

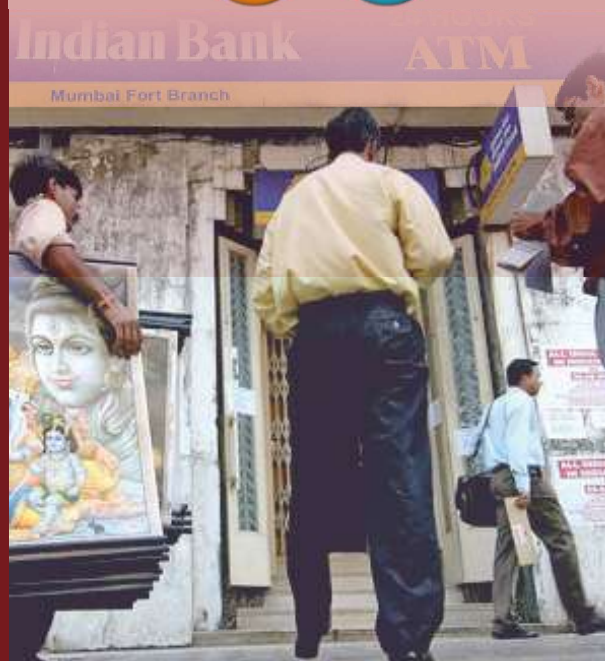
REFORMS IN INDIAN BANKING SECTOR: RETROSPECT AND PROSPECTS

PROF. (DR.) S.S. MODI



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REFORMS IN INDIAN BANKING SECTOR: RETROSPECT AND PROSPECTS

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Micro Credit: A Debt Trap

Prof. (Dr). Prashant T. Jariwala*

Introduction

The term "microfinance" describes the range of financial products (such as microloans, micro savings and micro-insurance products) that microfinance institutions (MFIs) offer to their clients. Microfinance began in the 1970s when social entrepreneurs began lending money on a large scale to the working poor. Historically, the goal of microfinance was the alleviation of poverty. For many years, microfinance had this primary social objective and so traditional MFIs consisted only of non-governmental organizations (NGO), specialized microfinance banks and public sector banks. More recently, the marketplace has been evolving.

For example, some non-profit MFIs are transforming themselves into profit-seeking institutions to achieve greater strength, sustainability and market reach. They are being joined in the microfinance market place by consumer finance companies, like GE Finance and Citi Finance). "Big-box" consumer retailers, like Wal-Mart, Elektra and Tesco are beginning to emerge as consumer lenders and a few are venturing into microfinance. Although most MFIs still consider poverty alleviation the primary goal, selling more products to more consumers is the primary motivation of many new entrants. One individual who gained worldwide recognition for his work in microfinance is professor Muhammad Yunus who, with Grameen Bank, won the 2006 Nobel Peace Prize. Yunus and Grameen Bank demonstrated that the poor have the ability to pull themselves out of poverty.

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Yunus also demonstrated that loans made to the working poor, if properly structured, had very high repayment rates. It was when Muhammad Yunus won the Nobel Prize for Peace in 2006, that 'Micro Credit' hit the headlines of the media. Poverty alleviation became the buzzword. A wave of euphoria for micro credit swept the public mind. Micro Credit resembled the magical Aladdin Lamp! It seemed, the darkness of poverty would disappear as soon as the lamp was lit. Garibi Hatao Now let's go back by a few decades. 'Garibi Hatao' (Remove Poverty) was the popular political slogan raised on the eve of the 1971 parliamentary elections by Indira Gandhi, the former leader of the ruling Congress party, to garner political support of the rural and urban poor constituting the largest potential vote-bank.

The slogan dealt with an issue which should not be judged in isolation of the contemporary economic events. All over the world 'poverty alleviation' was the key issue of the development theory since the 1970s. BIRTH OF MICROCREDIT Social system and sub-systems of this culture are built on exploitation. The rich are exploiting the poor by putting them into a debt-trap of money-lending system. This system exists everywhere in the world wherever poverty exists. The poor people need money for their survival and as a result of it they become the part of the vicious circle of poverty where at one time they approach to the moneylenders and the other times to formal financial institutions.

Moreover, micro-finance is not limited to rural society or developing countries only; it is equally applicable to urban society and developed countries as well. In India, the need for micro-finance is higher as the demand for credit to start micro-enterprises by the poor people could not be met by the institutional initiatives of rural finance up to large scale. Due to the failure of percolation theory of social development, poor people are highly dependent on non-institutional sources of credit. Economic weaknesses of the Jajmani System also gave way to increased non-institutional sources of credit. But the irony is that MFIs are making profits even from poverty. The poor are market base for the MFIs.

They are charging very heavy interest rates from this sector as against 6% to 8% Car and housing loans in urban sector. Availability of credit is the basic requirement to any citizen, more so, to a poor person. Credit, should be timely as well as easily available. Formal institutions, including nationalized banks are unable to meet the micro credit requirements of the poor people, as normally credit for income generation has been institutionalized rather than micro credit for various purposes. This has left poor persons with no option except to depend on moneylenders for credit. Money lenders with abundant common sense offer timely - but an exploitative credit, which act as a poverty trap for the poor. Various studies have proved that in rural India, a person taking credit from money lender for health or for a ritual like marriage forever has gone below poverty line.

Poverty as we understand is a complex phenomena and it cannot be solved only by providing income generation assets but through comprehensive personality development of poor person enabling him/ her to meet various needs.

Micro Financial Institutions

Making profits from poverty "A Poor Is a Poor Because He is a Poor." This is absolutely correct as far as poverty is counted and concerned. A poor is having less income, therefore his saving is less, as a result his investment function is less, therefore his income is less and hence he is a poor. Poverty has purely become a well-spread and organized business. If you are truly educated, and looking for a profitable business enterprise, and more often if in case you are a non-resident Indian and want to focus and translocation to India and still make millions of money, micro-finance offers you the right avenue.

There can be no successful and efficient business opportunity than starting a micro-finance institution with the return that remains a surety and 100 per cent chances of loan recovery. You can even consider the option of trading on the stock exchange after a couple of years. And still more importantly, you can hold your head high and claim that you are helping the poor to come out of the poverty trap.

You don't have to be guilty and morally wrong. The elite in the society have in a way, knowingly (or unknowingly) given you a license to loot for the benefit derived. The unprecedented and ever continuing growth in micro-finance tells us that modern-day spies are well spread and are everywhere, looking at every possible opportunity in any case to make profits from poverty. Rich countries are prospering and become rich at the cost of the poor countries. Rich people in any society also (of course there are exceptions) follow the same path.

Micro-Finance is a Unique Example

- **Micro Credit**

Really a Debt Trap With the expansion of microfinance, criticism is increasing that loan for poor people without financial education can become a debt trap.

How truly applicable is the threat? According to India's National Crime Records Bureau, more than 87,000 farmers committed suicide between 2002 and 2006 because of failing harvests and huge debts that they were unable to pay back. In current year recently in the month of December, 2009 3 Farmers have committed suicide in Kopargaon Maharashtra state. The serious interest rates of up to 40 percent and forced loan recovery practices are intimidating the poor. This and other incidents have led to increasing criticism of micro credit as a debt trap for the poor. Reasonably high interest rates: Many people who embrace microfinance are still shocked by the double-digit interest rates that MFIs charge their poor clients. Some MFIs were "worse than moneylenders" because they were charging interest rates around 24 percent.

Further many poor people failed to have the financial knowledge or experience to use debt to increase their wealth. Instead of using micro loans to invest in the business, many poor clients have used them for a marriage function, a festival, or to buy something. Even people in some rich countries often don't know how to use debt. They think that once you have a credit card, you can buy anything.

If you get micro loans, it doesn't essentially mean you can buy things you couldn't afford before." Sometimes, however, there are ample situations when taking loans is inevitable and unavoidable for the poor people. The main reason for default to payment of loan is illness or death of a family member. In such emergency situation people are particularly needy and need to take loans, even to unfavorable conditions. This can result in a debt trap. But Micro insurance, could offer some useful protection here. Another problem with microfinance that even proponents acknowledge is its rapid growth. More and more institutions are catering for the same regional markets, sometimes leading to fierce competition.

Microcredit

Only a Romantic Notion There are millions of people getting microcredit. What the media plays up are the success stories: a woman who borrows 200 dollars, and after ten years, she has become middle-class with a big factory and lots of employees. But this is one out of a thousand or so microcredit recipients. The vast majority does not suffer or gain much from it. Microcredit assumes that all poor people are entrepreneurs. By entrepreneur, if we mean somebody who creates value through innovation, drive, persistence, and good business skills, then I think that most people are not entrepreneurs. Even in rich countries, I think that less than ten percent are self-employed; most people have a job with a regular salary. To assume that the poor people are going to somehow become entrepreneurs is a romantic notion.

If the choice is between doing microcredit and doing nothing, I think we should still do microcredit, but that's the wrong way to frame the choice. The alternative is not to do nothing; it is to do something different and better. The danger I see with microcredit is the thing that if we keep doing more of it, we will get an economy that is very inefficient and fragmented. The most serious problem with microcredit is that people who get these small loans usually start or can develop a very simple business. The most common business for microcredit is simple that of retail - selling groceries - where there are often too many people, cut throat competition, and where they don't really earn enough money to get out of poverty. We need to enable to enhance the opportunities to have more jobs, and microcredit does not help to do that yet.

Debt Swap for Debt Trap

Poverty has many dimensions and diversions from several factors – economic, social and cultural. Although lack of opportunities for livelihood (economic) and refusal of opportunities (social) are largely seen as a major and important as well as

causal factor for poverty, indebtedness is considered as important manifestation of household poverty in India. Related to this are issues of economic growth, socio-economic equity, provide the access to and has a control over productive resources, gainful employment and income, and lack of implementation of labour standards. Indebtedness impacts differently on various classes of household and also has a bearing on intra household differences. Given the required inter linkages between indebtedness and other socio-economic welfare dimensions; it has come to be seen as an inevitable variable that must be considered by policy makers.

Despite a variety of measures taken in this regard, chronic indebtedness and a structural inability to overcome bondage continues to control poor households in rural India. Indebtedness has undoubtedly become a way of life but over a certain threshold of debt repayment/income, it prevents families to provide for basic amenities and has an important disarming effect on them. It is considered in the Indian context by lack of access to that of affordable credit and has now been recognized as another important contributory factor.

The poor like the well understood Indian farmer is born with debt, exists with and dies with debt. It is not only the debt per se, but the price paid for the debt, which makes them poorer. The predatory lending practices of authoritative moneylenders charging very high rate of interest have been perpetuating the life of poor's debt bondage. The problem of usury has been before us for long. This continues to remain as a significant most often found factor in compounding the problem of poverty. The present scenario continues to be one of the serious concern, as the issue seems to be intractable. Thanks to microfinance intervention there are providing encouragement and positive signs of considering this problem.

The poor on account of this high cost of debt face a lifelong risk of helplessness with virtual mortgage of life itself. The approach to address the poverty, now, is increasingly focused on providing the access to credit. Some Hard but True Facts in India nearly 80% of the population is devoid of life, health, non-life insurance cover India has approximately 403 million mobile users. About 46% of them, or 187 million, are not having bank accounts. "People can do without bank accounts but not mobile phones. Even the Hawkers, Maid Servants and even beggars are using mobile phones these days to stay connected with others," But they are not having bank account as they don't have a proof of address and can't provide the KYC (know your customer) norms, necessary for opening a bank account.

Another example that can be quoted is of credit card. A person spending beyond his capacity through credit card never comes out of debt and pays almost 42% interest plus late payment and over limit charges plus service tax as a bonus. **BITTER TRUTH OF MICROCREDIT** The problem with microcredit is that it necessarily doesn't do that much to lift the poor out of poverty.

Countries that have helped to come out the people out of poverty have not done it through microcredit. It's been through the development and progress of larger enterprises which create jobs – for example, in places like China and Vietnam. The question is: 'Could we not use the resources in a better way?' – For example, creating garment factories instead of creating individual entrepreneurs by giving them each a loan to buy a sewing machine. Economists who have considered the option as to how microcredit provides impact on national economic growth have not yet been impressed by micro credit. Micro credit does not increase the number of people with jobs or the gross domestic product of a country.

We can have a simple thought experiment to illustrate this criticism. In one scenario, a lender provides 10000/- Rs. to each of 500 women so that each can buy a sewing machine and this can help to set up their own sewing micro enterprises. In the alternative option, a traditional financier lends Rs.50,00,000/- to a single entrepreneur who establishes a garment manufacturing business that employs 500 people. In the first case, the women must make ample money to pay off their usually high-interest loans while competing with each other in exactly the same market hold. The garment manufacturer however can exploit economies of scale and use modern techniques. "The most common problem with microcredit is that people who get these small loans usually begin or expand a very simple business. We need to have more jobs, and microcredit does not help to do that yet. What can we expect if we give a Rs 10000/- loan for one year to a person? What magic can we expect from him? At the most, he can survive, and there can be small changes in his quality of life." Again the mentality, recently developed in the minds of people having small loans is that Government is going to declared Loan-Waiver Scheme before any election just like VDIS for black money. As such they are having a well settled thought that they don't have to repay the money.

The best example can be of Jilla Udhdyog Finance Scheme in which almost 90% finance becomes NPAs and as on today rare nationalized banks are ready to accept such a proposal. Banks now have a focus on making finance available as easily as possible rather than on poverty reduction: "The expected outcome is that people will be able to bring themselves out of poverty – but unfortunately it is not the outcome on which microfinance focuses. Having a microfinance loan does not essentially mean that you will get out of poverty, else it is quite possible that a poor may be removed from this world through suicide. CHALLENGES The most common challenges of Micro Finance sector are: (1) Lack of professional and managerial expertise (2) Political Interference – rare cases of interference by local administrative bodies exist (3) General concern that the poor by definition must have a hard time making repayments Making credit available to the poor sounds commendable. But as a weapon to fight global poverty, Micro Credit should be decided by its effectiveness, not by its better intentions.

The reasons of poverty are deeply rooted in the capitalist system of economy. Extending the credit net without eradicating the causes of poverty will not improve the condition of the poor. Impoverishment, deprivation, malnutrition, wide spread disease, illiteracy, discrimination of gender and unemployment need much more than mere circulation of money through Micro Credit. Poverty will not be changed as before to keep the programme alive if the country's development plan relies on Micro Credit for eradicating poverty. Any remarkable change in the existing financial condition of the poor calls for structural change, state initiative, political mobility and initiation of a seemingly different development paradigm.

Remedial Measures Avoiding the Poverty Trap With Micro insurance

We believe that micro insurance can help people in poor communities to avoid falling into the poverty trap. Clearly, poor people are mostly affected by natural disasters or critical illnesses. Micro insurance can help them to cope with these shocks. With 170,000 employees worldwide, Allianz is very near to its customers. In some rural areas of emerging economies, our company has a particularly strong presence. Here, our micro-insurance policies have a positive social impact. At the same time they are building relationships to customers that will hopefully remember them in the future as they become wealthier. One way of avoiding the debt trap is by selling micro insurance on top of a microcredit. Education and training is certainly a challenge. Taking out a microloan means receiving cash; taking out insurance is buying a promise. Creating awareness about the idea and value of insurance is therefore quite a challenge.

Self Help is the Best Approach

Experiments in various developing countries have established that poor can be helped by forming small self help groups. To affect the heart of poverty, women are the most potential agents. Hence women self help group (SHG) have become the reason for positive hope to the developmental practitioners. A typical SHG constitutes 10-15 commonly thinking poor women living below poverty line. Most commonly it is seen that the women belonging to neighborhood communities, sharing thoughts and problems with one other form into SHG.

Members of SHGs save equal amounts as found in their groups. The movement of SHGs began with a slogan 'save a rupee a day'. Of course there are number of groups today who are saving more than Rs.2/- or Rs.3/- a day. Starting of SHGs Once the likeminded members meet together, they open an account in either bank or post office in the intimate circle of the group.

The group authorizes anybody of the members (elected as group leaders) to operate the group account. Group processes Thrift is a good introductory and a binding force for poor women. They often see their future in their savings, the savings which meet their immediate needs, and also provide security for their old age.

The meager savings of a person may not be sufficient to meet her needs but all the savings of the groups members put together can be of great help to one or two members of the group. In any best SHG, the credit operations also begin at the end of first month itself where in the members pool together their savings and provide for loan to a needy member. Every group will essentially have its own set of rules and regulations like the amount of savings by members, interest rate on savings, basis on which loans are to be prioritized, interest on loans and penal interest on defaulted amount. Groups are disciplined The basic pillar for success of SHGs is its discipline. Every group decides frequency group meeting, the place and time to set the meeting. Best SHGs meet once in a week, but normally any SHG should normally meet atleast once in a month.

The frequency of meetings provides strength to the group processes, higher the frequency, the better it is. Best groups exerts their discipline through fining the absentee members and late arriving members. The thrift of this kind as well as credit operations take place in the group meetings. The meetings have properly framed agenda and the discussions progress as per the agenda. A poor women making efforts to come out of her house and attending meeting as a stake holder itself is a step towards her empowerment. In the meetings various issues are discussed at length and members decide who should be given the loan. The discussions take place in a democratic and highly transparent manner.

In best SHGs, each meeting is presided by members in rotation and this helps to provide leadership qualities to all the members. Accounts are written in the meeting itself. The standard account include attendance register, savings and loan ledger, cash book, individual pass books. The accounts of are written either by members themselves or by a person employed by the SHG. Best practices in SHG are being evolved continuously based on experiences, to illustrate a few, following are mentioned. Regular meetings. Continuous savings Internal rotation of savings. Conduct of meetings with definite agenda. Thrift and credit operations taking place in the group meeting Rotation of leaders highly Transparent and democratic decision making. Non-exploitation of members needs. One for all and essentially all for one. Urge for increase of corpus. Determination for economic and social development

Conclusion

Micro Credit may play an important role in bringing about a favorable change in the financial position of the poor borrower. But the cases are few in number and cannot be generalized. For the most of the borrowers the inflow of cash from sale proceeds falls short of the amount required to be paid for installment of loan repayment. They undertake distress sale of disposable assets, if any, owned by their own family. Finally the borrowers are left with only one choice: to borrow afresh to pay off the outstanding loan in full settlement.

The borrower-turned-entrepreneur becomes a borrower once again. The borrower is put into the Micro Credit debt-trap. Micro Credit has been essentially linked to 'poverty alleviation'. But does this lead to the truth? Its impacts are far from raising the poorest sections of the society. Micro Credit finds its way as another form of silently settling the surplus created by the labour power of the poor borrowers. It holds together the poor with invisible bindings of exploitation making them sink even lower in the social strata. Micro Credit is not a saviour of the poor. On the contrary, the state of impoverishment does not improve and sometimes it even worsens. Now it is time for us to reconsider if it shall we be still hoodwinked by the so called praises and chants glorifying Micro Credit?

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Sustainable Fruit Logistics Model to Boost Farmers' Income Level and Reduce Post Harvest Loss

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Dr. Amit Joshi**

Introduction

Uttarakhand, the 27th State of India is known for its picturesque beauty. This beautiful state is included in the National Agro-climate zone No. 9 and 14. The geography of Uttarakhand has a huge potential for agriculture especially to the horticultural crops, which includes fruits, vegetables, medicinal plants and floriculture etc. Huge growth has always been recorded in agriculture due to its peculiar topography. Farmers are producing fruits in abundance. But due to the post harvest loss these farmers are not getting their real dues from their seasonal and off seasonal fruits. Post harvest Management is an application to increase the shelf life of horticultural crops in order to strengthen their storage and transportation. The ripening fruits can be delayed by preventing tissue respiration of fruits, it gives a prolonged life to fruits. The moment these post harvest losses in fruits are controlled the farmers will be benefitted monetarily.

Research Methodology

Kumaun region of Uttarakhand was selected for this survey. Due to the vast potential of Kumaun region for production, storage, export of fruits therefore this region was purposely chosen. This survey has been specifically done in the few of the

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selected markets of Nainital district – Ramnagar and its nearby places were targeted as this specific market covers both kind of periphery i.e. hilly and plains and those give a blend of varieties and preferences among farmers, traders and consumers.

Sampling

The study was conducted in various stages. Various market functionaries like middlemen, brokers and farmers were selected through multistage cluster sampling. The very first stage includes the selection of the principal market, Ramnagar Mandy, due to the arrival and availability of the most of its annual horticultural crop especially fruits. Second stage, divides this principal market into four submarkets such as Peerumadara, Bailparao, Kotabagh and Tanda. In the final stage, from the nearby villages of these selected markets and submarkets, 5 clusters, each of which containing 10 farmers, on the basis of their fruits production, are formed. Thus the sample size was 50 fruits growers. Middlemen play an important role for the distribution of fruits thus some of the middlemen have also been chosen as respondent for this survey, like wholesalers, retailers and brokers. Thus 5 wholesalers, one from each target market and 10 retailers, 2 from each target market, were selected.

Table 1 : Sample Size for the Research

Target Market	Submarket	Respondents
Ramnagar Mandi	Peerumadara	Farmers - 50 Fruit Growers
	Tanda	Whole sellers- 5 (2+1+1+1)
	Bailparao Kotabagh	Retailers - 10 (2 from each selected market)

Data Collection

Kumaun division of Uttarakhand is known for its soil fertility and for various fruits cultivation. The annual production of different fruits was considered for their selection in this study. Therefore the major fruits grown in these particular markets were selected like Mango, Litchi & Apple. Primary and Secondary sources both were used for data collection. Primary data was collected from farmers, whole sellers, Brokers and Retailers involved as market functionaries, by conducting survey method using tools like Schedule, Interview and Observation. Two questionnaires were designed for this purpose, one for the producers and other for the market functionaries, which were purely close ended. Secondary Data was used in designing the questionnaire, whereas the secondary data was collected through the interaction with resourceful people from the Mandi samiti and considering various books, reports, journals and web sites. Directorate of Horticulture, Uttarakhand and Statistical Diary of Uttarakhand, a publication of Directorate of Economics and Statistics, Uttarakhand were the sources for the data related to area, production and yield of fruits & for the information related to selected districts respectively.

Scope of the Study

Sustainable development is focusing on various parameters and sustainable agricultural development is at the top of the whole list of target development sectors. Food security, preserving nutritional value and increasing the shelf life of the target fruits are the core parts of sustainable agriculture. Uttarakhand offers enormous opportunities in terms of practicing various fruit crops due to its favorable agro-climate conditions. The demand for horticultural crops has increased in the last two decades and from 2000-2010 its share in per capita food expenditure in India has increased from 36 percent to 42 percent and therefore kept the per capita food expenditure, low i.e. 40 to 28 percent. This is the result of the policy initiatives and investments taken by government and the private players. Nevertheless the country is far behind in the production of international standard horticultural crop. The major drawback is the absence of overall data for the improved productivity, marketing intermediaries, supply and demand and finally the storage. Therefore this survey will provide a baseline for the other ways to prevent fruits from post harvest loss (PHL).

