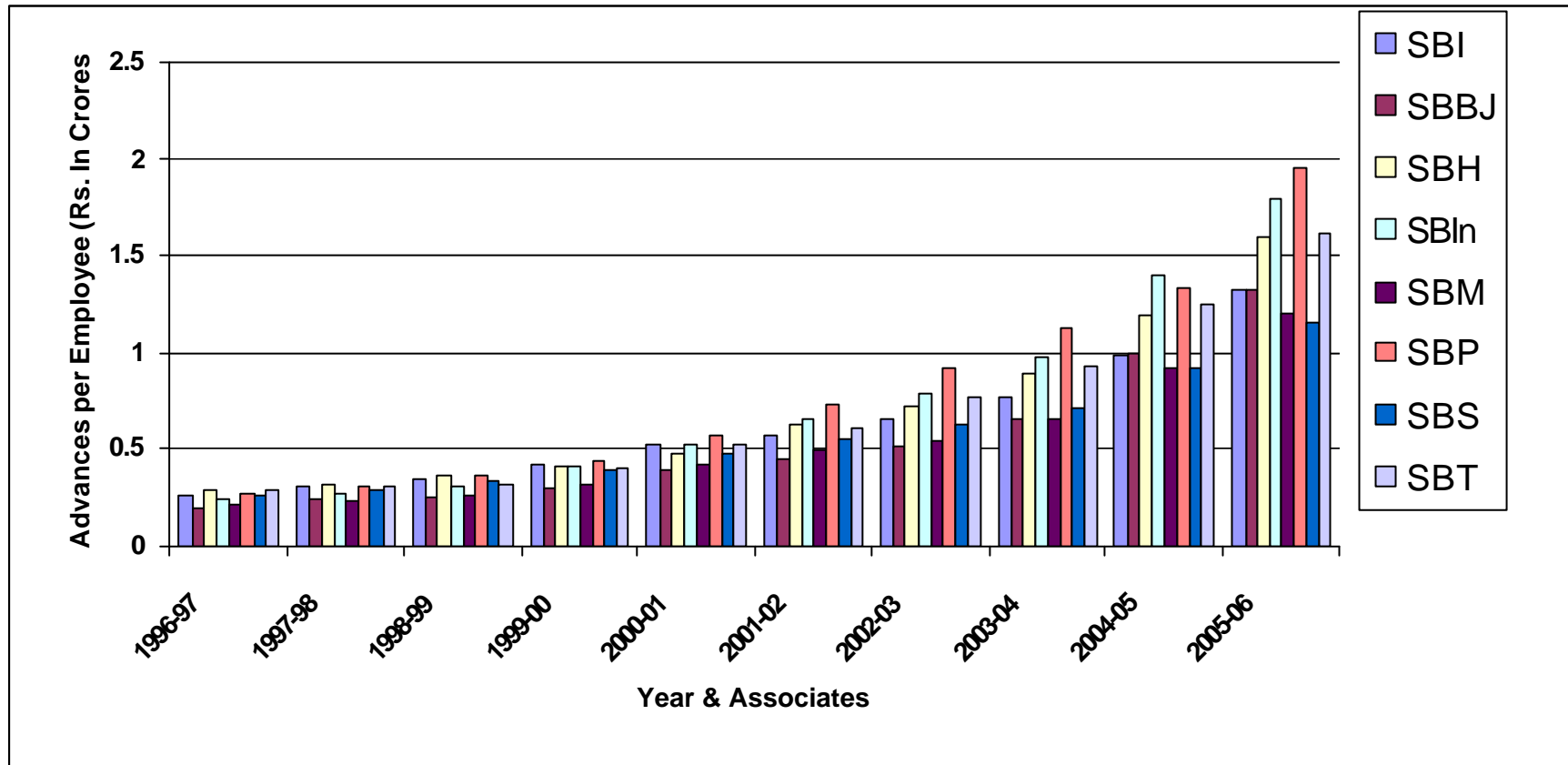
**Chart - 6.2**  
**Deposits per Employee (Base year - 1996-97) (Rs. in Crores)**