Principle Market and Submarket in Nainital District

Table 2

District	Principal Market	Submarket Yards
Nainital	Haldwani	1 Mukhani
		2 Lamachaur
		3 Lalkuaon
		4 Kaladungi
		5 Bhowali
	Ramnagar	1 Peerumadara
		2 Tanda
		3 Kotabagh
		4 Bailparao
		5 Haldua
		6 Shankarpur

Source: Regulated Markets in Uttarakhand, Agropedia, Kanchan Kandpal, 13/05/2013.

Role of Horticultural Crop in Farmers Standard of Living

Harvesting fruits is directly affected by the farmers' knowledge and the way they are devoted to their harvesting and most importantly their decision for growing the selected fruit crop. The selection criterion is sometimes vigorous as it is affected by various factor and parameters which a farmer knowingly and unknowingly follows, especially when farming is the only income source for a person. Farming has a direct and important influence in the standard of living of the people dependent on it. In this study, to analyze these factors, the farmers have been asked questions related to their land and the way they are utilizing it. The economic status of the respondents-farmers was analyzed during this study in 2015.

Economics Status of Fruit Producers

The estimations of the study have shown that the farmers have a good land and they are smartly utilizing it. Out of the 50 farmers from different selected markets have overall 166 ha land out of which they are utilizing 134.9 ha for irrigation. Fruit cultivation is in 54.7 ha only. This estimation shows that there is a huge opportunity for farming.

Table 3: Field Survey

Market	Land Owned (ha)			Total Land (ha)
	Irrigated Area	Irrigated area for Fruits	Unirrigated Area	
Ramnagar	59	24	17	76
Peerumadara	9.2	2.5	2.8	12
Tanda	11.8	2.2	3.2	15
Bailparao	39.4	20	5.6	45
Kotabagh	15.5	6	2.5	18
Total	134.9	54.7	31.1	166

The motivating factors for farmers behind the harvesting of fruits have been categorized into good price of the harvest, the proximity with the market place, less cultivation cost, easy availability of seeds, the climate, level of involvement in cultivation or some personal influences like are they influenced by their neighbours as they also cultivating the same crop and for their own use. The responses varied a lot which are shown by the following tables yet the common factor is the good price the farmers are getting for all their efforts. Overall farmers have their own share of interest and benefits behind the cultivation of fruits and also the earnings from the same are also good, therefore a good number of old affluent farmers as well as new farmers are involved in farming and increasing their standard of living.

Table 4: Rank wise display of Factors Influencing Respondent to Grow Fruits

Market	Price/ Demand	Proximity to Market	Cash crop	Cultivation cost	For personal Need	Influenced by neighbour	Availability of seeds	Climate	Level of Involvement
Ramnagar	13	NA	NA	NA	NA	NA	NA	NA	7
Peerumadara	12	8	NA	NA	NA	NA	NA	NA	NA
Tanda	8	2	2	2	3	NA	NA	NA	3
Bailparao	11	5	NA	NA	NA	NA	NA	NA	4
Kotabagh	8	NA	2	6	NA	NA	NA	NA	4

Source: ibid

Economic Status of Fruit Traders

The mandis' where the middlemen are involved is growing year by year and will boom in the near future as the government has come up with various measures to strengthen agriculture especially the horticultural crops. In the last decade a good increase has been recorded in the number of brokers, wholesalers and retailers. Apart from this some new small mandi's has also been recorded to increase the supply of fruits. For instance, Peerumadara mandi is not so old, it is hardly 7 years old.

Pratappur mandi, in between Ramnagar and Kashipur is again an example in this area. This major portion of this mandi market is informal, where many agents or brokers, retailers are involved and earning their bread and butter. With the increased yield and decreased wastages all these people will be benefitted. Mandi market is directly affecting both the micro as well as the macroeconomic environment and thus the post harvest loss is a big concern for the government and the private people involved this business.

Fruit Market in Kumaun Region, Uttarakhand

PHL has been observed at all the selected levels and thus was estimated at both the target levels: the producers and the traders. Although losses has been observed and estimated at these levels yet of various kinds. Traders are only limited for the transportation of fruits thus the losses at the trades end were basically for the transportation (due to the selection of transport and the distance), loading- unloading and at selling, whereas the PHLs at the producers end were termed as harvesting, grading and packaging, distribution channels & storage and in market place.

PHL in Fruits

The following table reveals that Mango, Litchi and Apple are having a strong production base in Nainital district of Kumaun region of Uttarakhand. Besides many other fruits these three fruits are the major strength of Uttarakhand and which make this state a valley of fruits after Jammu and Himanchal.

Table 5

Fruits	Total Production	Harvesting	Grading & packaging	Distribution Channels & Storage	In Market Place	Total crop loss
Mango	126.09	1.53	2.5	2.69	1.37	8.08
% loss		1.21	1.98	2.13	1.09	6.41
Litchi	105.64	1.11	2.14	1.5	1.71	6.46
% loss		1.05	2.03	1.42	1.62	6.12
Apple	132.21	1.33	2.78	4.23	1.37	9.72
% loss		1.01	2.1	3.2	1.04	7.35

Source: ibid

Although these basic fruits have a rich production base in Uttarakhand yet they are facing a huge loss due to which the state's economy is adversely affected. Mango has a total loss of 6.41% and the maximum loss for mango was at the distribution and storage stage. Litchi, the bane for Kumaun has a total loss of 6.12% and the maximum loss for this fruit is at the grading and packaging stage which is followed by market place and then by distribution and storage and eventually at harvesting. Another benchmark fruit of Uttarakhand Apple, (third after Jammu and Himanchal) registered maximum loss at distribution and storage stage with a total loss of 7.35%.

PHL in Fruits at Traders End

Table 6

Fruits	Total Quantity Purchased	Transportation	Loading-Unloading	Grading & Storage	Sale	Total Loss
Mango	92.36	1.14	0.87	1.82	1.87	5.69
% loss		1.23	0.94	1.97	2.02	6.16
Litchi	84.77	0.87	0.86	1.29	1.2	4.21
% loss		1.03	1.01	1.52	1.41	4.97
Apple	98.62	1.6	1.41	2.01	2.07	7.09
% loss		1.62	1.43	2.04	2.1	7.19

Source: ibid

Traders market starts from 5 early in the morning till 10am. Wholesalers and the retailers gather here for morning bidding on most of the fruits and vegetables and then start the daily market where the end customers and the consumers come to buy them. . Farmers usually informed by these whole sellers that their fruits' lot has been sold at some price and rest has been stored. The usual practice in Ramnagar market and in the selected submarkets is that, that the fruits are stored for a small period of time and most of it is liquidated in the daily market. Therefore the loss at the end of whole seller is although there but somewhere negligible in comparison to retailers and farmers. India has third rank after Jammu and Himanchal in Apple production. The post harvest loss recorded among the mango, litchi and apple is the highest i.e. 7.19%, where the major problem is in grading and storage. Apple is followed by Mango, with a loss of 6.16 %. Due to the lack of proper storage facilities mango has a record waste at storage level which adversely affects the sale of it.

Cumulative Loss for Fruits

Prior in the findings, the loss has been separately estimated at traders point and at farmers point. Here is the cumulative analysis for Post Harvest Loss in fruits, which gives a clear idea for the total loss and where the government and the cooperatives must focus.

Table 7: Self estimation

Fruits	Loss at Farmers end	Loss at Traders end	Total Loss (%)
Mango	6.41	6.16	12.57
Litchi	6.12	4.97	11.09
Apple	7.35	7.19	14.54

Proposed Business Model for Controlling PHL in Fruits in Kumaun Region, Uttarakhand

Focusing on the real scenario of the fruit industry and its cost and revenue graph, the cruel irony shows two basic factors which need to be eliminated and these two factors are: one- the long distribution channel between the producer (farmer) and the end consumer and second- lack of storage/ cold storage facilities in this area. Keeping an eye on the demand and supply graph if these farmers have a facility to store their produce for the future demand then only they can genuinely benefitted by

their involvement in farming and it can be possible through the cooperative societies. India has a rich and successful history of cooperatives and thus it can be implemented in post harvest loss of fruits too. Evidently, organizing producers' community into cooperatives is a solution for these two problems. These cooperatives would manage cold storages to hold the produce till the market demand-supply dynamics becomes favourable enough to fetch good return on the produce.

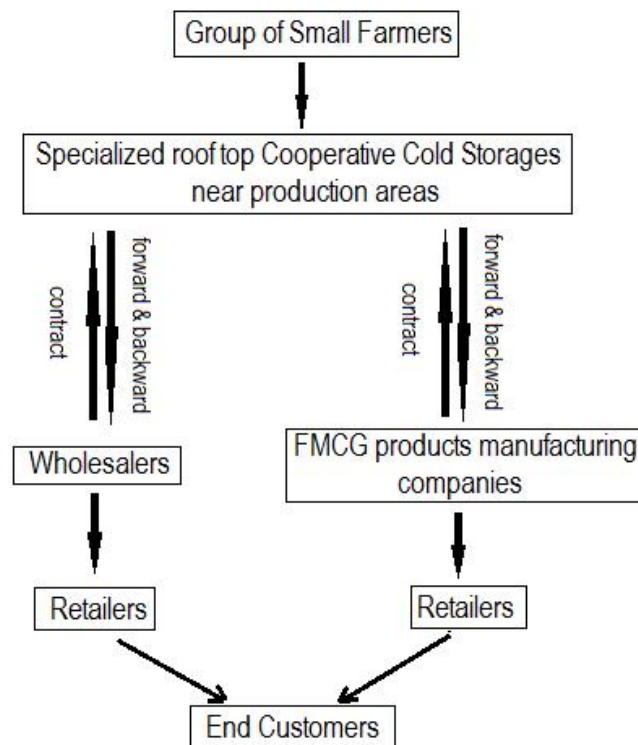
The cooperative cold storages formed by the group of small farmers will necessarily be near the production area thus as and when required the fruits can be transported to the near market location for a better return. In this way two benefits can be availed altogether i.e. the loss at the farmers end will be reduced and the farmers can earn their dues easily. These cold storage units should be specialized as each of the fruits requires different temperate and climatic conditions to be preserved. As per the yield of the fruits in the specific area the farmers can maintain the requirements of their cold storage units as well as can also make subunits inside it to overcome any kind of cost factor and thus can easily manage their cost and wastage.

For the peak summers roof top solar plants (government is providing good subsidies) can be suggested as it will help to minimize their power cost. The following table shows the temperature and humidity details for the fruits selected for this research thus it is evident that although there is the possibility of storage for litchi and apple in the same cold storage but with different chambers yet there is need for a separate cold storage for mangoes as the temperature difference between these is prominent. Nevertheless various different fruits of same category can be stored together in same cold storage units but with separate chambers like apple with pear, mangoes with avocado and papaya etc.

Fruit Length	Temperature (°C)	Relative Humidity (%)	Storage
Mango weeks	13 °C	85-90	2-6
Litchi weeks	1.5 °C	90-95	3-5
Apple weeks	1- 4 °C	90-95	1-12

Source: McGregor, B.M. 1989. Tropical Products Transport Handbook. USDA Office of Transportation, Agricultural Handbook 668.

Apart from the above mentioned factors a strong network is a must. Thus a forward and backward contract from producers to middlemen/ wholesalers/ FMCG manufacturing units (jam, catch up, pickles, marmalade & jelly etc manufacturing units) and vice-versa is highly recommended as this web of networking will boost the income level of both: the farmers and the traders as well as reduce the post harvest loss by more than 50%.



Proposed model to strengthen farmers Income level & to reduce PHL

Conclusion

So, if the Indian famers, predisposed to high risk aversion, are organised into cooperatives, they may lean towards greater risk taking. This would mean transformation from a highly risk averse individual to a moderate risk taker with improved likelihood of entrepreneurial success. This change in the mindset would encourage them to take a calculated risk, which setting up a cold storage unit is, in the hope of improving their lot which may eventually trigger a significant rise in their income levels and standard of life.

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Bancassurance in India: An Emerging Trend in Indian Services Sector

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Introduction

The life insurance business has taken its real shape in India when the IRDA (Insurance Regulatory Development Authority) has been set up in the year 2000 and the monopoly business right of LIC (Life Insurance Corporation of India) in life insurance is abolished. The Malhotra Committee on reform in the insurance sector has suggested for co-existence of both the public company and the private companies side by side and the Life Insurance Corporation of India is now facing competition from Private Life insurance companies. As a result of entry of private life insurance companies in India, the industry has made a rapid growth. Now the Life insurance companies require huge distribution channel and manpower to reach the huge customer base. So this way the distribution undergone a paradigm shift for all the insurance companies to sell their products to the common man by providing them at the most basic financial point i.e. Banks, through Bancassurance.

‘Bancassurance’, also sometimes known as The Bank Insurance Model (‘BIM’). We have tried to analyse the concept of financial market. This research paper analyses; What is Bancassurance all about, Advantages to banks and Insurance

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companies, Various models, its emerging trends, a SWOT (Strength, Weakness, Opportunities and Threats) Analysis of the Bancassurance System with a study of the scope of Bancassurance in India and its problems.

Banassurance

With the word we can depict what does it mean. It's a combination of the two terms 'Bank' and 'Insurance'. In all Bancassurance is a big achievement in whole Banking and Insurance Industry. Bancassurance is defined as 'Selling Insurance products through banks'. It means Banks sell the Insurance policies through their channels in collaboration with Insurance companies (i.e. Bank + Assurance). Bancassurance concept originated in France in 1980s and soon spread rapidly across in other countries of Europe. Then it was introduced in India in 1999.

It is the partnership/ alliance between a bank and an insurance company. Through which insurance companies use the bank distribution/marketing channel for selling their insurance products. That means various insurance companies have started selling their product through banks. Bancassurance has become significant. It has a very bright future with wide scope in distribution of Insurance product as it provides various opportunities and growth to banks and Insurance companies as well. Through this Insurance company sell both life policies and non-life insurance policies through banks. The time Bancassurance was introduced to the Indian market the amount of premium collected by banks increased systematically. In India Bancassurance is guided by (IRDA), and Reserve Bank of India (RBI). According to their Provisions all banks and insurance company have to meet particular requirement to get into Bancassurance business.

It is predicted by experts that in future 90% of share of premium will come from Bancassurance business only to the banking institutions. With this more banking and Insurance Company are venturing into Bancassurance business for better business sustainability in future. With the more premium amount which is collected banking business is also generating more profit out of it. Simultaneously this is also profitable for Insurance Company as they are receiving more and more sales and higher customer base.

Advantages for Banks and Insurance Company by Bancassurance

Bancassurance works both ways. It can be an additional service/product of the bank which can be offered to their clients. Through this, banks will have the opportunity to make an additional profit and at the same time it can help their client to manage their money in the right way, of course with the help of the insurance provider. On the other hand, insurance company will also have the opportunity to increase their distribution channel to sell insurance policies directly to their target market.

Advantages to Banks

- It increases the productivity of the employees
- It gets higher customer retention rate because of the overall customer satisfaction just because both the services are provided at one place (one roof).
- The banks generate the fee income from the sale of insurance policies which increases their return on Asset value.
- Banks get an additional source of income from commissions and fees from their insurance business and the operational costs get lowered for banks as they use the same infrastructure that they use to sell their core banking products.
- Can leverage on face-to-face contacts and awareness about the financial conditions of customers to sell insurance policies.
- Banks can increase their cross selling products. For example: Term insurance products with loans.

Advantages to Insurers

- Insurers get the benefit of banks distribution/sales channel for selling their insurance products. They can also sell their products in rural areas through the banks rural branches also.
- The insurance companies get huge customer base like their personal details, financial investment skills, investment patterns from bank. With the help of this they customize insurance products and sell it in the market.
- The insurance company gets improved geographical reach without additional costs.
- Conversion ratio of customer leads to sales is likely to be high. Because banks have gained a customer loyalty and satisfaction.

Advantages to Customers

- At one place, at one time customers are getting complete Investment/Financial advices i.e. insurance services along with other financial services such as retail banking, mutual funds, personal loans and so on.
- Customers have been provided doorstep services by banks for all the Bancassurance model
- Enhanced convenience on the part of the insured.
- Customers get to learn about Diversification of their wealth and earn more revenue
- Because of the existing relationships with banks customers get easy accesses for claims

Emerging Trends in Bancassurance

Bancassurers have to systematically segment the market as bancassurance has traditionally targeted the mass market of huge customer base of private and public sector banks. To cater the huge market of specific client segments and for their survival in long term, some bancassurers is shifting away from a standardized, single sales/distribution channels to a multiple channel sales/distribution approach. Because of the tangible cost benefits and through some innovation, all the upcoming new distribution/sales channels are facing competition. The **prospects of bancassurance in India** are really bright because of the following reasons:-

- Increasing PPP (Purchasing Power Parity),
- Huge inflow of FDI,
- Expansion of middle income class Indians,
- Huge banking infrastructure across urban, semi urban & rural India.

The development in any sector depends heavily on each country's regulatory and business environment. So when the governments will privatize health care and pension liabilities, bancassurance could make profit. In emerging markets, new entrants are giving a strong competition to the traditional bancassurance companies.

Strategic Challenges

These developments by new entrants are expected to challenge the traditional bancassurers in the following ways:

- The banks have to align the incentives of different suppliers with their own because of this shift from manufacturing to pure distribution customized service.
- Banks require to implement sophisticated products and risk management tools, because of those risks which are retained by the banks, with the increasing sales of non life products
- The sale of non life products should be weighed against the higher cost of servicing those policies.
- Banks can also have poor clients relations which can arise due to frequent non life insurance claims.

Models for Bancassurance

Different models are used by banks for adopting bancassurance:

- **Strategic Alliance Model:** Strategic alliance model is defined as an alliance between an insurance company and a banking institution. Here banks only market/ sell/ distribute the products of the insurance company. Only banking institutions do the marketing of the products, and no other insurance related functions.

- **Full Integration Model:** Full Integration Model is defined as a full integration of banking services and insurance services. IN this Bank sells the insurance policies under their brand name and performs as a provider of complete customized financial advisor. Banks take care of the customer need and wants. Banks also controls the sales and post insurance selling services including claims by customers. Banks performs the activity or services same to that of an insurance company.
- **Mixed Models:** Mixed Model is defined as the fusion of banking and insurance services where bank only provides the database to the insurance companies. They sell their leads to the insurer's where insurer's staff do the marketing/selling of insurance policies. This approach/technique requires very minimum technical investment.



Table 1: Indian Life Insurance Companies and their Bancassurance Partners:

Insurance Companies	Bancassurance Partner
ING Vysya Life	Vysya Bank
Met Life	J&K Bank
LIC	Corporation Bank, Oriental Bank Of Commerce, Indian Overseas Bank
ICICI Prudential Life	ICICI Bank
LIC	Corporation Bank, Oriental Bank Of Commerce, Indian Overseas Bank
Allianz Bajaj	Standard Chartered Bank
SBICardiff Life Insurance	SBI
HDFC Standard Life	Union Bank/Indian Bank
Birla Sun Life	Citibank

Source: Website

Table 2: Indian Non-life Insurance Companies and their Bancassurance Partners

Reliance General Insurance	Development Credit Bank, UCO Bank
Royal sundaram allianz	Citi Bank, Standard chatered Bank
United India Insurance co.	Andhra Bank, Indian Overseas Bank, syndicate Bank
Bajaj Allianz	Karur vysya Bank, Punjab & sind Bank

The New India Assurance co.	Catholic Syrian Bank, Union Bank of India, Central Bank of India
ICICI Lombard	ICICI Bank, Centurion Bank, ABN amro
National Insurance co.	Allahabad Bank, Bank of India, vijaya Bank

Source: Website

Best Practices in Bancassurance

- **Partnership:** According to RGA Global Surveys on bancassurance conducted in the UK, South Africa, Australia and New Zealand markets ,the partnership between banks and insurers,it was rated as the top practice for bancassurance success . In these all countries, the largest bancassurers majorly distribute their insurance products through integrated partnerships with the banking institution.
- **Increased Profitability Through Integration:** Insurers report increased profitability for their bancassurance sales in RGA Global Surveys as compared to sales of other insurance products, particularly in markets where bancassurance is distributed through integrated partnerships. This can be attributed to the alignment of bank and insurer targets, size of footprint and the partnership's leveraging of brand power. In a bancassurance relationship, deep integration and synergy between bank and insurer partners is vital to success. This integration should include:
 - Operational integration (shared technology, marketing, forms, administration, etc.)
 - Cultural integration (effective sales strategies, training, and underwriting and sales rewards)
 - Integration of management information reporting (sales, targets and goals reporting)

Another pillar of bancassurance success is channel integration (in-branch sales, online/direct channels, mobile applications, ATMs, retail shops, etc.). RGA Global Survey findings revealed that many insurers are further planning to invest their money into multiple distribution channels, like call centers, sales through SMS, ATMs and many more mobile apps.

- **Digital Channels:** As technological innovations continue to disrupt traditional insurance distribution processes, an increased focus by bancassurers on digital channels is emerging. Online/direct channel development tends to vary by country depending on their different stages of market and technological development, market conditions and consumer demand. These online bancassurance distribution models must adapt to consumer preferences and varying needs.
- **Innovation:** Traditionally, bancassurers have targeted the mass market, but today's players are leveraging technology to finely segment the market and create tailored products for specific groups of consumers. Banks are analyzing customer

preferences, and insurers must manufacture products in tandem with their bank partner's recommendations and requirements. Innovative product design should also fit the bancassurance customer's needs. Customers will self-select the channel through which they wish to buy, and products need to be tailored to the characteristics of each channel's customers. Not all bancassurance products will achieve equal success in all distribution channels.

- **Alignment:** Banks are realizing the value of their customer database and looking for ways to better target customers. Effective data integration among banks and insurers can result in the creation of high-value leads. The use of customer data and analytics provides a holistic relationship for banks and insurers that enables customer segmentation, which translates into the ability to engage customers at the right time to meet their financial and protection needs. Segmentation is based on income, age, occupation, gender and other variables.