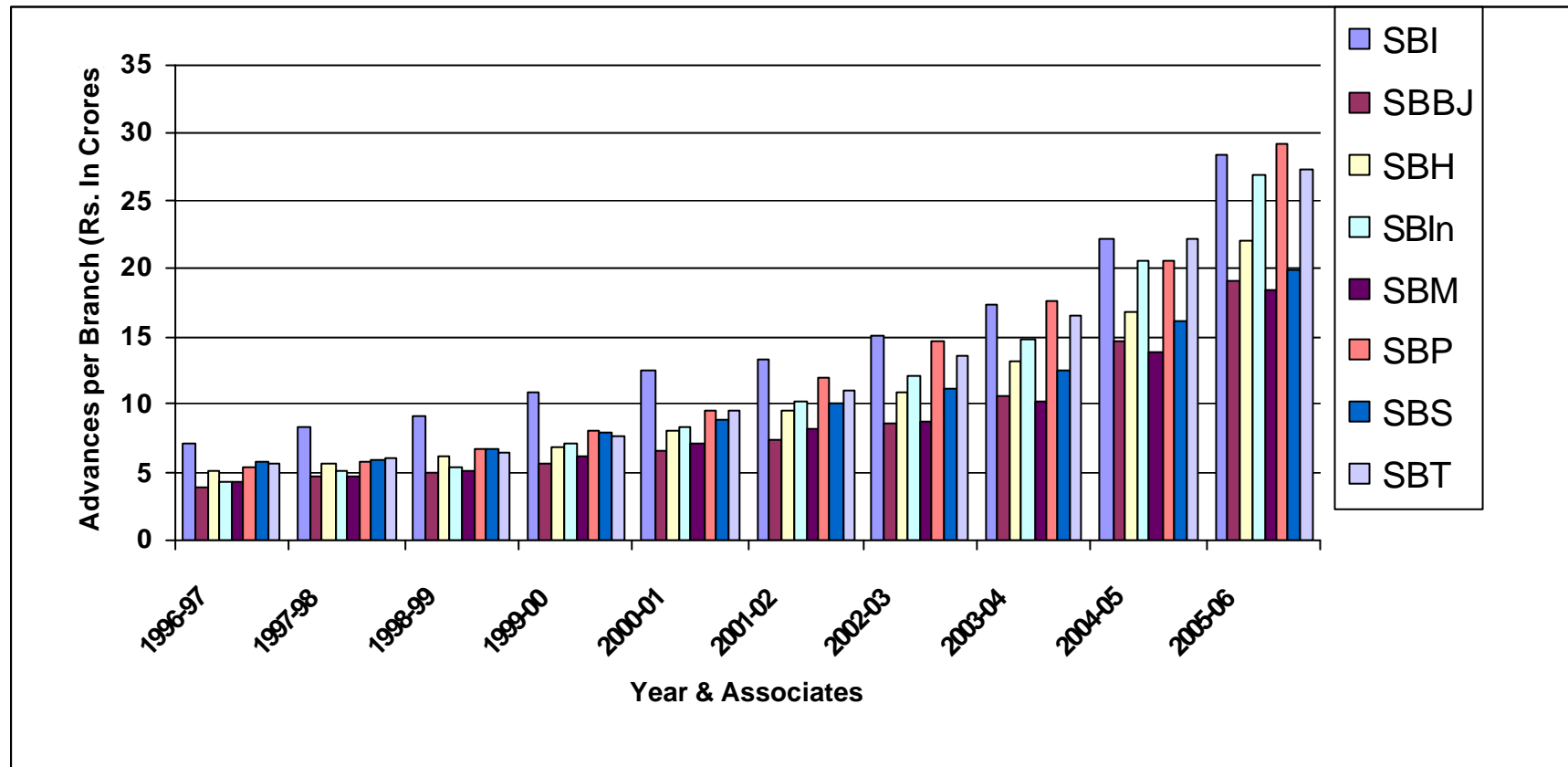
**Chart - 6.3**  
**Deposits per Branch (Base year - 1996-97) (Rs. in Crores)**



**Chart - 6.5**  
**Advances per Employee (Base year - 1996-97) (Rs. in Crores)**



**Chart - 6.6**  
**Advances per Branch (Base Year 1996-97) (Rs. in Crores)**



**Chart – 6.7**  
**Deposits and Advances of SBI**

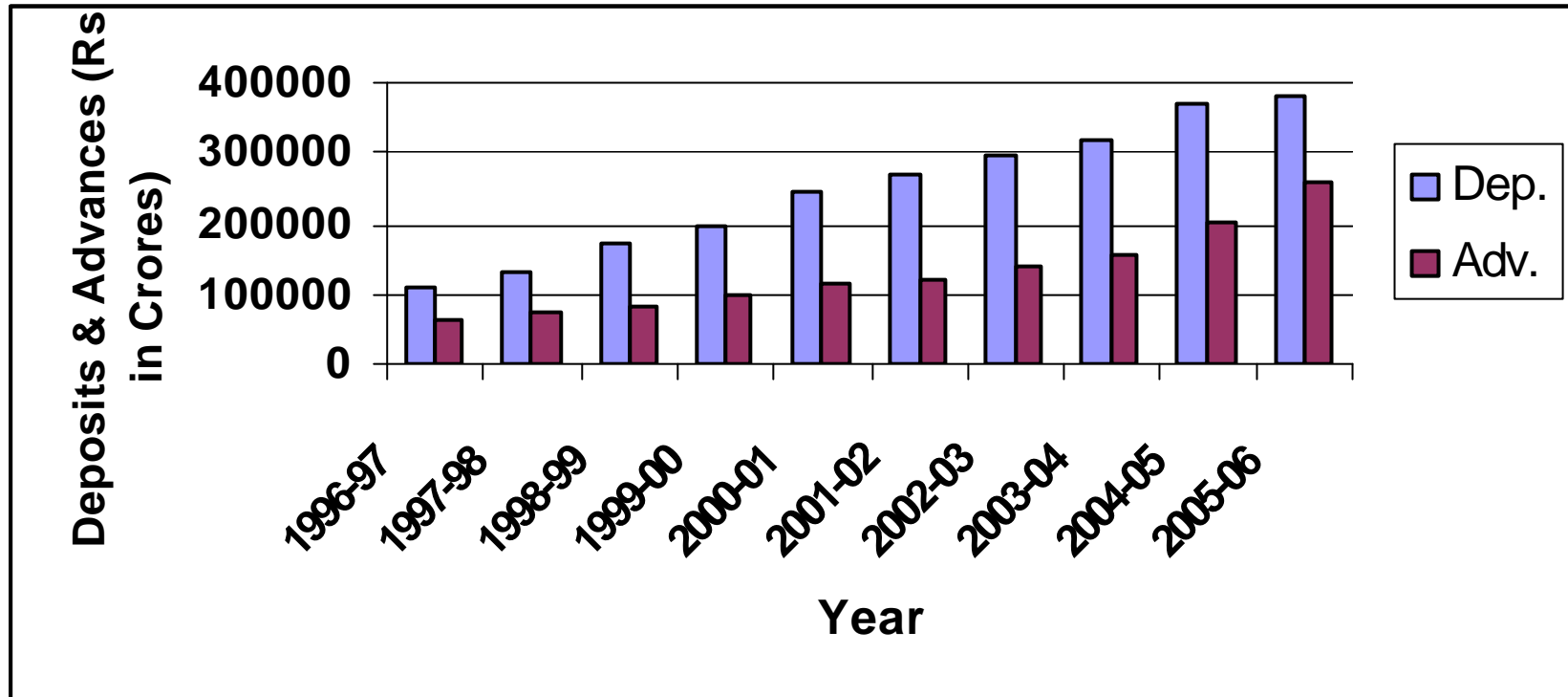
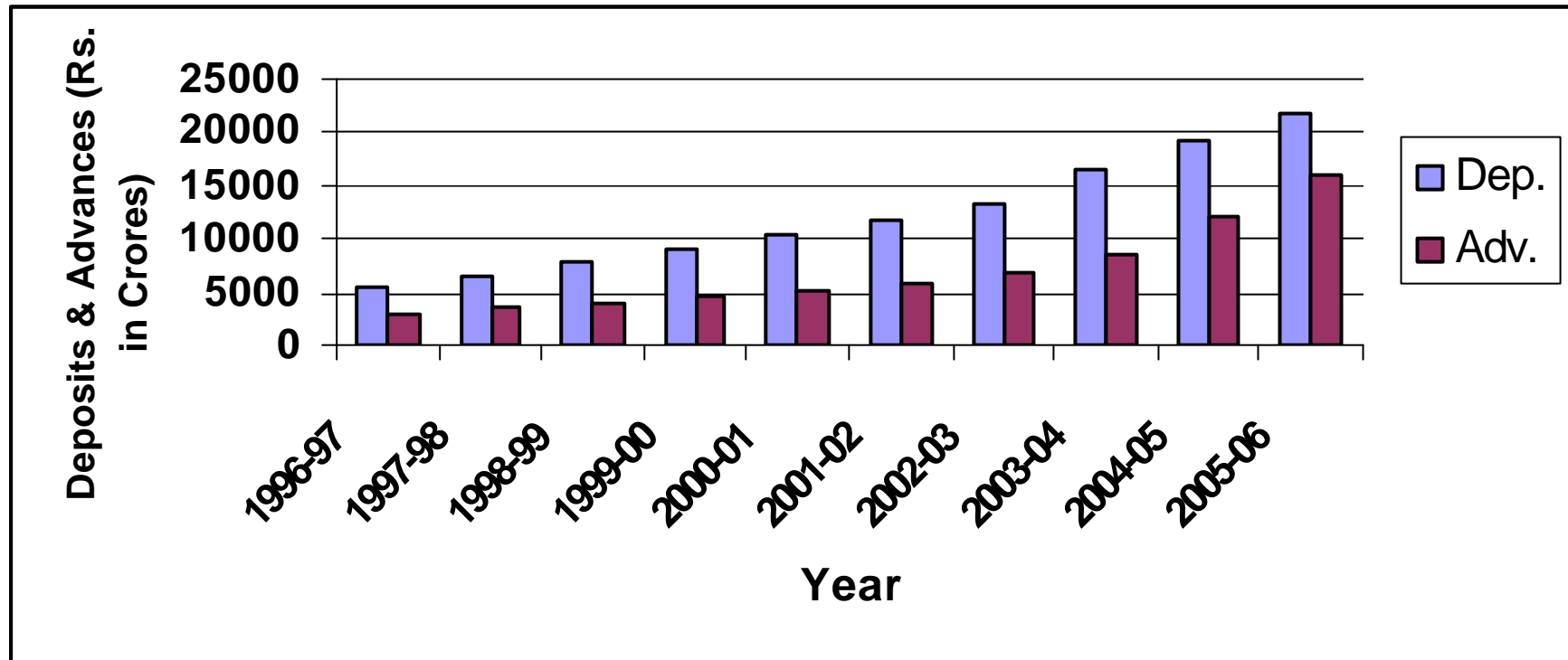