Bancassurance in India - A SWOT Analysis:

Banking and Insurance are very different businesses. Banks have less risk but the insurance has a greater risk. Once Bancassurance is implemented in India with full fledged entry, a lot many things will be at stake. To create infrastructure particularly in IT and telecommunications huge capital investment will be required, a call center is required, top professionals of both insurance and bank will have to be hired, an Research& Development team will need to be created to generate new ideas and products. It is therefore required to have a **SWOT** analysis done in the context of 'Bancassurance implementation in India'.

Strengths

The following strengths are:

- For the Life cover policies expected figure are more than 900 Million population
- For a householder's insurance policy, about 200 Million households are waiting
- Banks have the credibility established with their constituents because of a variety of services and schemes provided by them.
- Millions of people traveling in and out of India can be tapped for Overseas Medi-claim and Travel Insurance policies.
- Banks is having a number of branches, even in the remotest areas that can facilitate taking up the task on a large and massive scale, simultaneously.
- On regular basis banks interact with the customers, so they are very well aware with the psychology of the customers.

Weaknesses

Banks through their distribution channel faces some weakness. The following weaknesses are:

- The main reason is lack of IT development or IT culture in all the upcoming collaborations. Staff of the banks is not provided with the internet connections.
- IT culture seems to be missing in India because of lack of internet connectivity to the staff.
- While LIC schemes get tax exemptions but products from GIC also needs tax exemptions to increase the revenue.
- To sell the insurance policies, bank employees should be trained followed by a test and then should be given licence.
- Another weakness is that insurance products are not flexible. To make product more attractive it should be customized during the pre and post sales services to the customers.

Opportunities

The following opportunities are:

- Vast potential for Life insurance can be looked into as 90 crore people are still left. These are the untapped population in India.
- Due to environment of Liberalization and Globalization RBI and IRDA is also in favour of the collaboration of the two i.e. Banks and Insurance companies.
- In many areas there are still many people who are unaware about the insurance policies and are waiting for somebody to come and provide them information.
- Merger /acquisition and Joint Ventures can take place between banks and insurance companies
- Opportunity to market many general insurance policies like fire insurance, medi-claim insurance, burglary insurance etc in urban and metro cities.
- Banks in their normal course of functions lend finance in the form of loans for cars, or for buying a house to clients etc. They can take advantage of this by cross-selling the insurance products and combine it as a package

Threats

The following threats are:

- Insurance in India is perceived more as a saving option than providing risk cover
- The most common obstacles to success of Bancassurance are poor manpower management,
- Change can be one factor of Resistance.
- Threats can be of no response from the customers.
- Success of a Bancassurance venture requires change in approach, thinking and work culture on the part of everybody involved. The work force at every level are so well entrenched in their classical way of working that there is a definite threat of resistance to any change that Bancassurance may set in.

Concerns related to Banassurance in India and Suggestions

Working styles of banks and Insurance are different. Banks mostly from public sectors needs to change their attitude and lazy approach to cope up with the in insurance sector. This will improve the image of customer services provided by the bank. Many long term deposit schemes can conflict with the insurance schemes like 'term plans' etc. Understanding of both the area like banking procedures and insurance schemes can be challenges for the employees. Also employees need to devote extra time for introducing insurance products. However, these current issues can be handled by giving appropriate training and incentives to bank employees.

Conclusion

Due to competition, insurance products have become complex which can hamper selling. At the same time it can also affect banking business. In the past also bank employees have not dealt with insurance selling. So, bank employees definitely require strong motivation in the form of monetary and non-monetary benefits. This is very important seeing the current scenario of many foreign insurance companies entering India. Success depends upon how banks and Insurance companies understands each other well. Banassurance has already grown in various parts of country depending upon its economic region and demographic areas. Banks can have tie-ups with various insurance companies to give large choice to their customers and can create a 'Win-Win situation' for all the stakeholders like banks, insurance companies and customers as well. In India, the signs of initial success are already there despite the fact that it is a completely new phenomenon. It is expected that in the upcoming time banks will be the biggest contributor of insurance products in financial market.

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Is Debt Waiver Schemes Really A Problem Solver?

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Introduction

A person avails a loan for his personal requirements or as an aid in his income such as trade loan by businessperson, working capital and term loan etc. Likewise, when an agriculturist avails loan for assistance in his agriculture, directly or indirectly, it is called as farm loan. Now when any waiver of these loans takes place it is known as "Farm Loan Debt Waiver", in other words, "A Debt Waiver is any waivement of any loan or debt availed by any person voluntarily." In addition, the reason of implementing these waiver schemes is to provide some relief measures for agriculture indebtedness, which is thought to be the biggest problem in agricultural India. Perhaps increasing incidents of suicide of farmers are also one of the reasons for implementation of debt waivers. For this fact we can look upon the data provided by NCRB related to suicide of agriculturists (cultivators + farm laborers), which was around 12360 in 2014 and 12602 in 2015. However, NCRB also provides that poor agricultural conditions were among the least effective reasons for suicide and debt waivers had only stopped them for some time but could not eliminate these suicides. But a farmer choose suicide only in a condition when there is no other option to some other problems, and this one time relief will not prevent these incidents. But the authorities should keep in mind that some other problems also exist, which play a very vital role as hurdles in the way of smooth functioning of agriculture.

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The root cause of rural or agriculture indebtedness are like inappropriate cost of their produce, their inability or less awareness about technologies introduced in agriculture, improper irrigation facilities etc., due to these reasons a farmer is unable to increase his income enough to fulfill his needs and also to repay their loans. Therefore, there can be better use of the funds, which are infused in debt waiver scheme, in elimination of above-mentioned hurdles. Further, due to this alternative uses there would be no disqualification on the level of land holding and other criteria and simultaneously all the farmers irrespective of land holding will be benefitted equally. More importantly, the authorities have to decide criteria for qualification of beneficiaries very carefully. It is obvious that each scheme has its limitations and never ever, all the qualified persons will be benefitted yet by choosing beneficiaries carefully will help in increasing the extent of limitation in a very appreciable manner. Criteria like loans which are not being repaid is most controversial criteria ,as there are a number of farmers who anyhow arrange money for repayment of their loans either by availing loans from local moneylenders on high interest rate or by selling off some of his assets. Moreover, this criterion is like a slap on the faces of these type of honest farmers while some financially very well borrowers, who willfully default their loans, get undue benefits. After that landholding is another way for selection. For this, if we are assuming that agriculture is declining day by day than the farmers with large land holdings are the ones who are suffering more than that of small landholding farmers. Therefore, authorities should keep this in mind also, and there is no scope for land less labors, what will happen to their loans because they are most eligible for debt waivers. Authorities should also not eliminate the local moneylenders from their calculations because the percentage of loans availed from local moneylenders is much more than that of from institutional lenders.

When we start our journey into the history of Debt Waiver in India the first ever halt comes in 1989-90, when Shri V.P. Singh had announced the Debt Waiver Scheme for farmers having a fiscal cost of about Rs. 10,000 crore. After that, Congress government through Finance minister P. Chidambaram in 2008 in all over India passed the next Debt Waiver scheme. This had cost of about Rs. 52000 crore. Debt waivers are implemented in any country or any economy with a positive objective of providing some financial assistance to the needy sector. In Uttar Pradesh, in 2012, Akhilesh Yadav government provided debt waiver for farm loan of Rs. 1650 crore for loans up to Rs. 50000, loans taken from rural cooperative banks. In 2014 a loan waiver of about Rs. 1.50 lakh crore in Andhra Pradesh by CM Chandrababu Naidu, simultaneously in Telangana a loan waiver of Rs. 17000 crore. Last year in Tamilnadu by CM Jaylalitha of 16.94 lakhs marginal and small farmers amounting Rs. 5780 crore and recently Debt Waiver of Rs.36000 crore by CM Yogi Adityanath of Uttar Pradesh.

Review Literature

Parvathamma G. L. analyzed the reasons for farmer's suicide in India and the State government field surveys (Statistics) on variation of Farmers suicides in Different states. He also focused on Government Response to Farmers Suicide and Effectiveness of government policies. There are number of reasons for farmer suicides, such as monsoon failure, high debt burdens, genetically modified crops, government policies, public mental health, personal issues and family problems.

Ujjwal Gaur (2008) conducted his research to know the drawbacks of loan waiver Scheme and different problems being addressed by the loan waiver scheme. He further discussed some alternative use of government resources to improve agriculture.

Anand Ravi (2009) studied the debt waiver package that has come under international scanner as its announcement has coincided with the crucial stage of Doha Round negotiations, where India has demanded that developed countries drastically cut their multi-billion dollar "trade distorting" farm subsidies. In this paper, the OECD is keen to examine if the package falls under the category of trade-distorting farm subsidies in the "amber box", which include price support subsidies.

Ramakumar R. 2013 analyzed the trend in growth of Agricultural credit in 1990s and 2000s. He concluded that the major beneficiaries of the revival in agricultural credit in the 2000s have been the small and marginal farmers. The major beneficiaries have been the groups that have been significantly favored by the UPA government in all branches of economic governance: the large agri-business groups and corporate firms involved in agriculture for sheer profit making.

Talule Dr. Dnyandeo C. (2015) attempted his paper to analyze the impacts of debt relief on investments, productivity, cropping pattern, access to irrigation, crop insurance, debt performance, credit composition and the immediate pre and post debt waivers demand and supply pattern of farm credit. Apart from the pre and post package debt composition of institutional vs. non-institutional credit, the history and post debt waivers credit repayment pattern are looked at as a proxy of the impact of debt waivers on the financial institutions.

Saptarshi Mukherjee, Krishnamurthy Subramanian & Prasanna Tantri (2017) studied the causal effect of debt relief on the loan performance of distressed and non-distressed borrowers. They utilize the \$14.4 billion debt waiver in India in 2008. They combined unique loan-level data with a regression discontinuity design that exploits exogenous cut-off dates to compare waiver beneficiaries with similar non-beneficiaries. While loan performance of non-distressed beneficiaries declined by at least 11% after the waiver, that of distressed borrowers improved by at least 16% - 20%. They infer that targeting debt relief to distressed borrowers can improve its efficacy.

Venkateswararao Dr. P. & Janardhanarao N (2017) had studied the main idea for farmer's debt waiver scheme. They had also discussed different method of settlement. They had concluded that in spite of the continuous efforts of different public financial institutions and Governments to achieve financial inclusion, the Indian farmer is still waiting for the helping hands in the form of loan waiver and redemption schemes. Andhra Pradesh farmers' debt waiver scheme introduced in this direction had become a paragon for other states in India.

Statement of Problem

As, we have already seen and studied the timing and pattern of Debt Waiver Schemes implemented in our country India. All the Farm Loan Debt Waiver Schemes were implemented as political stunts with a mentality of acquiring win in coming elections. It is commonly believed by borrowers that any debt waiver scheme will be proved advantageous for common public, but it is very sad to say that a lot of studies and statistics had proved that opposite to common belief, debt waivers do very less positive towards relieving the plight of farmers aside from possibly guaranteeing electoral wins. Therefore, the need of the study is to answer the question that "Is Debt Waiver Scheme really a Problem Solver?"

Objective of the Study

- Enumeration of reasons for implementing these Debt Waiver Schemes.
- Analyze the impact of Debt Waiver Scheme on Credit Discipline.

Research Methodology

First part of this study is based on the descriptive research. In this objective, some reasons that are responsible for introducing these debt waiver schemes are discussed in detail. For analyzing the impact of debt waiver scheme on the credit discipline, the data of non-performing Assets in priority sector and the agriculture credit (finance) had been collected from primary sources (as group discussion with some farmers and personal interview of some bankers) and secondary sources i.e. the annual reports of RBI. The collected data is divided into 2 parts; first, before the Debt Waiver Scheme (from 2003 to 2008) and second is after Debt Waiver Scheme (from 2009 to 2016). Both series are compared with the help of Mann Whitney Test (non-parametric test) in proxy of Independent T- test in SPSS.

Hypothesis

- **H₀**: there is no significant difference in the mean of NPA before and after implementation of Debt Waiver Scheme.
- **H₀**: there is no significant difference in the mean of Agriculture Loan before and after implementation of Debt Waiver Scheme.

Reasons for Implementing Debt Waiver Schemes

When all the conditions in any farm loan are good, like irrigation is enough, rainfall is sufficient or there is not any famine then farmers and their lenders reap a good harvest but let us suppose that when all the above-mentioned conditions and some other whether related situations go unfavorable, then what will happen? Due to this, farmers start to panic, as they will be unable to repay their loans and ultimately banks or other lenders got tension due to non-repayment of loans. Somehow, these conditions prevail, and then banks start their recovery process from farmers in order to regularize their loans. Due to this some farmers go to local money lenders and remaining farmers, who are unable to avail those loans, go in a serious condition and even commits suicide. Then these distressful rural conditions prompts the government, either Central government or State government, to offer some relief most importantly financial relief- reduction or complete debt waiver of farm loans. Add to this there are already many other problems persisting in agriculture of India like uneven land holdings i.e. some are having more and easily irrigated land while others are deprived of the same.

After that comes deteriorating conditions of soil, decreasing size of cultivable land, sizeable rise in cost of inputs like fertilizers, seeds etc. But a nominal or no rise in cost of outputs (farm produce), less or no knowledge about technologies or innovations in agriculture field, less knowledge about cash crops, a repeated harvesting of traditional crops only etc. There are so many reasons that make the loanee farmers unable to repay their loans and provoke them to enter in serious conditions like suicide. In all these conditions, ultimately the governments come forward for providing some relief for farmers through scheme of debt waivers. As observed by many of us that government take above actions in some cases while in other cases of suicide government seems unable to take actions like debt waivers. Sometimes even High courts or Supreme Courts has to intervene in this and have to order governments to start the process of debt waiver scheme.

Apart from these reasons, there are some people who believe that some leaders or governments implement them in order to win the election while some other implement them as a responsibility because they have promised the public for debt waiver in their electoral manifesto or as a preparation for next tenure of existing government. However, being an optimistic we should strongly believe that the governments implement these schemes only for the welfare of farmers.

Impact of Debt Waiver Scheme on Credit Culture

To evaluate the results of debt waiver in our country , we have to apply dual approach, one with a change in thinking process of borrowers and other regarding changes in credit culture or credit discipline, which can be seen from increasing NPAs, decreasing credit performance in agriculture area. Debt Waiver also had some

negative after effects such as delayed repayments of loans with a hope of further debt waiver, this had turn the institutional lenders somewhat away from these groups of debtors. This also leaves a wrong impression on those debtors who were repaying their loan timely.

For analyzing the impact, I am applying Independent T-test; the data should be qualified to all predetermined assumptions of this test. However, these both dependent variable; NPA and Agriculture Credit do not qualify the assumption of normality. For testing normality, the Shapiro Wilk Test of Normality is used. The result are in annexure as table-2. If the sig. value of Shapiro Wilk test is greater than 0.05, the data then called normally distributed. In this case p value of both dependent variables are 0.001, that is less than 0.005 ($0.001 < 0.005$), hence NPA and Agriculture Loan are not considered as normally distributed data. Therefore, instead of Independent t test, I applied Mann Whitney Test in SPSS for analyzing the impact of the Debt Waiver Scheme on NPA and Agriculture Loan. As a result, this test produces 3-output table that are given in annexure as Table 3, 4 and 5.

As per table 3, the mean of NPA is 3.22 and 1.24 for Agriculture credit. The Standard Deviation (SD) of NPA is 251.5 and for Agriculture Credit is 2.87. It means, in Agriculture Credit data, there is less variability. Table 4 is a Rank Table. It is very useful because it indicate which group can be considered as having the higher mean rank. In case of NPA and Agriculture Credit, second group i.e. after implementation of Debt Waiver Scheme, has higher mean rank.

Table 5 is Test Statistics Table. This table shows us the actual significance value. First and second row of this table shows Mann Whitney U and Wilcoxon W, which summarized the difference in mean rank numbers in a single number. Third row shows the Z scores that are negative for NPA and Agriculture Credit. It refers that its corresponding raw scores are less than the mean. The absolute value of Z for NPA is -2.45. It refers that the scores of NPA is 2.45 SD away from its mean. The absolute value of Z for Agriculture credit is 3.098 that refers that the scores of Agriculture Credit is 3.098 SD away from its mean. Fourth & fifth row of this table shows the Sig. value. I have used the Exact Sig. value due to the small sample size. In case of NPA the p value is 0.13 which is greater than 0.05 ($0.13 > 0.05$), hence first H₀ related to NPA is accepted. In case of Agriculture Loan the p value is 0.001, that is less than 0.05 ($0.001 < 0.05$), hence second H₀ related to Agriculture Loan is rejected. Thus, the Debt Waiver Scheme affects to the NPA but it do not have any significant effect in Agriculture Credit.

On getting a debt waiver once, the beneficiaries easily acquire the mentality that they will get debt waiver once again in future. Due to time constraints we have talked to some farmers only, some of them had waiver earlier while others had not. The farmers who were remained deprived of waivers they were quoting proudly that

“when we were repaying our debt honestly on time even then we hadn't got any waiver thus we stopped repaying our loans with an expectation to get some debt waiver in future”. While the farmers who had waiver were very confident about getting a debt waiver in near future and thus they are still not repaying their loans. Thus, the main impact of debt waivers on credit culture is that these are disturbing or even destroying the credit discipline in our country by making people unenthusiastic about timely repayment of their loans.

Debt Waiver Schemes 2017

Recently Uttar Pradesh has undergone phenomenon, or we can say that it is still undergoing through Debt Waiver. The newly elected Chief Minister Shri Yogi Adityanath had announced Debt Waiver Scheme for crop loans taken by small and marginal farmers' up to Rs. 1 Lakhs. It was one of proposed agenda of his electoral manifesto. Perhaps it had worked for him as his party i.e. Bhartiya Janta Party has won the state election with overwhelming majority. According to his manifesto, he had announced this scheme in April 2017. This Debt waiver scheme of Uttar Pradesh also known as “Rin Mochan Yojna” would cost about Rs. 36000 crore, which form one fourth, part of total farm debt in Uttar Pradesh. A rough estimate is that if along with Uttar Pradesh, Punjab and Maharashtra, other poll- bound state also implement this strategy then total cost of farm debt waiver could go up to Rs. two trillion (almost 1.3 % of GDP of India).

After studying and analyzing the effect of previous debt waiver schemes, we can also say the results of UP debt waiver 2017 will also be the same as the previous in long run. For estimating the results of 2017 Debt Waiver, when we interviewed some farmers, we came to know that even after qualifying the eligibility criteria some of them still did not get the debt waiver amount in their respective accounts. Some of them also declared this scheme as purely political stunt. One of them was paying his dues regularly on asking him about the scheme, he got disappointed and told us that he was declared disqualified based on his regular payment. After that when we talked with some bankers they told us that they, the bankers, were working for this scheme since the declaration of this scheme, but still they had not got debt waiver in all the eligible accounts. Bankers seemed very disappointed by the fact that despite of their giving their best to provide accurate data regarding land details of eligible farmers, some lekhpals have declared some farmers disqualified without any solid reason. Besides increasing NPA, this debt waiver also imparted its role in some other phenomena such as after crediting of debt waiver amount in the respective loan accounts the credit figure of some banks went down which was low due to high credit figure. As we, all are aware that this time RBI is implementing PCA (Prompt Corrective Actions) on the banks having high percentage of NPA. Thus, we can also say that this debt waiver scheme will have its other after effect on banks and economy

after some time but the immediate effect of this waiver is that RBI has already implemented PCA on some banks. As before this debt waiver will also be proven a short time remedy for distressed farmers.

Evaluation of Results of Debt Waiver

The Debt Waiver scheme 2008 also had some after effects that was having a few similarities with the Debt Waiver Scheme of 1990. In this scheme, the borrowers having timely repayments were declared disqualified once again. This gave birth to a feeling of resentment among the good borrowers that why we are repaying our loans when we will not get any type of financial support from the government, while the borrowers, who were having a bad or dissatisfactory track record are getting all the benefits of Debt Waiver Schemes. In this way, these Schemes were having opposite effects. A range of researchers had already declared that Debt Waivers are only Political Strategy to win the elections. Whether they benefit the farmers or not but they surely benefit the Political Parties. This thought gets strength after having a look on the win of BJP in Uttar Pradesh when it had given place to the Debt Waiver in its manifesto. However, it is too early for us to conclude the success of the 2017 Debt Waiver Scheme of Uttar Pradesh. Before in Uttar Pradesh, this Strategy had also been used in the state elections of Andhra Pradesh and Telangana in 2014.

Some of the studies have shown that after first debt waiver in 1990, there came a phase when bank and other financial institutions went through an increase in number of wilful defaulters and deterioration in credit discipline. Customer stopped to repay their loan in expectation of further debt waiver in coming years. In result of these NPAs begin to increase, but after debt waiver of 2008 it increased rapidly, As amount of NPA rose in the banks, banks slowly began to withdraw their hands from these area and the real needy farmer of this farm loan eventually some time deprived of them.

Alternative Ways for Relief

It can be suggested that if any government wanted to relieve distressed agriculturists by infusing funds, some other short-term options also exist like funding for establishing open markets for farm produce by which they can get fair prices. Funding for making the market policies are easily available, funding for training them about innovations and about cash crops etc. Some long-term options include funding for better infrastructure for transportation, for storage of produce, funding for developing better irrigation solutions etc. If governments only want to give one time debt waiver like the previous ones then it have to select the beneficiaries very carefully and also they have to give some relief to regular paying borrower by this way government will directly promote the habit of regular repayment as well as better agricultural growth.

Conclusion

By studying some statistical results, we have come to know that the effect of Debt Waiver Scheme can be summarized as first; it has a negative effect on Non - beneficiaries, as they start defaulting their loans in hope of getting waiver in near future. Due to this, they turn towards Non Institutional moneylenders to avail loans on higher interest rates. Second, these schemes lower the credit worthiness of borrowers as most of the financial institutions avoid them for credit. Third, is that implementation of debt waiver in farm loans could hurt the budget and finances of that state in which it is implemented; ultimately it plays a vital role in increment of inflation. We should know that in a statement of RBI Governor Mr. Urjit Patel has already said, "Waivers undermine an honest credit culture. It leads to crowding-out of private borrowers as high government borrowings tend to (impose) an increasing cost of borrowing." Through his statement, it could be easily understood that debt waivers are like moral hazards for credit culture. As, we have been pointing out that debt waiver schemes no doubt have only short-term positive effect on credits but in the long run it always have only negative effect. When any borrower got waiver for any loan then it reflects in his credit report and makes his eligibility doubtful for any further loan. A lot of study shows that after debt waivers, whether it is 1990 or 2008, NPAs (Non-Performing Assets) of banks start increasing slowly as all the borrowers whether beneficiaries or non-beneficiaries stop repaying their loans and percentage of NPA rises. These schemes often resulted mainly in accumulation of bad loans. In addition, decline in credit discipline of a particular sector induces the lenders more for avoiding that sector and as a result credit flow to that sector keep on declining. In this way, the whole credit cycle got disturbed. In concluded way 'Debt Waiver Scheme really is not a Problem Solver but only an illusion that initiates number of problems in long run.'