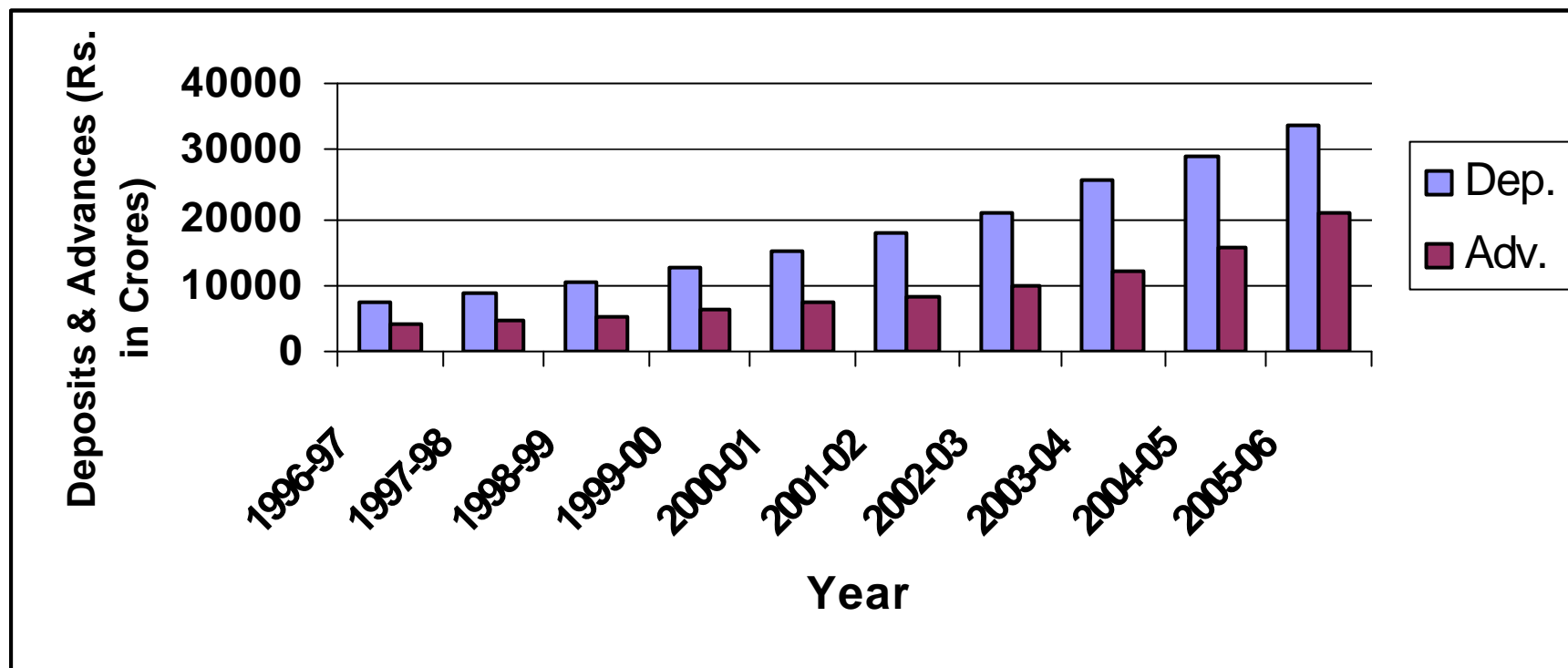


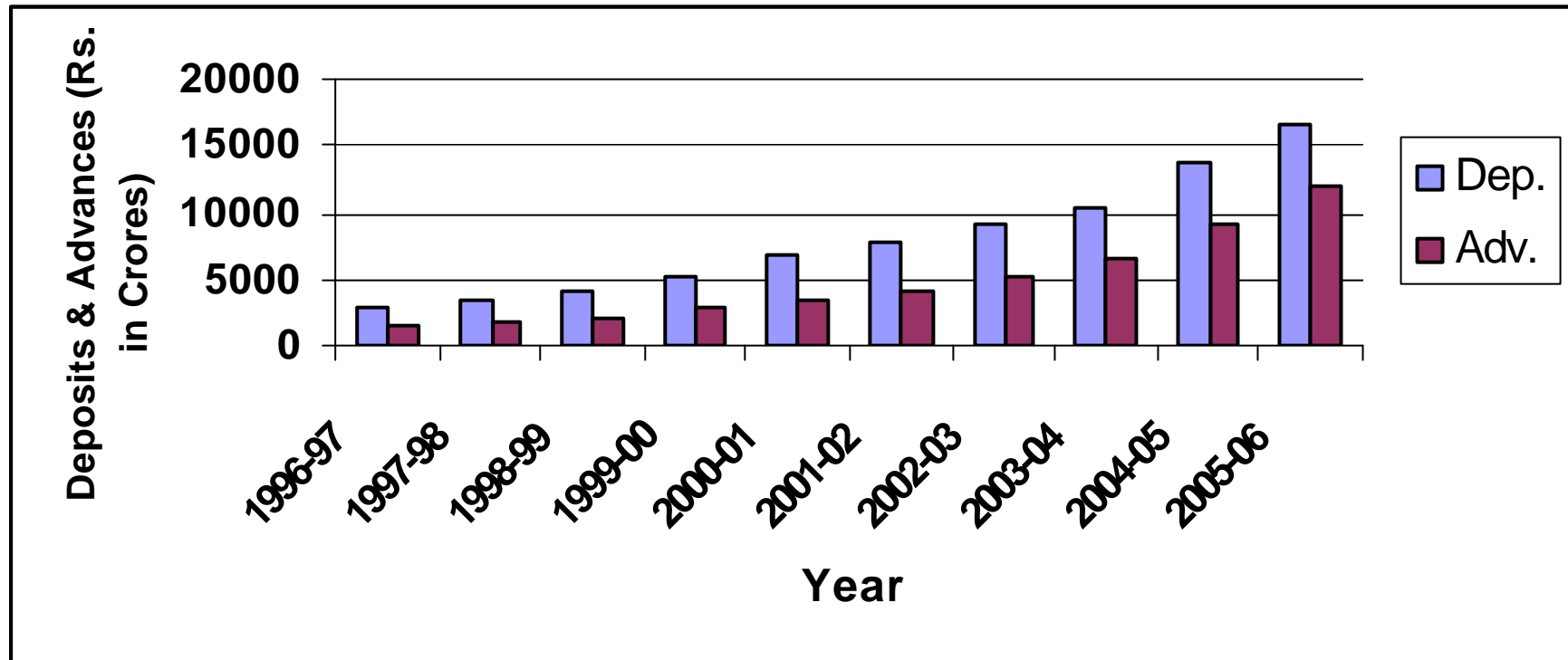
Chart – 6.7  
Deposits and Advances of SBBJ



**Chart – 6.7**  
**Deposits and Advances of SBH**

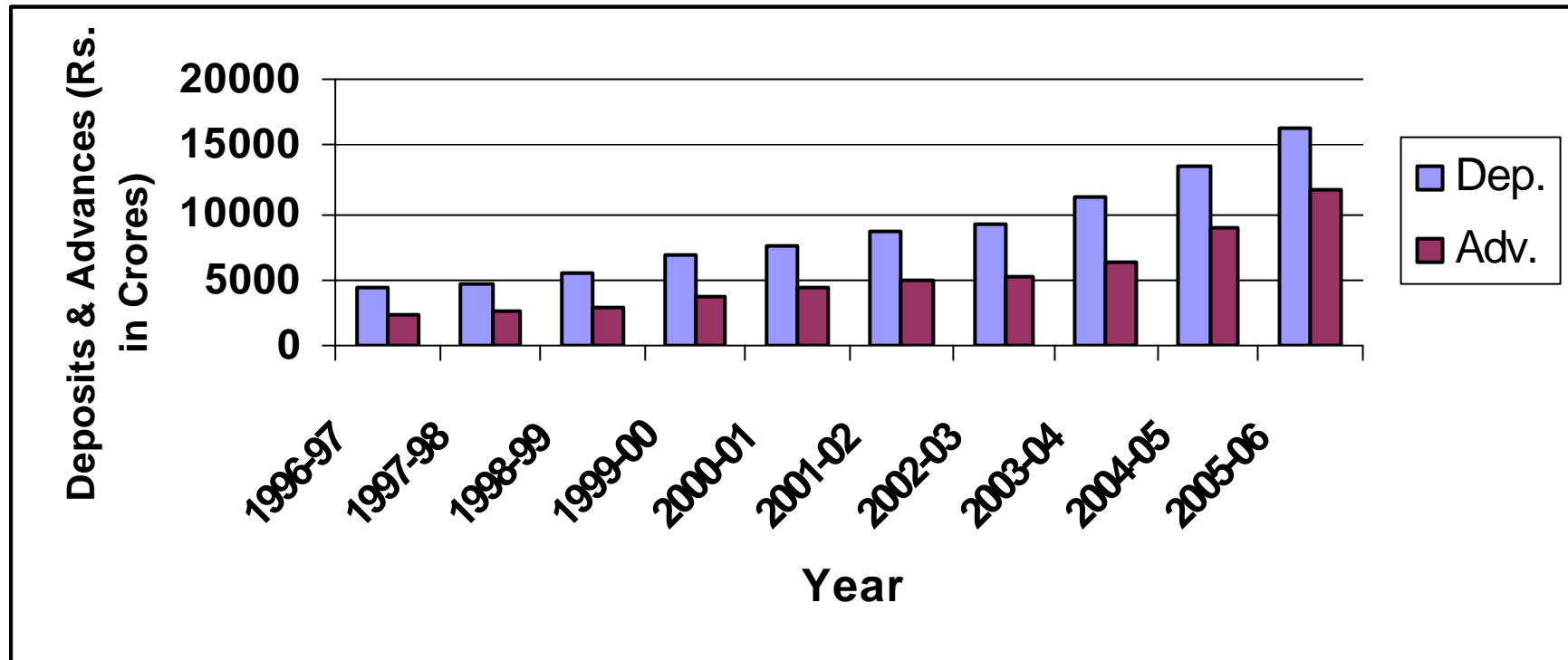


**Chart – 6.7**  
**Deposits and Advances of SBI**