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Annexure

Table 1

Years	Agriculture Credit (₹ Billion)	NPA (₹ Billion)
2003	759.3522	168.86
2004	962.4504	167.05
2005	1243.8487	163.8
2006	1726.8407	151.24
2007	2301.9108	157.79
2008	2741.4112	163.85
2009	3094.6944	157.21
2010	39029.83	199.06
2011	4610.2188	257.21
2012	5619.3487	322.9
2013	676176.0701	405
2014	84184.7077	530.44
2015	904271.7029	679.61
2016	9961.6616	988.69

Source: 'Basic Statistical Returns', Reserve Bank of India.

Table 2: Tests of Normality

	Kolmogorov-Smirnov ^a			Shapiro-Wilk		
	Statistic	df	Sig.	Statistic	df	Sig.
NPA	.259	14	.011	.730	14	.001
Agr.Credit	.412	14	.000	.495	14	.000

a. Lilliefors Significance Correction

Table 3: Descriptive Statistics

	N	Mean	Std. Deviation	Minimum	Maximum
NPA	14	3.2234E2	251.57773	151.24	988.69
Agr.Credit	14	1.2405E5	2.86662E5	759.35	9.04E5
VAR00004	14	1.5714	.51355	1.00	2.00

Table 4: Ranks

	VAR00004	N	Mean Rank	Sum of Ranks
NPA	1	6	4.33	26.00
	2	8	9.88	79.00
	Total	14		
Agr.Credit	1	6	3.50	21.00
	2	8	10.50	84.00
	Total	14		

Table 5: Test Statistics^b

	NPA	Agr.Credit
Mann-Whitney U	5.000	.000
Wilcoxon W	26.000	21.000
Z	-2.453	-3.098
Asymp. Sig. (2-tailed)	.014	.002
Exact Sig. [2*(1-tailed Sig.)]	.013 ^a	.001 ^a
a. Not corrected for ties.		
b. Grouping Variable: VAR00004		

An Analysis of Stress in Banking Sector

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Introduction

Banking sector is the backbone of the country. During the past decade, our banking sector has undergone dynamic changes due to globalization and liberalization, increased competition due to the entrance of more private sector banks, introduction of new technologies, demonetization, GST etc. Due to these changes, the employees in the banking sector are exposed to various pressures causing stress.

Stress is a Common element in any kind of job and persons have to face it in almost every walk of life. Stress has been defined in different ways over the years. According to Robbins and Sanghi (2006) "A dynamic condition in which an individual is confronted with an opportunity, constraints, or demand related to what he or she desires and for which the outcome is perceived to be both uncertain and important." stress is an increasing problem in organizations and often causes adverse effects on performance. The extreme battling in bringing innovative products and services and to cater the divergent consumer needs has created more demand and pressures on employees thereby increasing vulnerability to stress which leads to decreased organizational performance, decreased employee overall performance, decreased

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quality of work, high staff turnover, high attrition and absenteeism. If the employees are undergoing any kind of undue pressure or stress they will not be able to perform up to the mark. Hence lower will be the productivity & profitability of the banks and the result will be the lower contribution of the banking industry towards the economic growth.

Review of Literature

Madan & Bajwa (2016) reported that employees working in banks face huge amount of stress specifically in private banks due to late working hours, superior-subordinate relationship, manager's attitude and financial rewards.

Mrs. Caral Lopes, Ms. Dhara Kachalia, (2016) have conducted a study in private and public banks. The study found that there is a significant relationship between type of the banks, age, gender and education, job, role, interpersonal relationship and Impact of occupational stress. So the banking sector employee should adopt new coping strategies for maintaining good physical and mental condition to improve productivity.

B.kishori & B. Vinothini (2016) they found that productivity of the work force is decisive factor for the success of an organization is concerned. Their research intended to study the impact of occupational stress on Nationalized Bank employees. In an age of highly dynamic and competitive world, an employee is exposed to all kinds of stressors that can affect them on all realms of life.

Priyanka Das, Alok Kumar Srivastav (2015) they have identified that banks must manage people at work to improve physical work environment, if the organizations enhance the psychological well-being and health of the employees, the organizational revenue will increase and there will be employee retention as well. Because of "A Healthy Employee is a Productive Employee". they concluded that the level of stress among the select public sector banks are found to be limited and if the necessary action taken by the management that will help to relieve the stress of the employees and also help to impact more productive employees that will help the banks to achieve greater heights.

Dhankar, S. (2015) in his study determined the level of stress experienced by the people and also analyzed the impact of various components of stress among the employees of 20 banks of Kurukshetra, Panipat, Sonipat and Karnal region. The results indicated that the private sector employees feel stress due to the role overload whereas the public sector employees feel more stress due to unreasonable group and political pressure.

Selva Kumar and Immanuel (2015) conducted a study in the banking sector and found that employees in both the public and private sectors face moderate levels of stress, of which they are subject to role erosion the most and resource inadequacy the least. Further, there is no significant difference in total role stress among public

and private sector employees. Although they found that private sector employees are facing more stress than those in the public sector.

Radha.G (2014), Occupational Stress among the bank Employees in Tivarurar District of Tamil Nadu, expresses the level of occupational stress among public sector bank employers. The result reveals that the officers and clerical staff experience high level of stress and sub-staff face moderate occupational stress. Their study defines that occupational stress to be harmful physical and emotional responses that occur when the requirements of the job do not match the capabilities resources, or needs of the workers.

Harish Shukla & Ms. Rachita Garg (2013) in their study "A Study on Stress Management among the employees of nationalized banks" found that As most of the employees feel that they feel stress at work, banks should take positive steps to make their employees free from stress so that they can work with optimum efficiency and effectiveness. Employees of the banks should be made free from not only fear of quality of performance also from other types of fear generating in their minds. Guidance and counseling, quality consciousness awareness programs, psychological support can be provided to employees.

Research Methodology

Objectives

- To identify the differences in stress level among employees working in public sector and private sector banks.
- To suggest measures to combat with stress to employees working in public sector and private sector banks.

Hypothesis

H₀₁: There is no difference between the stress among employees working in the public sector banks and employees working in the private sector banks.

Tools Used

A self-made standardized tool was administered based on 5 point likert scale i.e. Never, Sometimes, Occasionally, Frequently and Always. These 5 point likert scales were coded as:

Never = 1, Sometimes = 2, Occasionally = 3, Frequently = 4, Always = 5

Research Limitations

The other limitations of the study are:

- The data is based on individual opinion which may bring in some bias.
- The survey has been conducted among 100 employees.

- To establish the generalization of the results, within the context of Indian banking Industry, it needs to be surveyed among other employees and other organizations of both public and private sector of banking industry.

Discussions and Results

Graphical presentation of Mean, Standard Deviation, SEM and Mean difference

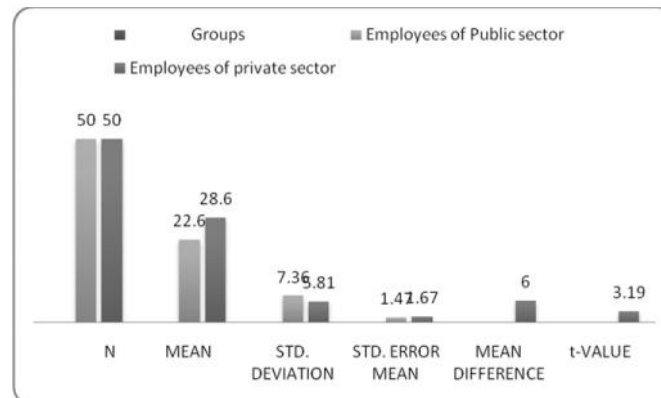


Table No. 1 is depicting Mean Scores, Standard Deviations, SEM, Mean Difference and obtained t- values of employees Working in Public Sector banks and Employees Working in Private Sector Banks.

Table1

Groups	N	MEAN	STD. Deviation	STD. Error Mean	Mean Difference	t-Value
Employees of Public sector	50	22.6	7.36	1.47	6.0	3.19
Employees of private sector	50	28.6	5.81	1.67		

- In case of overall stress, the above table confirms that the Mean, S.D. & SEM obtained for Employees Working in Public Sector Banks is $M = 22.6$, $S.D = 7.36$ & $SEM = 1.47$ while the Mean, S.D. & SEM obtained for Employees Working in Private Sector Banks is $M = 28.6$, $S.D = 5.81$ & $SEM = 1.67$ and the difference of their mean scores is 6.0.
- It is also confirmed in above table in which the significance of t-test, to test the equality of their mean scores, is applied and it is found that the obtained t-value is (3.19) is higher than the tabulated t-value (2.00) required for t- test to be significant at 0.05 level of significance. Hence, the t-Value is considered to be statistically significant. The t-Value with respect to stress illustrates that the mean scores CANNOT BE CONSIDERED EQUAL on the basis of responses. Consequently, the null hypothesis is REJECTED.

Conclusion

The null hypothesis is rejected and looking at the mean scores clearly depicts that mean scores of employees working in Private Sector banks is greater than the mean scores of employees working in Public Sector banks (**28.6 > 22.6**). Therefore, it is concluded that employees were working in private sector banks are more stressed than

employees who were working in public sector banks. The public sector banks are entitled to all government holidays plus they get additional paid leave, sick leave etc. But in case of private sector banks they get very few government holidays for the entire year which results to their distress. It was also found that the private sector banks are responsible for their own growth and planning, they gain no benefits from the government, whereas public sector banks are fully government supported, so they are given special benefits and different schemes. In public sector banks the work force is more in numbers so the workload is divided equally while it is not so in private sector banks because an individual handles different sections in the bank. The working time for public sector banks is still 9 to 5, but for the private sector bank due to cut throat competition, they have gone to the extent of work shift covering 24 hrs. Resulting in employees to work in odd shifts and each shift extends for 8-9 hrs. Work time a day. Hence, they are found to be more physically and mentally exhausted than the others.

Recommendations

There are various ways for managing stress, such as Breathing exercises, Progressive relaxation, Stretching exercise, Walking and Sleeping. Hence, it will be successful if it makes distress. It enhances the psychological well-being and health of the employees.

- Humor, meditation relaxation pursuing ones hobby office trips, picnics help in reducing stress.
- Employees stress management training programmes should be conducted time to time in order let employees share their experiences and troubles, this help others, and also help to reduce stress.
- Training must be given to the employees which improves the abilities to cope with difficult work situations.

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Financial Inclusion in India

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Introduction

Financial Inclusion has gained prominent place in the financial sector reforms. It refers to delivery to banking services to masses particularly disadvantaged people who tend to be excluded; at affordable terms and conditions. Rangarajan in the report of the committee on financial inclusion in India, 2008 defined "Financial Inclusion as the process of ensuring access to financial services, timely and adequate credit needed by vulnerable groups such as weaker section and low income groups at affordable cost". The aim of financial inclusion is to achieve inclusive growth of society where still till 2015, 233 million people were unbanked, as per a report prepared by PricewaterhouseCoopers India

Important milestones on the road to financial inclusion in India include setting up of rural cooperatives in 1904, nationalisation of 14 major commercial banks in 1969, setting up of regional rural banks in 1975, self help groups in 1990s. Financial inclusion was incorporated formally in midterm policy review in 2005-06 and introduced from a pilot project in Puducherry. Opening up of no frill accounts in 2005, allowing BC to act as agents of banks in 2006 and launching of Interbank Mobile Payment System (IMPS) by National Payment corporation of India (NPCI), introduction

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of JAM Trinity comprising Jan Dhan Yojana, Aadhaar and Mobile; where mobile numbers were linked for transfer of subsidies and other benefits to beneficiaries from August 2014. These steps lead to major progress in achieving the goals of inclusive financial growth. These initiatives surged the number of bank accounts of lower income and disadvantaged community group.

In India, it was planned by the government to attain the financial inclusion in phased manner, where the first phase started from 2010 to 2013 proceeding the phase two from 2013-2016. From the financial year 2016 phase three is underway.

Major Initiatives taken by Government

- **Micro Finance:** Also known as microcredit, is a financial service that offers loans, savings and insurance to entrepreneurs and small business owners who do not have access to traditional sources of capital such as banks.
- **Bharatiya Mahila Bank:** Launched on 19 November 2013, is a financial services banking company which allows deposits to flow from everyone, but lending predominantly for women.
- **Business Correspondents: BC** is a representative authorized to offer services such as cash transactions where the lender does not have a branch.
- **No Frill Accounts:** Banks were advised in November 2005 to make available a basic banking “no frill” accounts either with nil or low minimum balance to facilitate those people for whom locking up the minimum amount is difficult in accounts.
- **GCC (General Purpose Credit Card):** With the objective to increase the flow of credit to individuals for entrepreneurial activity in non-farm sector these special credit cards were introduced.
- **Payment Banks:** A payment bank is just like any other bank, but operating on a smaller scale without involving any credit risk. In August 2015 Reserve Bank of India gave licences to 11 entities to launch payment banks with an aim to allow customers to have more choice for their banking needs.
- **Mudra Mission – Micro units Development and refinance agency:** For creating an inclusive, sustainable and value based entrepreneurial culture for achieving financial security.
- **Kisan Credit Card Scheme:** Aimed at providing need based and timely credit support to the farmers for their cultivation as well as non-farm activities in a cost effective manner.

Review of Literature

Iqbal and Shami, 2016 investigated that during the period of seven years credit deposits ratio and number of bank branches has the positive impact on the

GDP of the country. Author also found that number of ATMs have insignificant impact on the GDP.

Mamatha, 2015 studied that RBI has simplified the rules to bring the deprived sections of society under financial inclusion. Later explained that despite of efforts still there the large population is outside the purview of financial institution.

Rao and Anand, 2015 examined that despite to serve at low cost MFIs, SHGs NGOs and rural banks charge higher rates of interest having the profitable motive. All financial institutions should be put under one regulator for financial inclusion.

Dixit and Gosh, 2013 examined the role of financial inclusion in growth of different states of India where parameters like per capita GDP, unemployment rate, literacy rate and index of financial inclusion were used for cluster analysis. study found that Kerala, Maharashtra and Karnataka has higher financially included population.

Raman, 2012 studied that financial inclusion will have major role in poverty reduction. Further found that 80% of the Indian population does not have insurance cover that needs to be taken under banking purview.

Objectives of the Study

- To examine the scenario of Financial Inclusion during phase I and phase II in India.
- To study the progress of Financial Inclusion in India.
- To study the relationship between Financial Inclusion and Economic Growth.

Research Methodology

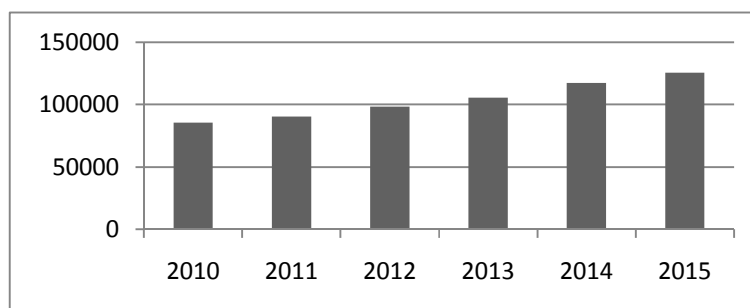
The study is based on secondary sources of the data collected from various journals and websites. In order to make study effective data related to different phases that is 2010-13 and 2013-16 is analyzed. The study attempts to know the progress of financial inclusion in India by examining scenario of in different phases.

Progress of Financial Inclusion in India

The progress of financial inclusion plans is studied with the help of the following variables-

Number of Offices of Scheduled Commercial Banks

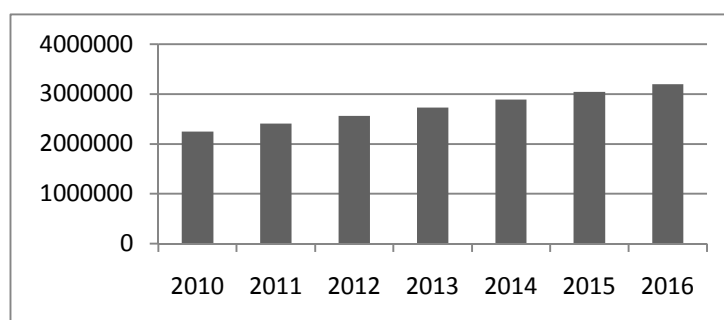
The Reserve bank of India encouraged banks to implement Financial Inclusion Plans (FIPs) in a phased manner for the development of Indian economy. Table 1 advocates that a large number of bank branches were opened creating a large network across the country. In 2010 number of offices of scheduled commercial banks was 85393, 105437 in 2013 and 125672 in 2015.

Table 1: Number of Offices of Scheduled Commercial Banks

Source: Reserve Bank of India

Number of ATMs

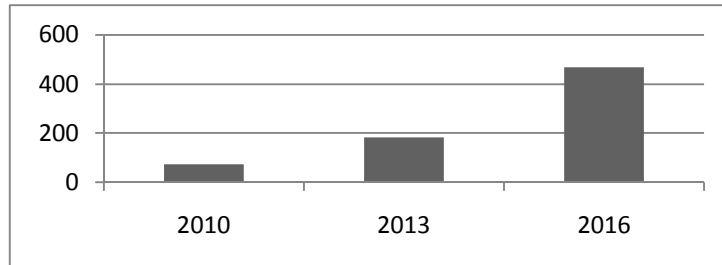
Tremendous increase is recorded in terms of number of ATMs during these phases. In 2010 total number of ATMs in India were 2249497 which increased exponentially to 3195880 in 2016. Majority of people have started using ATMs for performing different tasks like withdrawing and depositing money transferring funds, paying bills and booking tickets etc.

Table 2: Number of ATM's

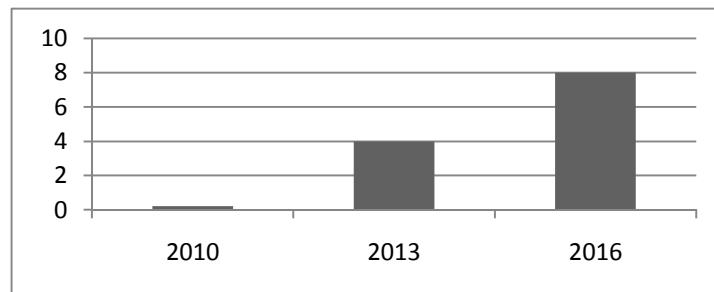
Source: Reserve Bank of India

Basic Savings Deposit Account and Overdraft Facility Availed in Basic Savings Bank Deposit Accounts

The number of basic savings deposit accounts computed by Reserve Bank of India and depicted in the table below show a significant increase from 73 million accounts in 2010 to 469 million accounts in 2016. The rate at which overdraft facility availed in basic savings bank deposit accounts also grew at a large pace from 0.2 million in 2010 to 8 million in 2016 (Table 4).

Table 3: Basic Savings Deposit A/C (in Millions)

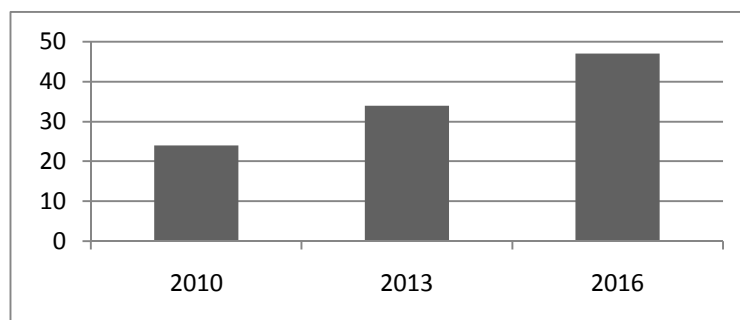
Source: Reserve Bank of India

Table 4: Overdraft Facility Availed in Basic Savings Bank Deposit A/C (Number in Millions)

Source: Reserve Bank of India

Kisan Credit Cards

Introduced in August 1998 KCC scheme as an innovative credit delivery mechanism aimed at enabling the farmers to meet their production credit requirements in a timely and hassle-free manner and the recent inclusion of KCC holders under Atal Pension Yojna resulted in a considerable increase in number of card holders i.e from 24 million in 2010 to 34 million in 2013 and further 47 million till 2016.

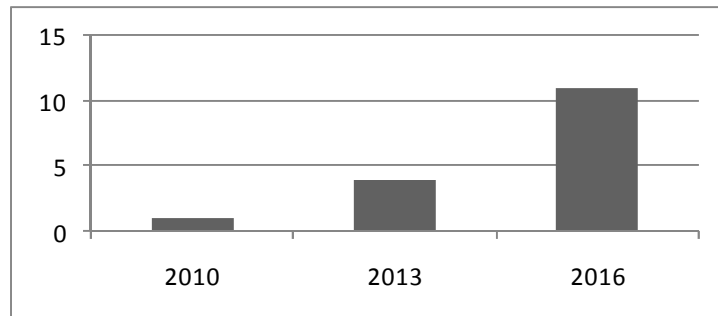
Table 5: Kisan Credit Cards(Number in Millions)

Source: Reserve Bank of India

General Purpose Credit Card Facility

It provides hassle free credit without consideration of security in order to help poor and disadvantaged sections of society. Table 6 shows the rate of growth of GCC from 1 million in 2010, 4 million in 2013 to 11 million in 2016

Table 6: GCC(Number in Millions)

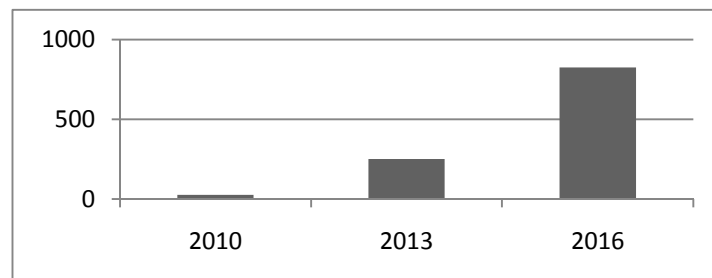


Source: Reserve Bank of India

ICT A/C-BCs

The number of ICT based transactions increased from 27 million in 2010 to 826 in 2016 as shown in the following table

Table 7: ICT A/C-BCs (Total Transactions in Millions)



Source: Reserve Bank of India

Financial Inclusion and Economic Growth

The formal financial system, playing the role of inter-mediation acts as a catalyst of economic growth in India by mobilization of buffer and allocation and channelization of savings. The economic growth of the country is measured with the help of number of yardsticks and GDP (Gross Domestic Product) being one of them. In this paper an attempt has been made to study the relationship between indicators of financial inclusion and GDP.