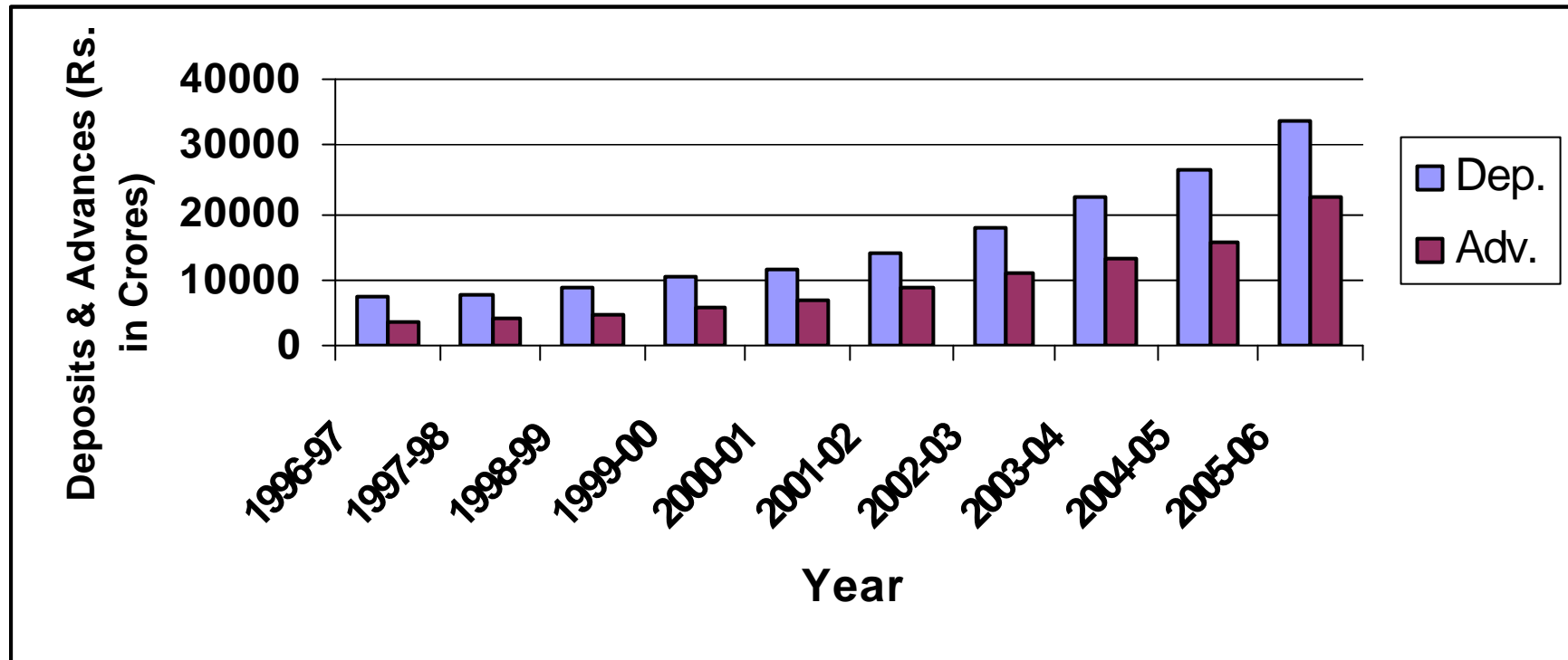




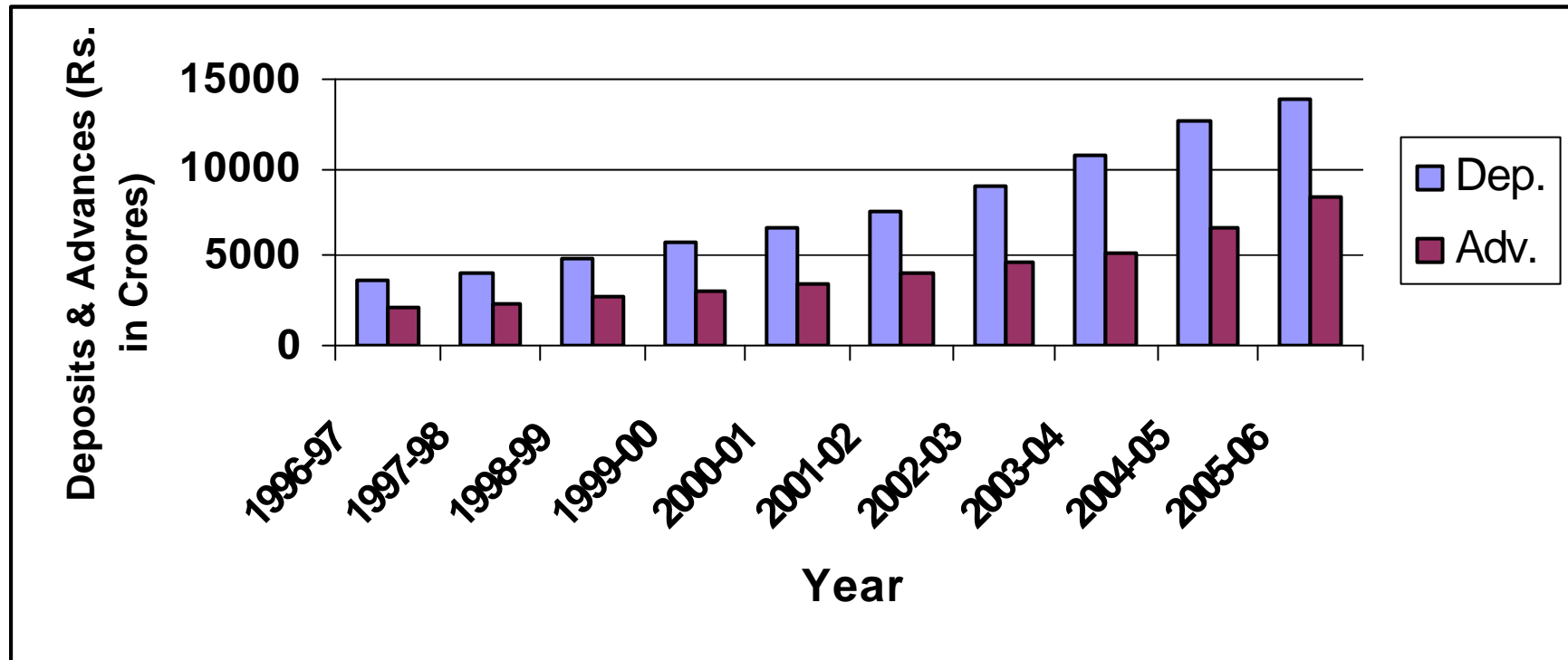
**Chart – 6.7**  
**Deposits and Advances of SBM**



**Chart – 6.7**  
**Deposits and Advances of SBP**



**Chart – 6.7**  
**Deposits and Advances of SBS**



**Chart – 6.7**  
**Deposits and Advances of SBT**