- Relationship between number of offices of scheduled commercial banks and GDP-The data pertaining to number of offices of SCBs and GDP is analyzed with the help of correlation. The results show that both the variables are positively correlated. Pearson's correlation close to 1 as in following variables

indicate that changes in one variable i.e GDP are strongly correlated with changes in other variable i.e number of offices of scheduled commercial banks. The values of Sig (2-tailed) value are .006 which means there is statistically significant relationship between two variables.

Correlations

		Offices	GDP
Offices	Pearson Correlation	1	.934**
	Sig. (2-tailed)		.006
	N	6	6
GDP	Pearson Correlation	.934**	1
	Sig. (2-tailed)	.006	
	N	6	6

** . Correlation is significant at the 0.01 level (2-tailed).

- Relationship between number of ATMs and GDP-The following table depicts the relationship between number of ATMs and GDP. With increase in number of ATMs banks can easily broaden the customer base thereby bringing more people within the ambit of financial inclusion and ultimately increase in capital formation as well as economic growth of the country. The following table also shows positive and statistically significant relationship exists between both the variables .

Correlations

		ATMS	GDP
ATMS	Pearson Correlation	1	.952**
	Sig. (2-tailed)		.001
	N	7	7
GDP	Pearson Correlation	.952**	1
	Sig. (2-tailed)	.001	
	N	7	7

** . Correlation is significant at the 0.01 level (2-tailed).

- Relationship between Basic Saving Deposit Accounts and GDP- The number of Basic Saving Deposit accounts are increasing tremendously year by year resulting in more capital formation. The results in the following table also show that there exists strong and statistically significant relationship between both the variables.

Correlations

		BSD	GDP
BSD	Pearson Correlation	1	1.000*
	Sig. (2-tailed)		.013
	N	3	3
GDP	Pearson Correlation	1.000*	1
	Sig. (2-tailed)	.013	
	N	3	3
*. Correlation is significant at the 0.05 level (2-tailed).			

Conclusion

With the motive of providing the universal access to financial services RBI and government has taken many initiatives from relaxing the norms (KYC) to building the required infrastructure (ATM and branches). It is found that under phase I (2010-2013) of financial inclusion plan target was made to include the villages with population more than 2000, to provide banking services through business correspondents (BCs), ATM's and mobile banking vans etc. Similarly, in phase II (2013-2016) State level banker's committee has assisted in opening banking outlets in 452,157 villages with population less than 2000. Including the other initiatives Jan Dhan Yojna has prominent role in financial inclusion where accounts were opened on the large scale and in the second phase efforts were made extend insurance, direct benefit transfer and pension schemes. It can be suggested that for the inclusive financial growth financial literacy rate should be improved in the country.

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Foreign Direct Investment in the Insurance Sector Re-Pro prospective and Prospective Analysis

Devi Dayal Yadav*
Dr. R.K. Agarwal**

Introduction

Despite the fast speed of progress in the policy obverse, a major weakness of the hypothetical and policy treatments of the service sector and the “trade in service” debate is their negligence of the impact of technical change on the moving nature of the service sector, the growing liberation of service, and the particular and dominant role played by international corporations in this process.

Objectives

- To analyze the impact of Foreign Direct Investment on Indian Insurance sector.
- To analyze the benefits of FDI on Insurance sector.
- To estimate the future of FDI on Insurance sector in India.

Research Methodology

Secondary Data are collected for the study. The data's are collected from various journals, magazines, research papers, newspaper, and internet.

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Introduction of Insurance Sector

- Global Overview of Insurance Sector:** The worldwide insurance industry is facing cumulative competition, which has put significant pressure on companies to become more effective, enhance their technology-related processes and alter their business models. Worldwide, maximum insurance companies are trying to improve the efficiency of their countersigning process, cut their other expenses and reduce claims leakage then returns from investment are decrease. According to the latest study, which was completed by the global re-insurer Swiss Re on world insurance industry in 2013. India's ranked was 15th in terms of premium volume, from 14th rank in 2012. The study also revealed that the insurance distribution in India fell to 3.9 percent in 2013 when compared to 4.0 percent in 2012.

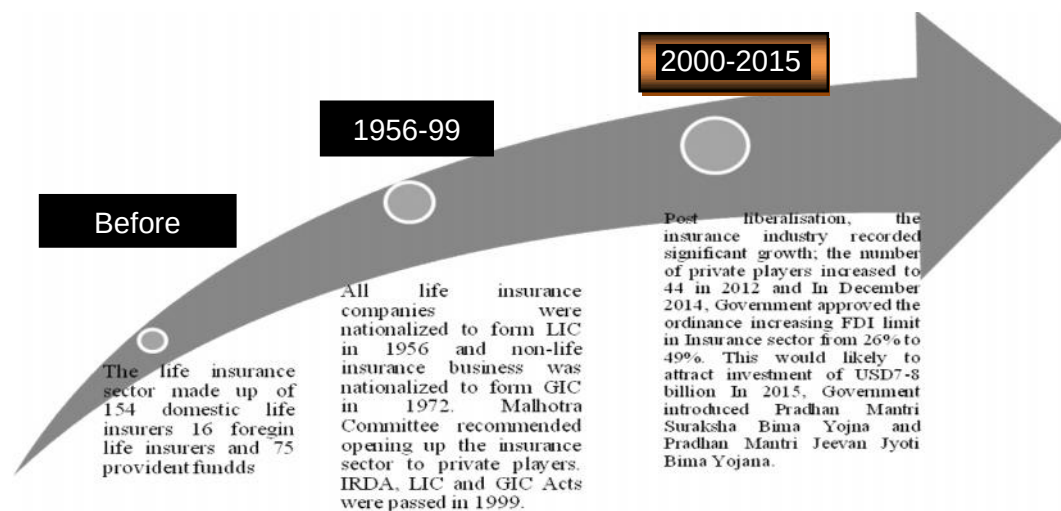
Table 1: Global Overview of Insurance Sector (In Million US\$)

Year	2010	2011	2012	2013
Amount	13.4	13.1	12.2	10.4

Source: Swiss Re Research and Consulting

- Indian Perspective:** The history of insurance started from 1818, when Oriental Life Insurance Company was established. Bombay Mutual Life Assurance Society became the first Indian insurer in 1870. The Life Insurance Companies Act and the P.F. Act was passed in 1912 for regulate the insurance business in India. This Act was the first legal measure to regulate the life insurance business. In 1938, the earlier regulation was consolidated and amended by the Insurance Act, 1938. The Government of India issued an Ordinance as on 19 January 1956 for nationalizing the Life Insurance sector and Life Insurance Corporation.

Graph 1: Evolution of the Indian Insurance Sector



Source: www.ibef.org

India is a growing economy and many consider it an attractive country to invest in, particularly in its quickly growing and moving insurance market. Indian insurance industry is one of the sunrise sectors with huge growth possibility.

- **Life insurers:** From just one LIC of India in 2000, there are 24 insurers offering Life insurance in India in 2014.

Table 2

	FY 2000-01	FY 2013-14
Number of Life Insurance Companies	5	24
Number of Individual Agents	1,15,709	2188500
Number of Branches	Approx. 2,000	11,032
Funds under Management (In Rs. Crore)	142,910	19,57,466

Source: IRDA Annual Reports

Role of FDI in Insurance Sector:

Foreign direct investment (FDI) plays an important role in the economic development of the country. However, Foreign Direct Investment (FDI) is released in the insurance industry, and despite many years of debate, the regulations are still not transformed and there are still lots of limitations. Liberalization policy was introduced in India since 1991 by the former Finance Minister Dr. Manmohan Singh. Foreign direct investment (FDI) is a direct investment into manufacture or business or service in a country by separate or a 0company of another country, either by buying a company in the target country or by expanding operations of an existing business in that country. FDI can serve many purposes for the welfare and development of the country by focusing on the Organization. Insurance sector still have a huge potentiality for building long term finance at least for next 30 years or more. Foreign Investors are watching India, ready for a piece of the action in the insurance market, but there are still overabundance of uncertainties, restrictions and potential socio-economic risks. However, the Government is gradually taking steps to open the sector. Due to economic liberalization started few years ago have started bringing in new investments from global agents and the government was hard pressed to enable global integration by lowering trade barriers for the free flow of technology, knowledgeable and financial capital. Thus liberalization of insurance makes an environment for the generation of long term contractual funds for infrastructural investments.

The Indian Cabinet Committee on Economic Affairs (CCEA) is strongly expected to raise the FDI upper limit in the Insurance and Pension sectors and the Pharmaceutical sector of India. A strong proposal for raising FDI up to 49% in the Insurance sector from the existing limit of 26%, has been submitted to the cabinet for proper approval in the quickest possible period. Such an increment in the FDI upper limit in the insurance sector of India will surely be highly and greatly appreciated by domestic and foreign insurance companies, for the purpose of expanding and enriching

their insurance and re-insurance businesses under various insurance categories. At present in India, only two million Indians are covered under any insurance schemes like Medici claim, Life Police which is just 0.2% of the total Indian population of one billion. In developed countries like USA, this percentage is about 75%. Hence, there is huge scope for development and improvement in the insurance sector of India in future times. But, at present, only about 50 life insurance and general insurance companies are working in the insurance sector of India.

Table 3: FDI in Insurance Sector

Sector/Activity	% of Equity/ FDI Cap	Entry Rute
(i) Insurance Company (ii) Insurance Brokers (iii) Third Party fdsAdministrators (iv) Surveyors and Loss Assessors (v)Other Insurance Intermediaries appointed under the provisions of Insurance Regulatory and Development Authority Act, 1999 (41 of 1999)	49%	Automatic

Source - D/o IPP F. No. 5(1)/2016-FC-1 Dated the June 07, 2016

The Indian Government Plan to Recover the Insurance Industry

The bill to raise FDI cap has been pending since 2008 when the India's UPA Government came up with Insurance Laws (Amendment) Bill to hike foreign holding in insurance joint ventures to 49 percent from the existing 26 percent. India's current Finance Minister Mr. Arun Jaitley had identified that benefits of insurance in India have not reached a large segment of the people as insurance dispersion and density are very low and proposed an increase in the foreign direct investment limit in the Budget.

Table 4: Total Equity Share of Foreign Investors in Insurance Companies in India

Total Equity Share of Life and General Insurance Companies Purchased by Foreign Investors (Rs. Crore)					
Year	2009	2010	2011	2012	2013
Life Insurance	4354.5	5053.98	5723.81	6324.27	6045.91
General Insurance	621.72	896.32	1090.08	1324.45	1586.63
Total	4976.22	5950.30	6813.89	7648.72	7632.54

Source: IRDAAnnual reports 2008-09, 2009-10, 2010-11, 2011-12 and 2012-13

The Ultimate Benefits of Increased FDI in Insurance Sector

- **New Players:** We can expect about 100 life and non-life insurance companies to oblige a market of big size.
- **Increase Insurance products:** Private as well as government insurers will be benefit from the Increase of FDI.
- **New Technology:** Insurers will not just get capital but also the technology and product skill of the foreign partner who are the domain expert of this sector.
- **Employment:** With more money coming in, the insurance companies will be able-to create more jobs to meet their targets of venturing into under insured markets through improved infrastructure, better operations and more manpower.
- **Consumer Friendly:** The last beneficiary of this FDI amendment will be common men. With more players in this sector, then competitive quotes available, improved services and better claim settlement ratio.
- **Increased Capital Inflow:** Most of the private sector insurance companies have been making considerable losses.
- **Level Playing Field:** With the increase in foreign direct investment to 49 percent, the insurance companies will get the level playing field.
- **Others:** Provide customers with competitive and innovative products, more options and better service levels, Infrastructure facilities, Boost Economic Life, Increase level of competition, Inflation is controlled, Availability of new technology, New risk management practices.

The Road Ahead

By 2020, India's insurable population is expected to touch 75 crore out of 125 crore. As a result, the importance of life insurance in financial planning is only set to increase. With this new government's stress on reforms, steps taken by IRDA to make insurance more consumer-friendly and India's promising demographic, the future of India's insurance industry expressions good. However, it remains to be seen how this sector impacts the unbanked sections of India, in the years to come. Increasing the FDI limit will make the Indian Insurance sector more vibrant and dynamic in the intermediate and long term. Increased competition coupled with wider variety of products will result into a healthy Industry. Insurance companies and other players have to gear-up and plan now to secure the future.

Conclusion

There are always pros and cons of each decision, FDI will increase competition and basis economic would suggest that when the supply increases as compared to demand the prices will comedown, thus benefiting the end to customers. The insurance sector in India is still under developed as compared to developed

countries, and despite private players now allowed to enter this sector, we only have a small number of providers. FDI would increase the number of insurance companies and may also make many possible better plans at lower prices. But careful reflection is required to ensure that the investment stays for long-term and does not get reserved, leaving the companies and their domestic customers in a miserable position, and not all profits are moved outside the country but some reinvested or spent in our country.

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Classifying the Variables Influencing the Credit worthiness of Bank Borrowers for Enhancing the Effectiveness of Lending Operations

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Introduction

Commercial banks form the economic backbone in any financial system. They are mainly engaged in providing loans and advances to the business enterprises of different magnitudes thus facilitating capital formation in the country. Banks are publically owned, owned by entrepreneurs or of foreign origin. They play a very significant role especially in a bank dominated economy. India, a bank dominated developing economy in Asian continent, had its largest and the oldest still in existence, public sector bank i.e. State Bank of India (S.B.I) which originated as the Bank of Calcutta in June 1806. In 1809, it was renamed as the Bank of Bengal. This was one of the three banks funded by a presidency government. In 1960, the State Banks of India was given control of eight state-associated banks under the State Bank of India (Subsidiary Banks) Act, 1959. These are now called its associate banks. In 1969 the Indian government nationalised 14 major private banks, one of the big bank was Bank of India. In 1980, 6 more private banks were nationalised. These nationalised banks are the majority of lenders in the Indian economy. They dominate the banking sector because of their large size and widespread networks.

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The Indian banking sector is broadly classified into scheduled and non-scheduled banks. The scheduled banks are those included under the 2nd Schedule of the Reserve Bank of India Act, 1934. The scheduled banks are further classified into: nationalised banks; State Bank of India and its associates; Regional Rural Banks (RRBs); foreign banks; and other Indian private sector banks. The term commercial banks refer to both scheduled and non-scheduled commercial banks regulated under the Banking Regulation Act, 1949. Generally banking in India is fairly mature in terms of supply, product range and reach-even though reach in rural India and to the poor still remains a challenge. The government has developed initiatives to address this through the State Bank of India expanding its branch network and through the National Bank for Agriculture and Rural Development (NABARD) with facilities like microfinance.

Currently, there are 21 Public sector banks, 29 Private sector banks, 31 Foreign banks, 86 Regional rural banks (RRB), 4 Local area banks, 1721 Urban cooperative banks, 31 State cooperative banks, 371 District central cooperative banks in India. This paper attempts to categorize the variables that influence the borrowers' creditworthiness from the perspective of commercial banks of Jaipur. This cross sectional study confines to lending by commercial banks to business borrowers spread across Jaipur city. – Both from public and private sector.

Review of Literature

There had been an extensive number of studies on creditworthiness and they used diverse tools, techniques and models to classify the factor influencing creditworthiness. In this section an effort is made to summarise a few of them in certain detail-mainly to set the context for the paper, as well as to establish the research gap.

Kirstein and Neuzing (2000) found that banks often have to determine the creditworthiness i.e., the ability to repay the loan, of their customers *ex ante*. According to the theory of imperfect diagnosis, it can be rational not to use an informative diagnosis result, even though it can be acquired without costs. The researchers call it non-contingent behaviour. The decision whether to grant a loan or not is independent of the diagnosis result. Hence, it can be rational to grant a loan to a particular applicant, even if the specific diagnosis result is negative. Furthermore, it can be rational for the banks to provide credit to an applicant even if the diagnosis has assigned him the high risk class.

Moscardini et al. (2005) expressed that evaluating new bank loans has been considered as one of the main dilemmas that bank managers have to deal with in order to reduce the probability of default. The lending process is a series of activities involving two main parties whose association ranges from the loan application to successful or unsuccessful payment of loans. The study constructs a flight simulator

which uses the ideas of system dynamics and the viable systems methodology. The decision support tools thus formed uses systematic approach to measure a firm's performance and can provide risk assessment in the sense of evaluating performance under different (what-if) scenario. The creditworthiness from this model is then evaluated against the usual estimate based only on financial ratios.

Samreen and Zaidi (2012) evaluated credit risk in commercial banks of Pakistan using credit scoring models. A credit scoring model called Credit Scoring Model for Individuals (CSMI) was developed to determine the creditworthiness of individual borrowers requesting for personal loans. The results of the credit scoring model were compared with the other statistical credit scoring techniques such as logistic regression and discriminant analysis. Type I and type II errors had been calculated for all the credit scoring models used. The results show that the CSMI model has more accuracy rate with no errors as compared to logistic regression and discriminant analysis.

Benhayon et al. (2013) attempted to explore the usefulness of financial indicators in measuring the financial health of companies and how to use these relevant attributes to design intelligent financial solution to investors and financial solution to investors and financial institutions to predict financial clashes

Data and Methodology

This explanatory research adopts cross-sectional design, and uses primary data collected through a survey conducted on various bank officials (managers, loan officers, credit analysts and relationship managers) of Jaipur city. A questionnaire on credit worthiness with as many as 14 variables was prepared and circulated randomly. 250 of the collected responses were found to be fit for analysis, and the same were analysed using SPSS version 20.

Results and Discussions

• Demographic Profile

Table 1 presents the demographic profile of the 250 respondents as to gender, age group, and experience in banking industry, position held in banking organization, and the location of the bank-branch they are working in:

Table 1: Demographic Profile					
Characteristics			Public Sector Banks	Private Sector Banks	Total (in %)
Gender	1	Male	22.6	52.0	74.6
	2	Female	16.0	12.4	28.4
Age Group in Years	1	Below 30	8.4	22.2	30.6
	2	30-45	28.1	36.8	64.9
	3	Above 45	2.5	5.0	8.5

Experience in Banking Years	1	Below 3	8.2	12.6	20.8
	2	3-10	14.6	36.0	50.6
	3	Above 10	15.4	18.4	33.8
Designation	1	Manager	6.7	20.6	27.3
	2	Loan Officer	10.8	20.9	31.7
	3	Credit Analyst	8.2	17.5	25.7
	4	Relationship Manager	12.3	6.0	18.3
Location	1	Urban	30.7	49.1	79.8
	2	Semi- Urban	3.3	12.5	15.8
	3	Rural	0.8	4.5	5.3

Gender of the respondents is divided into 3:1 proportion between males and females in total, which varies across sectors of the banks. For public sector banks, the male –female divide among respondents is 2:1, while for private sector banks it is 5:1. A majority of the respondents 64.9% are in the age group of 30-45, while 30.6% are below 30, and the remaining 4.5 % are in the higher age group of above 45 years. Though similar division is observed among public sector banks respondents, for private sector banks the younger group is more predominant with 22.2 % in the below 30 category, and 36.8 % in 30-45 category. Slightly more than half of the respondents 50.6% have 3 to 10 years of experience in the banking industry of India, 28.6 % commanding more than 10 years of experience, and 20.8% representing the younger brigade. The age grouping and banking experience classification are matching with the trend in Indian banking. As for the designations of respondents, 27.3% were the branch managers, 31.7% were loan officers, 25.7% were credit analyst, and the remaining 15.3 were relationship managers. As for the location of the bank-branches, as much as 79.8% were located in urban areas (thus matching with the reality that Indian banks are more spread in big, 15.8% belonged to semi-urban locations, and 5.3% were located in rural areas.

Descriptive Statistics of Creditworthiness Variables

As can be observed from Table 2, the variable “financial position” is found to possess high value of mean (4.60) coupled with low standard deviation (0.762). The coefficient of variation is 16.4% for this variable, thus clarifying that there is more consistency among the respondents in voting this variable as the most significant one in determining the creditworthiness of the loan applicants. Closely followed by this is the variable “Information from CIBIL (Credit Information Bureau (India) Limited”. CIBIL, is India’s first Credit Information Company or Credit Bureau. It maintains records of all credit-related activity of individuals and companies including loans and credit cards. The records are submitted to CIBIL by registered member banks and other financial institutions on a periodic (usually monthly) basis. Based on this data, CIBIL issues a Credit Information Report or CIR (commonly referred to as a credit report) and a credit score. It is important to note that CIBIL is a database of credit information. It does not make any lending decisions. It provides data to banks and

other lenders who use it as a quick and efficient resource to filter loan applications. Lending bank seek information about a borrower from this bureau, based on which they make informed credit decisions. This variable is found to have a mean value of 4.58 with a standard deviation of 0.836 and coefficient of variation of 18.1%. Quite interestingly, most of the variables listed are favored by the respondents positively which is evident from the mean values of all variables being more than 4, except only one. The variable "social personality" is found to have less favor from the responding bank officials with moderately lesser mean score of 3.59 coupled with a standard deviation of 1.197. The coefficient of variation for this variable is 33.5% which indicates certain level of deviations in responses to this.

Table 2: Descriptive Statistics			
S. No.	Items of Variables	Mean	Std. Deviation
1	Financial Position	4.60	0.762
2	Information from CIBIL (Credit Information Bureau (India) Limited	4.58	0.836
3	Guiding principles of RBI	4.57	0.881
4	Project Feasibility	4.51	0.835
5	Business Performance	4.49	0.812
6	Security's Worth	4.47	0.889
7	Financial Information	4.41	0.752
8	Past Loan Performance	4.38	0.858
9	Credit Score	4.26	0.899
10	Past Loan Volume	4.18	0.902
11	Duration of Account with Branch	4.17	0.921
12	Rapport with Branch	4.14	0.934
13	Govt. Schemes	4.07	1.132
14	Social Personality	3.59	1.197

Exploratory factor analysis

Factor analysis was performed to reduce the number of items. The correlation matrix, the matrix determinant and the results of Kaiser-Meyer-Olkin (KMO) sampling adequacy were analyzed regarding favorability. For factor extraction, principal component analysis was used. The eigen values were then examined to determine the quality of factors extracted.

The result of KMO and Bartlett test are shown in Table 3. The results using KMO and Bartlett test confirm adequacy of samples.

Table 3: KMO and Bartlett Test		
KMO Measure of Sampling Adequacy		0.875
Bartlett's Test of Sphericity	Approx. Chi-Square	1391.643
	df	91
	Sig.	0.000

Total Variance Explained

Table 4 presents the total variance explained information. Accordingly, the rotated sums of squared loadings indicate that 67.561% of variances are explained by the three components. In social sciences, explanations between 60% and 70% are considered reasonable and fair, hence the result 67.561% is considered as 'good'.

Table 4: Variance Using Eigen value						
Component	Initial Eigen values			Rotation Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	4.936	35.248	35.248	3.490	29.933	29.933
2	1.398	9.980	45.228	2.794	24.948	54.881
3	1.027	7.331	52.559	1.076	12.680	67.561
4	0.942	6.719	59.278			
5	0.893	6.373	65.651			
6	0.741	5.284	70.935			
7	0.723	5.168	76.103			
8	0.603	4.298	80.401			
9	0.578	4.121	94.522			
10	0.551	3.924	88.446			
11	0.472	3.367	91.813			
12	0.418	2.977	94.790			
13	0.386	2.748	91.538			
14	0.346	2.462	100.000			
Note: Extraction Method : Principal Component Analysis						

Principal Component Analysis

Table 5 presents the summarized results of principal component analysis. While a sizeable number of variables are loaded in component 1 and component 2, and seven found in component 3. This is a visual confirmation of the factor loadings and the association between the variable and the factor.

Table 5: Rotated Component Matrix ^a					
Variables	Component			Label	Cronbach's Alpha
	1	2	3		
Business Performance	0.769	0.135		F1	0.822
Financial Position	0.711		0.110		
Project Feasibility	0.662	0.271			
Financial Information	0.603	0.298			
Information from CIBIL	0.589	0.138			
Guiding Principles of RBI	0.569		0.363		
Credit Score	0.537	0.348	-0.150		
Past Loan Performance	0.499	0.425	0.270	F2	0.769
Past Loan Size	0.101	0.775	0.247		
Social Personality	0.141	0.734			
Duration of Account	0.296	0.722			
Rapport with Branch	0.192	0.714			

Security's Worth	0.253	0.177	0.692	F3	0.053
Govt. Schemes	0.407	0.281	-0.533		
Total of Eigenvalues	6.329	5.018	0.998	Total Variance Explained	67.561%
% of Variances Explained	29.933%	24.948%	12.680%		
Note: Extraction Method: Principal Component Analysis Rotation Method: Varimax with Kaiser Normalization ^a Rotation converged in 4 iterations					

The notion "creditworthiness" can be defined as assessment performed by a lender that determines the likelihood a borrower may default on his debt obligations. It considers factors, such as repayment history and credit score. In other words, it is a supposed capacity to meet up agreed time limit associated with repayment of principal amount and the interest accrued without affecting the vitality of the borrower.

Using factor analysis, we could reduce 14 items into 3 major factors (see Table 6). A factor loading is the correlation between a variable and a factor that has been extracted from the data. For example, in Table 6, variable "past loan size" is correlated with all the three factors (with loading 0.101, 0.775, and 0.247). However, it is assigned to factor 2, since its factor loading for that is the highest and far different from that of others. By using the principal Component analysis extraction method, and varimax rotation with Kaiser normalization, the variables are grouped into three factors: the first one with eight variables, the second with four, and the last one with two variables. In all, the three factors explain 67.561% of the total variance. The reliability is tested with Cronbach's alpha scores, and it is found to be 0.822 for the first factor (eight variables) and 0.769 for the second factor (four variables). Since the third factor has only two variables, the alpha score was found to be too low at 0.053. However, the same is taken as a factor, since its loading is considerably high.

Labeling the factors

The factor one (F1) has eight variables, viz., business performance, financial position, project feasibility, financial information, information from CIBIL, guiding principles of RBI, credit score, and past loan performance. Of these, the performance of the borrower's business and the financial position of the borrower are the dominant ones (with factor loadings of 0.769 and 0.711). Furthermore, the variables are directly connected to business performance and status of the borrower. For example, the CIBIL information and credit score of the borrower depend on the status and performance. Hence, these can be referred to as "borrower's position and performance". The factor two (F2) has four variables, viz. past loan size, social personality, duration of account, and rapport of the borrower with the bank. All the four variables have high factor loadings (ranging from 0.714 to 0.775) – indicating balanced domination of all variables on the factor. These factors can be together called as "borrower's personality and rapport with branch".

The factor three (F3) has only two variables, viz., Security's worth and government schemes. Of these two, Security's worth has a positive factor loading of 0.692 and government schemes have a negative loading of -0.533. This indicates the unpopularity of government schemes (rather they are abysmally minimal in the country) as a variable. Hence, this factor is tagged by the main variable, viz., "security's worth".

Conclusion

The study categorizes and labels the variables that influence the creditworthiness of borrowers into major component-factors, and compares this categorization from the viewpoint of bankers and borrowers. Principal component analysis technique is adopted to achieve this objective, after ensuring the adequacy of the sample with KMO statistic (0.875) and Bartlett's test of sphericity ($p < 0.001$). In bankers' survey, 14 variables were found to form three component-factors, with 67.561% of total variance explained by them. These three factors are labeled as: (1) borrower's position and performance; (2) borrower's personality and rapport with branch; and (3) security's worth. The study is significant as it breaks a new ground in commercial bank lending in Jaipur city, and further study in this direction could be possible by the same and other researchers by going beyond this point of identifying the factors.

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The Impact of NPAs on the Performance of Commercial Banks in India: A Critical Analysis

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Introduction

In India, banking system plays a vital role in the development of nation's economy. Commercial banks are the major player to develop the economy. Many positive developments have seen in the Indian Banking Sector. Reserve Bank of India, Ministry of Finance and financial sector regulatory entities has made several notable efforts to improve the Indian banking sector. However the most serious problem facing by Indian banks of raising non- performing assets remain the cause of worry.

The assets of banks can be classified into two categories:

- **Performing assets** are those assets on which a customer correctly pays interest and installments within stipulated time.
- **Non-performing assets** are those assets on which interest and installment have been due for a period more than 180 days. Further non-performing assets can be divided into two parts:
 - **Gross non -performing assets** are the sum of total of all loan assets that are classified as NPAs as per guidelines of RBI on the date of

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balance sheet. NPAs consist of all the non-standard assets like sub-standard, doubtful and loss assets.

- **Net non-performing assets** are residual values after making provisions regarding NPAs by banks. Net NPAs reflects the actual burden on banks.

NPAs also called non-performing loans, allocated by a bank or any financial company on which interest or principle amount is not being made on time. Performance of bank depends upon the degree of NPAs exist in the concerned bank. There is a direct relationship between NPAs and credit defaulters of banks. A high level of NPAs reflects the large number of credit defaulters that affect the profitability and net-worth of banks.

Main Factors Responsible for NPAs

Many factors contribute to the non-performing assets. Some important factors are as follows:

- Division of funds for expansion or setting up of new projects.
- Excess time and investment while implementing projects.
- Natural disasters, external links with other countries leads to permanent termination of non- payment dues.
- Insufficient contracts with customers.
- Failure of business like product failing to capture market, lack of efficient management, strike, wrong technology, product obsolescence.
- Changes in policies of government, controlling techniques, improper credit decision-makings etc.

Litrature Review

Many scholars have done a large number of researches on the various aspects of NPAs. Among them review of the relevant literature is as follows:

Siraj K.K and P. Sudarsanan Pillai (2012) According to their report, Non – Performing Assets arouse negative impact on growth and banking stability. Prior to 1991, issues of NPAs and its impact on erosion of profit and quality of assets has not seriously considered in Indian banking sector. Asset quality was not primal concern in Indian banking sector till 1991, but was mainly oriented on performance objective like opening wide network/ branches, priority sector lending, development of rural areas, higher employment generation etc. The accounting treatment also failed to handle the problem of NPAs, as interest on loan account was accounted on accrual basis.

Kumar (2013) in his study on “A Comparative Study of NPA of Old Private Sector Banks and Foreign Banks” has stated that non-performing assets have become intolerable headache for the banking industry in India for several past years.

One of the major issues that is challenging the performance of commercial banks in the late 90s adversely affecting was the accumulation of huge non-performing assets.

Singh (2013) in his paper entitled “Recovery of NPAs in Indian Commercial Banks” says that the beginning of the problem of burgeoning NPAs lies in the system of credit risk management of by the banks. Banks are required to have adequate preventive measures in fixing pre-sanctioning appraisal responsibility and an effective pot disbursement supervision. At last it is suggested that to identify those accounts that have potential to become non-performing, banks should continuously monitor the disbursed loans.

Karunakar (2008) in his study “Are Non-performing Assets Gloomy or Greedy from Indian Perspective” has described the problem of loss and lower profitability of Non-performing assets and liquidity mismatch in banks. The solution of issues of NPAs can be achieved only with proper credit assessment and risk management as financial sector depends on how various risks managed in their business efficiently.

Chaudhari K. and Sharma M. (2011) in their research stated that to tackle the problems of NPAs an effective management information system (MIS) should be developed. The bank staff engaged in sanctioning the loan and advances should be trained about the proper documentation and charge of securities and should be motivated to take measures in preventing advances turning into NPAs.

Chatterjee C. & Mukherjee J. and Das (2012) in their study on “Management of non-performing assets: A Current Scenario” has suggested that before disbursement of loan, banks should check out the original reason/purpose of the loan required by the borrower. A proper identification of the guarantor should be done by the banks including scrutiny of his or her wealth.

Objectives of the Study

The main objectives of present study are as follows:

- To study the present status of Non-performing assets (NPAs) in scheduled commercial banks.
- To highlight the trend of gross NPAs and net NPAs in scheduled commercial banks in India.
- To understand the impact of NPAs on the performance of commercial banks in India.

Limitations of the Study

The important limitations related to this study are as follows:

- This study is confined only to scheduled commercial banks in India.
- The period of study is of 2006-07 to 2015-16.
- The basis of identification of non-performing assets is taken from the source of RBI publication.

Sources of Data

The collected data for the study is based on secondary source. Various books, journals, and research papers dealing with the current banking scenario and relevant websites like RBI and other commercial banks has been considered in order to make the study an effective one.

Methodology of Study

The study considered NPAs in scheduled commercial banks, which includes public sector, private sector and foreign banks that is listed in second schedule of Reserve Bank of India (RBI) Act, 1934. Data collection is based on secondary sources. The study focuses the conceptual framework of NPAs and it highlights the trends and present status of non-performing assets on scheduled commercial banks during the period of 10 years i.e. 2006 to 2016. In addition to this, my personal observation has also significant to strengthen this study.

Non-Performing Assets in Scheduled Commercial Banks in India

In the following table, data of scheduled commercial banks includes the data of public sector banks, private sector banks and foreign banks listed in second schedule of RBI Act, 1934.

Table1: Gross Advances and Gross NPAs of Scheduled Commercial Banks

YEAR	GROSS ADVANCES	GROSS NPAs (Amount)	GROSS NPAs (Percentage)
2006-07	20125.10	504.86	2.5
2007-08	25078.85	563.09	2.3
2008-09	30382.54	683.28	2.3
2009-10	35449.65	846.98	2.4
2010-11	40120.79	979.00	2.5
2011-12	46488.08	1423.26	3.1
2012-13	59718.20	1935.09	3.2
2013-14	68757.48	2633.72	3.8
2014-15	75606.66	3233.35	4.3
2015-16	81673.45	6119.47	7.5

Source: www.rbi.org.in

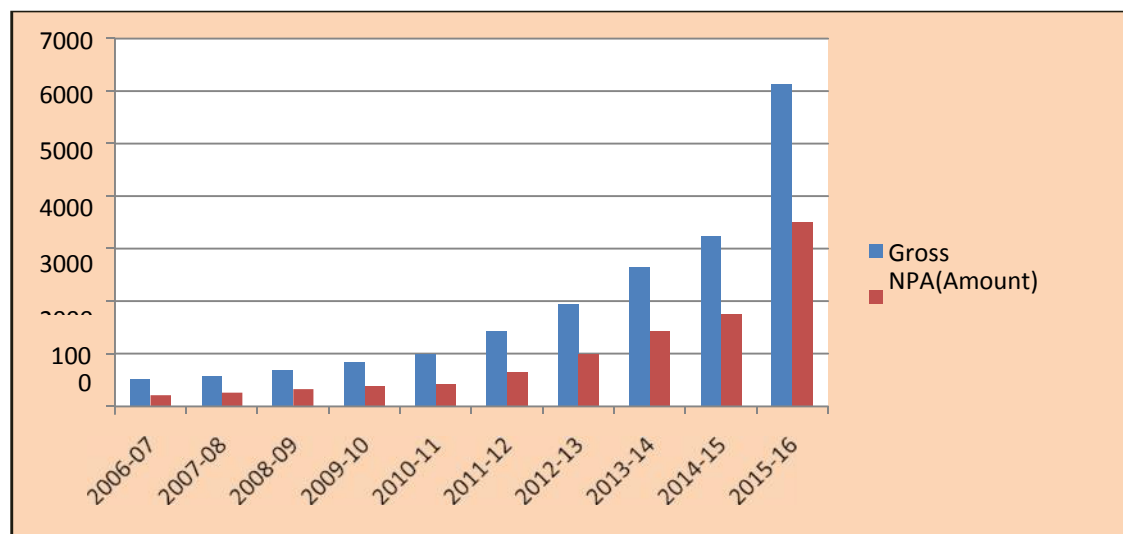
The above table shows the amount of Gross advances, Gross NPAs and the percentage of Gross NPAs during the period of 2006-07 to 2015-16. The amount of advances has increased from 20125.10 billion in 2005-06 to 81,673.45 billion in 2015-16. Similarly, NPA percentage is also showing the rising trend from 2.3 in 2007-08 to 7.5 in 2015-16.

Table2: Net Advances and Net NPAs in Scheduled Commercial Banks

YEAR	NET ADVANCES	NET NPA (Amount)	NET NPA (Percentage)
2006-07	19812.37	201.01	1.0
2007-08	24769.36	247.30	1.0
2008-09	29999.24	315.64	1.1
2009-10	34970.92	387.23	1.1
2010-11	42987.04	417.00	1.1
2011-12	50735.59	650.19	1.3
2012-13	58797.73	986.09	1.7
2013-14	67352.13	1423.83	2.1
2014-15	73881.60	1758.41	2.4
2015-16	78964.67	3498.20	4.4

Source: www.rbi.org.in

The above table shows the data of Net Advances, Net NPA in amount and the percentage of Net NPA during the period of 2006-07 to 2015-16. The amount of advances has increased from 19812.37 billion in 2006-07 to 78964.67 billion in 2015-16. Further, the amount of NPA has also increased from 201.01 billion to 3498.20 billion in the year 2015-16. In starting years, the Net NPA percentage remained constant then after it increased up to 4.4 % in the year 2015- 16.

**Figure 1: Net and Gross NPAs of Scheduled Commercial Banks**

The above figure shows the trend of Gross NPA and Net NPA in billion for the period of 10 years starting from 2006-07 to 2015-16. The x-axis represents the year of this study whereas y-axis represents the amount of NPA. From the above figure we can conclude that the Gross and Net amount of NPA has been showing an upward trend from beginning up to 2015-16.

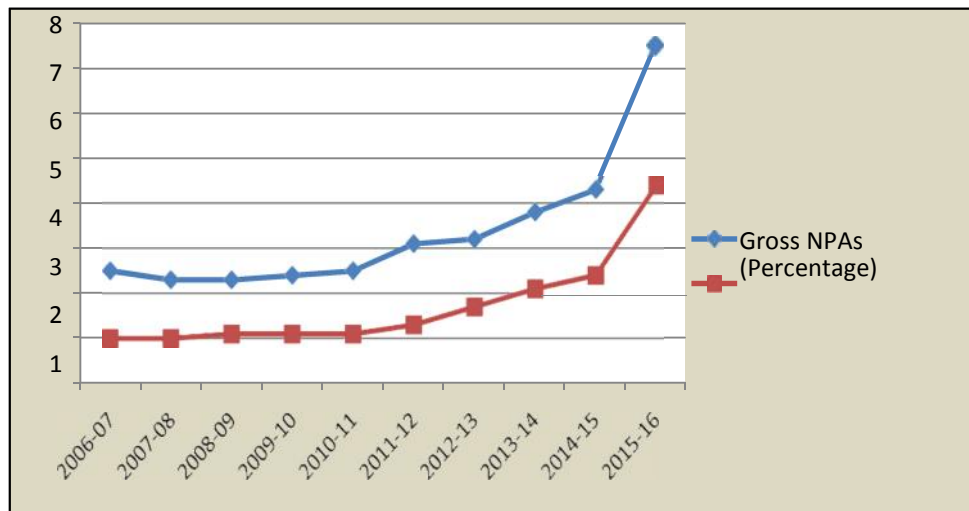


Figure2: Net and Gross NPAs (in Percentage)

The above figure depicts the trend of Gross NPA and Net NPA in percentage for the period of 10 years i.e. from 2006-07 to 2015-16. The year of study is shown on the X-Axis and the percentage of NPA on Y-Axis. Based on figure we can observe that the trend of Gross and Net NPA after 2006-2008, is increasing with normal percentage in starting years while it shows the rampant growth after 2010-11.

Recovery of NPAs

At present, banks are using various legal channels to reduce the NPAs such as:

- Lok Adalats
- Debt Recovery Tribunals (DRTs) and
- Invocation of SARFAESI (Securitization and Reconstruction of Financial Assets and Enforcement of Security Interest Act).

According to the report of RBI, the total amount of NPA recovered in the year 2015-16 is ₹ 22,768 crore that is 26 percent lower in comparison with ₹ 30,792 crore in the previous year by Scheduled Commercial Banks (SCBs). With maximum burden for proportion of NPAs in banking sector, Public sector banks could recover only ₹ 19,757 crore compared to ₹ 27,849 crore in previous year.

The recovery of NPAs made by scheduled commercial banks in India was foremost by SARFAESI channel while recovery through Lok Adalats was on second position and recovery via DRTS stood on last position. Total number of cases referred to these three legal channels cumulatively was up 47.5 percent at 46, 54,753 as against 31, 55,672 in the previous year.

Impact of Non – Performing Assets

High NPAs are the foremost problems for the banking sector in India and hindrance in the development of economy. Banks are bound to make provision for

NPAs from their current profit although NPAs do not generate income for banks. The major impact of NPAs is as follows:

Bank's Profitability: There is adverse relationship between rising NPAs and the profitability of banks. NPAs do not affect only the current profit of banks but also the future stream of profit, which may generate loss of some long-term beneficial opportunities.

Management of Liquidity: Due to high Non-performing assets, money is blocked in bad assets, which generate the problem of liquidity management. Negative impact on profit leads to lack of sufficient cash in hand that is the basic reason for borrowing money at higher rate of interest for short period and it generates additional cost for banks. Due to inadequate liquidity, the operating functions of banks also influence adversely.

Involvement of Management: Another indirect cost is time and efforts of management which bank has to bear due to NPAs. Involvement of management in cope with Non- Performing assets rather than in fruitful activities also affects the good returns of that enterprise. Now, banks are considering trained employees to deal with NPAs, which is additional cost to the banks.

Loss of Credit: Every phase of life, business enterprise and other events are normally judge by their performance and ultimate result. NPA adversely affects the value of banks in term of market credit. The fame/goodwill and brand image also goes down due to Non- Performing assets of banks.'

Shareholder's trust: Mostly shareholders desire their money in safe hands and interested in enhancement of investment and market capitalization. High level of NPAs reduces their trust and confidence level, which significantly affect the share's price of banks. In this situation, shareholders get fewer dividends, which are not in the favor of shareholders.

Public Confidence: Poor performance of banks due to increase in Non-Performing Assets not only lower the sentiments of the investors, but the bank also lose the faith of public, this directly effects the deposits of banks.

Conclusion

The non- performing assets have always been a big challenge for the banking sector in India. The collision of NPAs is not only associated with banks but also the economy as a whole. Present study shows the increasing trend of non-performing assets that is not a good sign for a healthy banking system. Many initiative steps have taken by the Government to minimize the NPAs but still a lot needs to be executing to restraint this problem. It is not possible to have zero percentage of NPAs but at least banks should take care in disbursement of loans to creditworthy customers.

Suggestions for the Management of NPAs

Some important suggestions to manage the non-performing assets are as follows:

- Advances provided by banks need to be done on the basis of pre-sanctioned evaluation.
- The RBI should revise existing credit appraisals and monitoring policy.
- Banks should improve and strengthen the methods of loan recovery.
- Good management is needed to decrease the level of NPAs.
- Personal visits should be there of banks officers after sanction and disbursal of credit and further close monitoring is required for accounts of borrowed units periodically.
- RBI may initiate actions against the defaulters like disclosing their name publically.
- Advances provided by banks should be at least partly secured if fully secured loans are not possible.

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Payment Bank: Opportunity or Challenge for Commercial Banks

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Introduction

In January 2014, the Nachiket Mor committee “Committee on Comprehensive Financial Services for Small Businesses and Low Income Households” submitted its final report and one of its recommendations was the formation of a new category of bank called “payment banks”. A payment bank is a non-full service niche bank, which can only receive deposits and provide remittances. It cannot carry out lending activities and issue credit card. As per, RBI guidelines “the objectives of setting up of payment banks will be to further financial inclusion by providing small savings accounts and Payments/remittances services to migrant labor, low income households, small businesses and other unorganized sector entities. However, Commercial banks are already in the business of providing the payment services and accepting deposits apart from advances loan. Therefore, payment banks are an obvious competition for commercial banks. However, there are contradictory views regarding the status of payment banks that whether they are threat or allies to regular banks. There are experts, who are of the view that Payment Banks cannot do what commercial banks can do whereas others says that various market forces are

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preparing to challenge the position of established commercial banks and may shift the balance of power in favor of these challenger banks for selective banking services. They argue that the key reasons for emergence of these payment banks are lack of financially viable business model to serve the 'Bottom of the Pyramid' segment of customers in cost effective manner.

Objectives

- To study the business model of Payment Bank
- To study the Risks as well as opportunities associated with payment banks with respect to commercial banks.

Payment Bank

Payment bank is a special kind of bank, which is set-up to achieve the objective of financial inclusion.

Features of Payments Banks

- For the initial five years, the promoter stake should be minimum 40%.
- Foreign direct investment is allowed in payment bank as per the rules for FDI in private banks in India.
- Payment bank can accept deposits up to Rs. 1 lac.
- These banks must be open at least 25% branches in unbanked rural areas.
- They must use "payment Bank" in their name to differentiate itself from other banks.
- The banks have to maintain CRR norms and 75% of their demand deposits must be invested in government bond. They can invest maximum 25% of their deposits in scheduled commercial bank for operational purposes.
- The India Post Payments bank providing simple deposit products and money remittance services to under-banked customers in rural, semi-rural and remote areas especially.

Opportunities for Payment Banks

- Largely, payment bank is serving unbanked rural areas, migrant workers, low-income household, unorganized sector entities and alike. This segment is unserved and can be a good market for them.
- Currently payment banks can take deposits upto only Rs. 1 lakh per person and can issue ATM/debit cards. They have to deposits 75% of this amount in government bonds, so their amounts are safe and they can earn certain return. Rest of the deposited amount they can invest in commercial banks which can help them in liquidity management.
- Payment banks can sell financial products like mutual fund units and insurance policies.

- Mostly the entrant of the payment banks are experts/ leader in their segment. This expertise help them to acquire either a good customer base and serve them better with minimal extra cost.
- Because payment banks are not in the business of advances loan, they do not have to make provisions for bad debt and they do not have to worry about the solvency of their funds. This fact works in the favor of these banks.

Business Model

Given the fact that Payment Banks cannot advances loan, survival of these banks are a matter of concern. However, if we analyze the entrants of this market, we found that most of the new players are already well established in their fields. On the other side, still there are large population in India that do not have banking facilities because of its vast geographical spread, regional disparities and connectivity. Thus, there is still lot of opportunity available in India for this type of banking provided they get their technology solutions right. These payment banks have millions of customers of their previous business who are currently not within the fold of the formal financial system. They are trying to convert these customer for their new venture and if they are successful, it would lead to large volumes of transactions fetching the payment banks fees. Even a fee of 1or 2% on a large volume can be lucrative on normal cash transfers Moreover, new payment banks can also earn on their investments in government securities. The mobile companies will have limited additional costs and thus they may even offer payment of more than the normal interest rate given by regular banks and thus, can attract deposits. Again, because payment banks are not in the business of advancement of loan, there is no chance of their fund to turn as NPA, neither there is no need for any provisioning. Also, payment bank can undertake non-risk financial services such as Aadhaar enrollment as well as member of clearing house.

Disrupters for Existing Banks

It is very difficult to predict how these new payment banks will affect the existing banks. Some believe that these banks will prove as disrupters to the existing commercial banks. However, the then RBI Governor is of the view that these banks would complement rather than compete; as he pointed out, universal banks can do everything that a payment bank can, but the reverse is not true. Undoubtedly, the new payment banks are likely to increase competition for existing banks. However, as these new banks will be catering to the needs of people, who have limited funds at their disposal, on the other hand regular banks having much more resources can focus on high net worth clients.

One of the interesting part is that RBI has given license to the entity for Payment banks, which includes name like Airtel, Vodafone and Idea, which are mobile service providers and thus already have a customer base of over 580 million

potential customers. Thus, biggest threat to commercial banks will be coming from these mobile service providers, as they already have grounds prepared for them. Airtel payment bank has achieved 15 million customers within seven months of their operations. There could also be pressure on public sector banks' deposit franchise from India Post, which has received payment bank approval. India Post's reach, with 139,000 post offices, significantly exceeds the number of bank branches at around 44,700 in rural areas. Since payment banks are allowed to take deposits up to Rs.1 lakh, public sector banks could lose out on customers who might open savings accounts with the post office

Challenges to Commercial Banks

Demand deposits play a very significant role in the profitability of the commercial banks. Payment banks can snatch the cheapest deposits of banks. Normally, despite the availability of multiple options, very few customers change the bank account even if they are facing poor services or high fees. This is because of the hassle associated with the opening and changing bank account especially with the new KYC norms. Payment bank could change this inertia by offering a new value proposition. They will not only offer more interest on savings deposits, but also seamless payment options through There is a great possibility that the customer may open account in payment banks also. They may choose payment banks for small ticket payments while keeping their account in commercial banks for other purposes.

Profitability of Payment Banks v/s Commercial Bank

The economic viability of payment banks has often been questioned in the absence of any fund -based business. However, the critique often fails to account for potential differences in the business and operating model of payment banks, coupled with a legacy-free IT and limited branch infrastructure. Moreover, these banks are expected to develop new capabilities and infrastructure, specifically on an asset -light premise as compared to the traditional branch- based and asset heavy model prevalent in India. Consequently, the customer acquisition and servicing cost structures of payment banks may not follow those of a traditional bank. Therefore, along with keeping the thrust on transaction volumes, payment banks could also manage the levers of servicing and acquisition costs to further improve profitability, as described below:

Lower Servicing Cost

Profitability of payment banks is expected to be highly sensitive to transaction volumes and gaining critical mass of customers; however, the channel mix through which these transactions will be effected can have a significant bearing on the overall profitability. Payment banks aim to push adoption of lower cost digital channels right from the start of their banking relationships.

Lower Customer Acquisition Cost due to Better Advocacy

Traditionally, banks in India have enjoyed lower switching costs for a customer's primary bank account due to a host of reasons. Payment banks are envisaged as high engagement platforms as compared to traditional banks, and hence, are expected to enjoy higher customer advocacy, provided they are able to meet, or rather, exceed customer expectations. Higher advocacy could lower the acquisition costs of new customers.

Findings and Suggestions

We concluded that payment banks are definitely going to eat up the margins of commercial banks as many of them are already reeling under the burden of NPAs. However, for people of India, such payment banks will add up to their overall banking experience even in the remote places.

Both commercial and payment banks have their own advantages and disadvantages therefore in a situation like these both should consider working together rather than against each other. This can be achieved by Tying up or Joint venture between commercial and payment banks so that both can reap the benefit of each other's strengths and plug their weaknesses.

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Development of Indian Banking Sector And its Effect on E-Commerce

Ravi Kumar Bunkar*

Introduction

Electronic commerce (e-commerce) can be considered as the transactions of different types of information for different purposes, as a matter of fact this information is shared by the mode of internet on various output devices, like smart mobile phones, personal computers, laptops, tablets, etc. as the name suggests it is E commerce (*Electronic Commerce*) and transfer of money is a vital segment. Now the application of money is required as people use buy and sell their respective products and services to each other on the above said modes, and there are two models for these type of transactions B2C and B2B, here B2B model refers to 'Business to Consumer' like online shopping. In the current scenario this is not just limited to shopping, people are using the same mode for investment in stocks and bonds, documentation, music and many other components. On the other hand there is the mode of B2B which refers to 'Business to Business', in this model industrial goods and services are transferred to other people of the same interest and the offerings are used to produce further goods.

In the last few decades it has been observed that many of the companies are gaining popularity and making profit by making the use of internet and the same has been reflected in India as well. This is because of the reason that the companies are

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able to be in touch with all their channel partners all the time and there is no loss of information for the components like raw material, finished inventory, processed goods, orders, a number of suppliers, debtors and creditors, shareholders of the company, employees, competitors, etc.

Treaver (2009), stated that in order to sustain in the given market and to get a consistent growth, it is very important for the companies to adopt new technologies as early as possible, and in the current scenario internet and Ecommerce are the essential part of any kind of business and in the near future all type of businesses and service providers will come under the same umbrella and perform.

Organizational performance assesses how firms are able to meet their stated objectives over time. The management of an organization should be in a position to evaluate the performance level of the organization in order to ensure the organization is both effective and efficient in order to be successful.

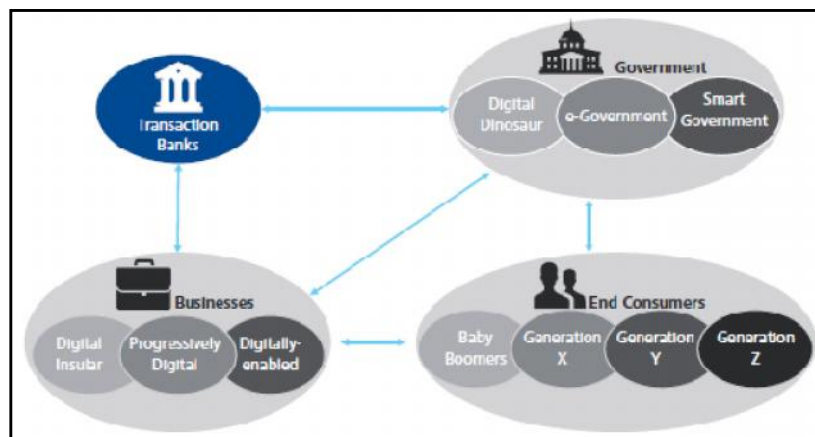


Fig. 1: End-client ecosystem

The end-client ecosystem (Fig. 1) illustrates the interactions between transaction banks, the government and businesses. Within each player in the ecosystem, there are unique segments with differentiated characteristics, preferences and exposure to digital trends. Transaction banks need to understand the varying levels of digital technology adoption by their end-clients in order to address their needs. In the current scenario, almost all the companies are keen to adopt Ecommerce and trying to sell on internet. For some of the companies this is best business model like Alibaba, Flipkart, Amazon, etc and for other it may be considered as an expansion plan which may add value to their businesses. Just a few years back the companies of progressive nature were using the mode of internet for safeguarding their data, keeping the track of customers and suppliers and maintain CRM and doing inventory management, but today the scenario has changed a lot.

It is not so that only corporate sector is keeping the track of Ecommerce, Banks and financial institutions are also joining the lead and are doing all the

necessary changes in their respective infrastructure. As a matter of fact this is very essential as well, because if banking system is not standing with the lead of Ecommerce then gradually it will slow down and collapse. Though in the Indian scenario the changes are slow but RBI is taking all the necessary steps for the sake of up gradation in the light of available infrastructure.

Research Objectives

- To identify the viability of Banking system in Ecommerce
- Assess the new products raised by banks in support of Ecommerce,
- Find the respective risks in Ecommerce related to banking system.

Research Methodology

Both primary and secondary data were used for this present study. This data was collected by the way of a survey and a detailed questionnaire was used to collect the primary data. Target population of the study was all commercial banks in Rajasthan. 40 questionnaires were exercised respective bank executives and managers which were responsible for the application of information technology. The sources of secondary data were magazines, Newspapers, articles from journals and a number of websites. After collection the data was edited, coded, classified and tabulated using MS EXCEL and further analysis was done by using SPSS Ver. 20.0. Different measures of Descriptive statistics were used to analyze the data. Correlation analysis was used to check on the overall strength of the established regression model and also the individual significance of the predictor variables.

Analysis of Data

Correlations (Performance of Commercial Banks and Electronic Marketing)

Descriptive Statistics			
	Mean	Std. Deviation	N
Performance	6834250.00	277796.538	40
Electronic Marketing	1498075.00	127027.051	40

Correlations			
		Circulation	readership
Performance	Pearson Correlation	1	.772
	Sig. (2-tailed)		.528
	Sum of Squares and Cross-products	231512750000.000	49964701000.000
	Covariance	77170916666.667	16654900333.333
	N	40	40
Electronic Marketing	Pearson Correlation	.772	1
	Sig. (2-tailed)	.528	
	Sum of Squares and Cross-products	49964701000.000	48407614802.000
	Covariance	16654900333.333	16135871600.667
	N	40	40

Source: Rajasthan Patrika

**Correlations (Performance of Commercial Banks
and Electronic Advertising Display)**

Descriptive Statistics			
	Mean	Std. Deviation	N
Performance	13972500.00	771772.635	40
Electronic Advertising Display	1929201.25	567570.743	40

Correlations			
		Circulation	Readership
Performance	Pearson Correlation	1	.823*
	Sig. (2-tailed)		.037
	Sum of Squares and Cross-products	1786899000000.000	-1265943296500.000
	Covariance	595633000000.000	-421981098833.333
	N	40	40
Electronic Advertising Display	Pearson Correlation	-.963*	1
	Sig. (2-tailed)	.037	
	Sum of Squares and Cross-products	-1265943296500.000	966409645904.750
	Covariance	-421981098833.333	322136548634.917
	N	40	40

*. Correlation is significant at the 0.05 level (2-tailed).

**Correlations (Performance of Commercial Banks
and Customer Support Service)**

Descriptive Statistics			
	Mean	Std. Deviation	N
Performance	16235500.00	179565.216	40
Customer Support Service	2628808.50	174220.836	40

Correlations			
		Circulation	Readership
	Pearson Correlation	1	.590
	Sig. (2-tailed)		.810
	Sum of Squares and Cross-products	96731000000.000	17871417000.000
	Covariance	32243666666.667	5957139000.000
	N	40	40
	Pearson Correlation	.190	1
	Sig. (2-tailed)	.810	
	Sum of Squares and Cross-products	17871417000.000	91058699581.000
	Covariance	5957139000.000	30352899860.333
	N	40	40

Correlations (Performance of Commercial Banks and Order and delivery)

Descriptive Statistics			
	Mean	Std. Deviation	N
Performance	8553750.00	237882.849	40
Order and Delivery	1379953.00	306503.728	40

Correlations			
		Circulation	Readership
Performance	Pearson Correlation	1	.598
	Sig. (2-tailed)		.466
	Sum of Squares and Cross-products	169764750000.000	116751220000.000
	Covariance	56588250000.000	38917073333.333
	N	4	4
Order and Delivery	Pearson Correlation	.534	1
	Sig. (2-tailed)	.466	
	Sum of Squares and Cross-products	116751220000.000	281833605934.000
	Covariance	38917073333.333	93944535311.333
	N	4	4

Correlations (Performance of Commercial Banks and Payment Status)

Descriptive Statistics			
	Mean	Std. Deviation	N
Performance	11269750.00	1332501.501	4
Payment Status	1677422.75	262936.678	4

Correlation			
		Circulation	Readership
Performance	Pearson Correlation	1	.794**
	Sig. (2-tailed)		.006
	Sum of Squares and Cross-products	5326680750000.000	1045240461750.000
	Covariance	1775560250000.000	348413487250.000
	N	40	40
Payment Status	Pearson Correlation	.994**	1
	Sig. (2-tailed)	.006	
	Sum of Squares and Cross-products	1045240461750.000	207407089884.750
	Covariance	348413487250.000	69135696628.250
	N	4	4

** . Correlation is significant at the 0.01 level (2-tailed).

Source: Hindustan

Interpretation of Correlation Analysis

The findings indicate a strong correlation between electronic advertising display and performance ($r = .828$), and also between electronic marketing strategy and performance ($r = .722$). Customer support service strategy and order and delivery strategy have moderate influence on performance, while the Payment system strategy is weak in influencing performance.

In terms of effectiveness; Customer support service (mean of 4.2692), Payment system (mean of 4.2692), Orders and delivery (mean of 4.2692) had influenced performance of the banks to a large extent. In terms of efficiency; Marketing (mean of 4.4615), Payment system (mean of 3.8846), Advertising, display company information and products (mean of 3.7692) and Orders and delivery (mean of 3.6154) had influenced performance of the banks to a large extent. In terms of relevance; Payment system (mean of 4.1538), Meeting organization Objectives and goals (mean of 4.0769), Product development (mean of 4.0769) Market environment (mean of 4.0000), and Orders and delivery (mean of 3.8846) had influenced performance of the banks to a large extent.

Conclusion

Performance is very vital for the functioning of any organization. The study established that the banks are performing according to said strategies. Due to many factors like stiff competition, pressure from customers for adoption of new technologies, stiff competition, adopting e-commerce strategy will ensure that competitive edge over its competitors, hence enhancement of the bank's performance. For the banks to be effective, efficient and relevant and be financially viable, then strategies like e-commerce are inevitable in adopting in the banking industry. The use of e-commerce has played a major role in many strategic initiatives. Most of the banking institutions are in the process of making necessary changes in their respective infrastructure; these changes are reflected in the recently launched upgraded products by the banks. On the other hand some of the products are actually designed for the purpose of linking business to the technology and that too specifically for Ecommerce. Gradually the banking institutions are facilitating the customers in using the platform of Ecommerce in the form of secured monetary transactions and other related things. Though this is not an easy task, as the banks may required to realign the scale of their operation and stretch it to the need of the hour.

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Capital Adequacy Analysis of Selected Public Sector Banks in India

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Introduction

The most highly leveraged sectors of any economy is banking sector which encounter various types of risks while carrying the business of financial intermediation. The banking infrastructure contributed in the overall growth of the economy. It plays an important role in meeting the financial needs of all the sections of the society and also supports the economic activities. As the introduction of prudential regulation form an integral part of financial sector reforms in India, there has been a growing debate as to whether capital adequacy requirements are the best means to regulate the banking system. Risk and uncertainties form an integral part and parcel of banking. Thus, risk management is the core to any banking service and hence the need for sufficient Capital Adequacy Ratio is felt.

Basel Committee on Banking Supervision (BCBS)

The Basel Committee on Banking Supervision (BCBS) is a committee of banking supervisory authorities and was established in 1974 by the Bank of International Settlements (BIS), an international organization founded in Basel, Switzerland in 1930.

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It published the Basel Accords i.e., rules regarding capital requirements. BCBS is a comprehensive set of reform measures to strengthen the regulation, supervision and risk management of the banking sector. In 1988, BCBS introduced the capital measurement system commonly referred to as Basel I. In 2004, BCBS published Basel II guidelines which were the refined, reformed and more complex version of Basel I. While Basel I focus only on credit risk, Basel II includes market and operational risks besides credit risks. Basel III released in December, 2010 which lay more focus on quality, consistency and transparency of the capital base. India adopted Basel I guidelines in 1999 while Basel II guidelines were implemented in phases by 2009. The Basel III capital regulation has been implemented in India from April 1, 2013 in phases and will be fully implemented as on March 31, 2018.

Minimum Capital Requirement

The capital which banks hold with themselves as required by financial regulator is known as minimum capital requirement. There are various kinds of risks associated with the granting and advancing of loans to various sectors by banks. In order to absorb any losses which banks face from its business, it is imperative that banks should have sufficient capital. With the availability of sufficient capital, banks can promote and maintain their stability. It also protects its depositors from the unforeseen loss or contingencies. With a sound capital the banks shows a strong efficiency of financial system.

Capital Adequacy Ratio (CAR)

CAR is a measure of a bank's capital. This is a modified structure for capital adequacy standards, where the CRAR (Capital to Risk Weighted Assets Ratio) is computed by incorporating credit, market and operational risks. Capital Adequacy Ratio is used to protect depositors and promote the stability and efficiency of financial system around the world. The Basel III norms stipulated a capital to risk weighted assets of 8%. However, as per RBI norms, Indian scheduled commercial banks are required to maintain a CAR of 9% while Indian public sector banks are emphasized to maintain a CAR of 12%

Components of CRAR include

- Tier One Capital which can absorb losses without a bank being required to cease trading, and
- Tier Two Capital which can absorb losses in the event of a winding up and so provides a lesser degree of protection to depositors.
- Tier Three Capital is arranged to meet part of market risk, viz. changes in interest rate, exchange rate, equity prices, commodity prices, etc. To quantify as Tier III capital, assets must be limited to 250% of a bank's Tier I capital, be unsecured subordinated and have a minimum maturity of 2 years.

- The Risk Weighted Assets take into account credit risk, market risk and operational risk.

The formula for calculating the Capital Adequacy Ratio is:

Capital Adequacy Ratio = (Tier I + Tier II + Tier III (Capital funds)) / Risk weighted assets

Review of Literature

Guruprasad (2011) in his study “Indian Banking Industry – Basics to Basel” examined progress of Basel II and Basel III, India’s preparedness and the plausible impact of Basel II. It is inspected that implementation of Basel norms has made better the risk management systems of banks by holding satisfactory capital to support all the risks that banks face and also toughen the overall monetary system of the country.

Shrivastava et al. (2011) in the study “Evaluating the Performance of Axis Bank in terms of Capital Adequacy using Financial Indicators” measured the performance of Axis bank in terms of capital adequacy using financial indicators since 2007 to 2011. They emphasized that the capital adequacy ratio shows satisfied condition to soak up losses in bank. An advance to assets ratio has enhanced which demonstrates development in investments and Debt to Equity ratio has been declined by paying their liabilities during the period.

Nikhat Fatima (2014) in her study “Capital Adequacy: A Financial Soundness Indicator for Banks” analyzed the trend in CAR values for top 10 scheduled commercial banks in India. The study found out that ICICI bank maintained the highest CAR while Bank of India accounted the least position.

Suman Goel et al. (2016) in the study “Comparing Capital Adequacy Ratio of Indian Public Sector Banks in View of Basel II Norms” has been observed that CRAR ratio of these banks was not much increase after implementation of Basel II, while the capital of the banks had to be enhanced in order to meet the condition of the new capital adequacy norms.

Objectives of the Study

- To analyse the capital adequacy of the selected public sector banks in India.
- To know the various aspects of Capital Adequacy for selected public Sector Banks.
- To evaluate the CAR values of selected Public Sector Banks.

Research Methodology

The study is conducted on a period of 4 years, i.e., from 2014 to 2017. For the purpose of study top 4 public sector banks were identified according to their market capitalization base. The study is based on secondary data where a major portion of data is extracted from ‘Statistical tables relating to banks in India, annual publication of RBI’. Further, various articles, reports and research papers relating to capital

adequacy published in different business journals, magazines, newspaper, periodicals and data available on internet is also concerned. The study used ratio average ratio, Standard deviation, coefficient of variation to analyse the data.

Analysis and Interpretation

The following section shows the analysis and interpretation of data.

Table No 1: CRAR of Selected Public Sector Banks (in %)

Public Sector Banks	2017	2016	2015	2014	Min	Max	Mean	R	S.D.	C.V.	CAGR(%)
Punjab National Bank	11.66	11.28	12.21	11.52	11.28	12.21	11.75	2	.17	1.45	.39
Bank of Baroda	12.24	13.18	12.61	12.28	12.24	13.18	12.71	1	.17	1.34	.08
Canara Bank	12.86	11.08	10.56	10.63	10.56	12.86	11.71	3	.86	7.34	-6.11
Bank of India	12.14	12.01	10.73	9.97	9.97	12.14	11.10	4	.23	2.07	-6.30
Min	11.66	11.08	10.56	9.97							
Max	12.86	13.18	12.61	12.28							
Mean	12.23	11.89	11.53	11.1							
S.D	.01	.005	.005	0.01							
C.V.	.08	.04	.04	0.01							

Source: Compiled from various volumes of statistical tables relating to banks in India, www.rbi.org.in

The perusal of table no.1 shows that all the public sector banks achieved CRAR norm of 8% prescribed by BCBS and 9% prescribed by RBI for the said years. Rather the minimum capital adequacy ratio registered by banks is above 9.00% and

varied from 9.97 %-12.28% in 2014, from 10.56% to 12.61% in 2015 and from 11.08% to 13.18% in 2016. In the year 2017 the minimum CRAR of selected public sector banks was 11.66% and maximum CRAR was 12.86%. Over the period of last 4 years of study the average CRAR increased from 11.11% in 2014 to 11.53% in 2015 and then continued to increase in the next following years, i.e. 11.89 in 2016 and 12.23 in 2017. During the period of four years of study the average CRAR increased from 11.1% to 12.23%. During this period of study the minimum CRAR was registered at 9.97% in 2014 by BOI and maximum CRAR registered was 13.18% by BOB in year 2016. The BOB had lowest standard deviation of 0.17 and hence lowest coefficient of variation of 1.34 and Canara bank had highest standard deviation of .86 and hence highest coefficient of variation of 7.34. The year ending 2014 has maximum S.D and C.V. and year ending 2017 has minimum S.D. and C.V.

**Table 2: The Distribution of CRAR in Selected Public Sector Banks
During the Period of Study (No. of Banks)**

Level/ Year	Total no.	9%≤10%	10%≤11%	11%≤12%	12%≤13%	13%≤14%
2017	4			1	3	
2016	4			2	1	1
2015	4		2		2	
2014	4	1	1	1	1	

Source : compiled by author

The analysis of table 2 reveals that all the selected public sector banks met the norm as prescribed by RBI from time to time and over a period of time capital adequacy position of these public sector banks has improved. In year 2017 most of the banks had CRAR of more than 12%. In the year 2014 all banks vary in their CRAR maintenance. As one bank maintain CRAR between 9%-10% and one maintain between 10%-11% and one between 11%-12% and one between 12%-13%. In year 2016 all banks maintain their CRAR above 11%. This shows that all selected banks achieve the norm of RBI from 2016. Before 2016 only 2 banks achieve this minimum requirement, i.e., minimum 11.5% in 2015.

Conclusion

It may be concluded that all the selected public sector banks achieved RBI prescribed CRAR norm of 9% from the year ending 2014. And also the two banks achieved the RBI prescribed norm of 11.50% for the year ending March, 2015 and two banks had CRAR of less than 12% as emphasized by Government of India. All the banks reached to this target by the year ending 2016. On the basis of average CRAR calculated for the last four years the ranks are allotted to the banks. First rank holds by the Bank of Baroda follows by Punjab National Bank on second, Canara Bank on third and last ranker is Bank of India. Though Canara Bank has the highest SD and CV but also has a minimum (Compound Annual Growth Rate) CAGR which shows the

downfall in CRAR. The CAGR of PNB is the highest amongst all which shows a good growth of this bank. Over the period of study it is seen that only Bank of India and Canara Bank have the rise graph in CRAR. But it can't be said that the banks fail to maintain the minimum requirement of basic norms. Hence it can be concluded that banks move for maintaining and improving the capital adequacy position.

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Performance Enhancement, Training and Development in Banking Sector: A Review Paper

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Introduction

Training and development programmes give impetus to knowledge and skill development and job enrichment of bank employees. It also reduces the attrition rate, increases job retention and provides value addition to the employees. Training and development is a continuous activity equipping the employees to perform more effectively. The result can also be seen as an improved bank culture and profits to the bank. Training has to be an ongoing process as it plays a vital role in improving the productivity, efficiency, and effectiveness of managers. Designing Training and development programmes incurs cost at present whereas the benefit accrues in the form of increased productivity of employees, increased morale, reduced supervision, and increased organizational stability and flexibility for the future.

The only way to face the competition in the market is to develop a competent and versatile workforce. To be successful organizations need to add value and this can only be possible through competent employees. The business environment today and intense competition globally have made it mandatory for the business entities to train their human resources constantly and as per the emerging challenges. The training programs have to be designed strategically to meet the business needs, prior

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to that the training needs must be identified methodically with the use of the appropriate tools so that the training program helps in meeting the current competitive market scenario.

An organization's training needs are assessed using Training Needs Analysis whose roots include the gap analysis. The gap analysis is an assessment of the gap between the knowledge, skills and attitudes that the employees in the organization require to meet the organization's objectives of profitability and productivity and the knowledge, skills and attitudes that the people in the organization currently possess. Therefore, the assessment of training needs the gap analysis is carried out prior to designing, budgeting and delivering the training solutions.

Review of Literature

Training is a continuous activity that provides the employees with the required skills to perform well in their job and also enhances their knowledge to cope up with the changing market scenario. Training and development programmes are beneficial as they provide value addition to the employees, help in reducing attrition rate, increase job retention and improve the market share and profitability of the bank.

According to Cosh, et al, (1998) a firm's expansion, developing its potentials and enhancing its profitability can all be achieved by the implementation of training. Identifying the organization's business objectives or strategy is the basic approach of the HRD.

Whereas according to Desimone, et al., (2002) four levels of needs have to be analyzed when analyzing the HRD needs, and these four levels are assessing the needs of the organization, individual employees' skills, knowledge and attitudes, and their functional responsibilities as well as departments' needs (Wilson, 1999 and Harrison, 2000), which seemed to be the most exhaustive technique of analysis.

Kerr & McDougall (1999) contradicted saying that, most companies do not analyze all the four levels, but rather emphasized on individual employees' needs as the basic need requirement.

Requirement for Training

New recruits require induction training so as to perform their task efficiently. A combination of instructions, coaching and guidance help them reach the required level of performance in their jobs quickly and economically by performing well. Training for existing employees is necessary to help them develop capabilities to improve their performance in their present jobs, and also to prepare them by teaching them new technologies to achieve higher positions. Existing employees do require fresh training so as to keep them abreast with the latest and to make them more productive. Training is necessary when a person moves from one to another job so as to bridge

the gap as per the new job demands. Also, training equips a person to improve his performance and achieve career goals with sincere efforts.

The Employee Development Programs are tailor made to meet specific objectives like organizational effectiveness, employee productivity and to meet other emerging challenges from time to time. The various sub processes in the process of management development program include strategy to face the emerging challenges, reviewing organizational objectives, evaluating the organization's current management resources, determining individual capabilities and needs, designing and implementing development programs and evaluating the effectiveness of these programs and finally measuring the impact of the training on the individuals work life quality and balance between the two.

Training and Development

According to Michel Armstrong, "Training is systematic development of knowledge, skills and attitudes required by an individual to perform adequately a given task or job". According to Edwin B Flippo, "Training is the act of increasing knowledge and skills of an employee for doing a particular job." Dale S Beach has defined training as, "Training is usually considered as the organized procedure by which people gain knowledge and increase skills for a definite purpose"

Training and Development – Distinguishing Features

The concept of 'Employee training' refers to enhancing the Technical and Operational skills related to workplace whereas 'Management Development' refers to developing the employee specifically in the areas of Administration, Supervision and Principles & Techniques of management.

Training Needs Identification

A "need" refers to the gap between what skills are present and what skills have to be acquired so as to improve productivity. If we conceptualize 'need' then it refers to a gap between the organizational expectations and the present scenario. It actually focuses on improving the substandard performance to achieve organizational expectations. The main purpose of assessment or analysis is to gauge the way things are and the way they should be as per the organization's expectations, referred to as the performance gap.]

Organizational Needs

These refer to the aims and aspirations of the organization i.e the overall direction in which the organization as a corporate entity is focusing on / heading towards.

- **Professional Needs**

Professional needs mean what is required in terms of skill, knowledge and attitude to efficiently handle the current profile and with best productivity.

- **Individual Needs**

The individual needs refer to those skills which are required by an individual to perform in his job with optimal effectiveness and which will also help him in achieving his career objectives. Training analysis is part of the system development process which has to be carried out meticulously else failure and wastage of efforts may result and the desired objectives may not be achieved. Training Needs Identification is a perennial activity taking place in the organization as every change in the business environment will have its impact on the training system and it has to be redesigned to meet the emerging challenges.

Training and Skill Development in Banks

The banking sector in India is undergoing rapid transformational growth on year to year basis, hence to face the future challenges there has to be fullest support of all the employees to the best of their abilities, to face the rapid technology advancement, increasing market competition and stringent viability norms implemented on time to time basis. Training is one such HRD measure that helps the banks to face the emerging challenges. The banking staff needs to be rigorously trained in handling customer care services, behavioral and operational areas of banking business. As already discussed the training needs have to be assessed regularly through assessment techniques like task analysis and performance analysis, which needs to be conducted through surveys, or on the basis of information provided by the Departmental heads, reports generated through 360 degree feedback systems and feedback from customers.

The study was conducted with a purpose to generate information that could be used by the industry, policy makers and the consultants to develop appropriate training and development interventions. The present study was based on primary data which was collected with the help of a questionnaire filled up by a sample of 50 respondents who were approached.

Training and Development should be implemented with utmost diligence in the banks as it ensures bridging the knowledge gap, development of requisite skills, achieving excellence in all the activities associated with the bank, building up of proper attitude, helps in facing the functional challenges and diversification in banks. Training should not be simple but should be specific, should be oriented towards HRD policies, should be based on training need, well planned and designed, implemented properly with assessment of results through evaluation and post training utilization of human resources. The quality of Customer Service Management training provided depends on following parameters: measured in terms of accuracy, speed, promptness, change in attitude, concern towards the customers, and nature of helpfulness and communication skill. As per Muniraj (1994) training is not proper if

there is lot of delay, irregularity, inaccuracy and lack of concern while dealing with customers.

Lack of trained and skilled staff provides a hindrance to the computerization of rural bank branches. To foster training and skill development and to utilize the learnt skill / knowledge on the job, suitable reward / incentive schemes have to be implemented. On several occasions it has been found that suitable training has not been given as per the job requirement hence the trainees lose the skill due to lack of utilization. Employees of the banks are composed of many ethnic, as well as socioeconomic and gender, groups. The banking is facing dual problems of young and versatile entrant with altogether different expectations joining the bank and existing employees older in age and with a different mindset.

Customers have also become highly demanding being literate and similar is the case with employees gaining expertise, education and skills. Investors have become highly concerned about financial results due to the ever changing market scenario. The banks too have to face ever changing diverse problems like stiff competition from large players as well as from small private and foreign banks, positioning the banks in the minds of customers, delivering new products besides managing customer expectations.

The ever changing market and operating environment requires highly skilled employees who have the competence to handle the emerging challenges with care and confidence. They need to handle unstable conditions with zeal and should have a quest for continuous learning. Investment in human resource is the most important criteria for future growth and development of an organization. The role of Staff Training Colleges needs to be redefined and they should refrain from 'headcount'-oriented training activities to competence and skill development training. This process would ensure utmost involvement of the STCs in the whole range of training and skill development process starting from identification of training needs to the evaluation of effectiveness of training given to the employees and how successfully it is implemented at the work place with benefits to the end users – our valued customers.

This sort of involvement of STCs would make the entire process of training and skill development quite meaningful to the banking organizations and would lead to continuous reviewing of the training process for emerging training needs. Not only would this be sufficient but the review should also include examining the adequacy of courses, faculty development, existing training infrastructure, appropriate training material and teaching methodologies. In keeping the ever changing market scenario, banks have to proactively define and develop training policies with commitment.

Observations and Interpretations Related to Training

Jaspreet Kaur (2012) has shared the findings of her study as:

- The Trainer plays a key role in influencing and changing the attitude and skills of an employee in the organization
- To meet the future emerging challenges and development plans, the banks impart training to the employees to equip them with better skills and also to improve the quality and magnitude of work.
- Banks provide training to the employees to acquaint them with the latest knowhow, introduce new products and develop innovation in employees.
- The bank employees too perceive that to adjust in their job in a better way and to have additional knowledge they need to be provided with training.
- The supervisor's recommendation forms the basis for identifying training needs of bank employees.
- The aspects which are emphasized during training sessions in banks include: updates on developments in banking sector, banking theory and product knowledge.
- Training provides immense benefits to the trainees like it improves inter-personal relation between the employees, creates positive attitude, increase the level of motivation besides upgrading the knowledge of the employees continuously.
- The Training methodology is different for Private sector and Public sector banks. Private sector banks use Orientation method for training the employees, Job rotation for managers and Lecture method for non-managers. Public sector banks use on the job and off the job training methods, Lecture method for managers and Orientation method for non managers.
- Banks normally use traditional training methods and less usage is of other methods.

Training and Skill Development in Banks – Emerging Challenges

Several previous researches and a study by Supriya Srivastava (2016) have proved that 'Skilled workforce is the key to strong, sustainable and balanced growth of the organization. Also high level of 'Engagement' of the employees transforms into organizational success. Engaged employees are those who exemplify Hard work, going that extra mile and loyalty. The success of an organization depends on the employee behavior and the level of his engagement. Employee engagement can be cognitive, behavioral or emotional. Cognitive engagement reflects employees' beliefs related to the workplace, organization and its management. Behavioral engagement reflects the amount of labor and hard work employees put in. Emotional engagement is about how the employees feel about their colleagues, seniors and the company as a whole. Business success can be attributed to the sum total of positive attitude and beliefs and high-involvement work practices.

Companies using high performance work systems like employees being recognized for their efforts, they have access to information about company costs and revenues, they are empowered to make decisions related to their performance and they are given value addition through training and skill development, their productivity increases. This was analyzed through a study based on one hundred thirty two US manufacturing firms as compared to their competitors. The newer competitive markets and changing trends would cause pressing changes in the banking sector making them include non- traditional areas like personal investment counseling, consultancy and research services, venture capital, factoring, merchant banking, mutual funds and newer financial services products.

Remaining in the competition will involve innovation, and working like top notch banks. These changes related to financial transformations will require new knowledge, skills and attitudes, and training systems will have to gear up to face these challenges in the emerging business markets. With emerging modern business ventures enhanced technology will assist in multifarious operations leading to decrease in the number of routine workers at bottom level of hierarchy and increase in number of knowledge workers. Skills will necessarily have to be revamped to adopt newer technology. The newly created scenario will require new competencies incorporating new profiles and a fresh orientation due to the global awareness of Indian banks. When engagement is effective and real a strong and effective association with the organization prevails. Investing in training and skill development by the organization is very useful as it helps in changing the attitude of employees towards their colleagues and company's clients in a positive manner.

A study by Corporate Leadership Council (2004) - Driving Performance and Retention through Employee Engagement gave a remarkable statistics that those employees who are most committed perform 20% better and are 87% less likely to leave the organization indicating the significance of engagement to organizational performance, good retention policy and organizational success.

Training and Skill Development – Suggestions

Anjali Ganesh (2012) conducted a study and has suggested that: For superior results change in behavior has to be made through Human Relations and Interpersonal Skills training:

- Lecture method is useful for mastering analytical and conceptual skills.
- Staff Training Colleges (STCs) to have more qualified and talented staff so that the faculty are free from administrative and clerical duties and would allow them to do justice to the training program
- More training programs on marketing and customer service as they help in generating more business for the bank

- Employees training needs status has to be properly analyzed to avoid a mismatch and Proper post training utilization of the employees would ensure high returns in terms of performance
- Faculty selection at the STCs to be handled very efficiently, trainers to be rewarded and attitudinal training enabling those faster promotions, awards and career growth.
- An advisory role as a consultant to the top management can be entrusted to the trainers.
- For efficient customer service both clerical and sub-staff to be given behavioral and attitudinal training through STCs
- Empower the clerical and sub-staff to attend seminars and conferences selectively so as to gain more commitment and interest from them.
- Thrust for more in-house training programs through STCs as better analysis of training needs, and specialized training programs designed for delivery
- Brainstorming activity in the beginning and feedback at the end should be a mandatory process at the STCs.
- Faculties at STCs on a permanent basis and not temporarily, for full commitment.
- STC should have an excellent building structure with wideclass rooms, library, computer lab, conference room, meeting hall and relaxation hall in it.
- Trainers to act more like a counselor and assist the trainees in implementing the new skills gained by the training.
- Regular and compulsory workshops and seminars on Yoga, Meditation and Relaxation techniques on a regular basis so as to relieve the employees from stress, depression and interpersonal problems
- More of visiting faculties with expertise to be invited at the STCs
- STCs to conduct more training programs on risks like operational risks, credit risks, liquidity risks, foreign exchange risks, strategic risks and in the field of International Banking, External Trade and Foreign Currency Borrowings
- STC faculties to have substantial autonomy in designing training plans, training programs and their scheduling, changes to be implemented, training budget, program contents and level of training programs
- The banks should have a systematic training budget.

Conclusion

Coherent corporate culture rather than ad-hoc programs bring about development of integrated and proactive training and development strategy. Training and skill development whether at entry level or middle management level of the career always helps in bringing about a positive change. Updated knowledge on current trends in IT and business acumen are visible changes in the banking scenario present

days. Banks are competing with one other while facing the emerging challenges and going global. Banks in order to meet the growing challenges have to fill up the information gaps and stop traditional mundane banking activities.

The role of Human Resource Management is very well defined and it is meant “to integrate all personal activities with each other and strategically with organizational objectives” in the most beneficial manner both for the employee and the organization. The first major objective of HRM is to serve the organizational interest in the most beneficial manner; hence it is more of an investment rather than a cost to the organization. The other resources are best utilized once the human resources are efficiently utilized. With increase in complexity of jobs in the banking sector, the importance of employee training has increased tremendously. In order to maintain a viable and knowledgeable workforce, employee training has to be a commitment with resources. Effective training of the employees equips them to perform well and also influences the growth and profitability of the bank. Employee behavior too plays a vital role in improving the productivity of the bank. Incorporating personality development program through group discussion, business games and role plays, the senior subordinate relationship can be strengthened, hereby improving productivity. Banks should proactively implement training sessions so that the employees take it up with full dedication to enhance their performance and productivity and to give customer satisfaction so that the banks could face emerging challenges.

The significant and positive influence on productivity in the banking sector could be attributed to the training and development programs. These attributes include ‘introduction of new products, imparting knowledge in addition to the present knowledge, programmes and product orientation’, ‘to train the staff for computerization’, utilizing methodology like ‘appraisal system’, ‘technical analysis’, ‘personal development plans’ and ‘training programmes provided by other banks’ and fundamentals/ basics like ‘sufficiently integrated goals of organization in the training activities’, ‘professional and competent faculty’, ‘enabling the staff to use skills at work place’, ‘developing organizational culture and incorporating ‘latest trends in banking are significantly strong contributors to enhanced productivity in the banking sector.

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Comparative Study of Non-Performing Assets of Public And Private Sector Banks

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Introduction

The dealing of banking fundamentally involves intermediation-acceptance of deposits and canalizing these deposits in to specific lending purposed. In the conventional banking business of lending financed by deposits from depositors, commercial banks have been experiencing with the risk of non-payment by the borrower in the payment of either principal amount or interest. This risk in banking vernacular is termed as 'Credit Risk' and accounts where payment of interest and /or repayment of principal is not forthcoming are treated as Non-Performing Assets, as per the Reserve Bank of India, an asset, including a leased asset, becomes non-Performing when it ceases to create income for the bank. Existence of Non-Performing Asset is a central part of banking and every bank has some Non-Performing Assets in its advance assortment. That is why high level of NPA is a area of great concern to all financial institutions. Bank's profitability is greatly affected by the amount of non-performing assets in its balance sheet. When loan account becomes overdue and banks are neither able to recover the capital nor earn interest income, then in real terms they become non-performing. As per RBI directives an asset account (term loan/ cash credit/ overdraft/ bills purchase or discount) is classified as Non Performing

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Asset (NPA) if it residue irregular or out of order for a period of one quarter or 90 days. NPA is definitely a major critical issue in present context for banking system anywhere around the globe and Indian Banking system has also been facing this critical situation very badly in this globalized era for past many decades. Narasimham committee reports I and II, Verma Committee Report, Basel I, II and III have continuously been providing guidelines and regulations regarding this a blazing issue. Nowadays, NPA Management has become tantamount to functional efficiency of general banking system in India. Moreover, the Securitization Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002 defined NPAs as an asset or account of borrower, which has been classified by a bank or financial institution as substandard, doubtful or loss asset in accordance with the instructions or guidance relating to asset categorization issued by the Reserve Banks of India.

Gross and Net NPA

$$\text{NPAs} = [(\text{gross or net NPA}) / \text{total advances}] * 100$$

Where, net NPAs = Gross NPSs – Provision for NPA

As per RBI circular, gross advance means, all outstanding loans and advances counting advances for which refinance has been received but excluding re-discounted bills and advances written off at head office level. RBI has advised that while reporting, banks have to reduce technical write off made at head office from gross advances too. The following are deducted from gross NPA to arrive at net NPA:

- Balance in interest suspense account, if applicable.
- DICGC/ECGC received and held pending adjustment.
- Part payment received and kept in suspense account.
- Total provisions made excluding technical write off made at head office.

The percentage of gross NPA to gross advances includes interest suspense account where the bank is following the accounting practice of debiting interest to the customer's account and crediting interest to the suspense account. Net NPA should be below 10 percent from July 2007(RBI Bulletin, July 2007, Regulatory). This study endeavors to analyses the non-performing assets of public and private sector banks in India because NPAs is considered be a sign of the performance of commercial banks in India in present context. The earning competency and profitability of the banks are highly affected due of the existence of NPAs. The NPA growth rivets the necessity of provisions, which reduces the overall earnings and shareholders' value in general. Similar to any other business enterprise, the efficiency of a bank is evaluated based on profitability and quality of assets it possess.

Review of Literature:

Kavitha N.A. et al (2016) studied that NPAs have always formed a big problem for the banks in India. It is not a big predicament for the banks but for the Indian

economy as well. The finance blocked up in NPAs has a direct impact on profitability of the bank as Indian banks are very much reliant on returns from interest on funds lender. This paper indicates that extent of NPA is comparatively very high in public sector banks as compared to private banks. Though many steps have been considered by the government to come down the NPAs but still some big effort needs to be done in order to curb the present problem.

Sulagna Das et al (2014) stated that NPAs are the types of assets which are the subject of major concerns to the Indian banking sector. A loan or advance that does not meet the stated principal amount and the interest amount payments is termed as non-performing assets. The current study deals with the types of NPA and its causes as well as its impact on the banking sector and the economy as a whole. A study has done for SBI and its associates, and the other public sector banks. Based on the secondary data collected from the annual reports of six years starting from 2008 to 2013 concluded the grim situation of NPA with help of valid statistical tool i.e. ANOVA.

H. S.Ms. Shalini (2013) the bankers can avoid sanctioning loans to the non creditworthy borrowers by adopting certain measures. There should be careful appraisal of the project which involves inspecting the economic viability of the venture. A banker must consider the return on investment (ROI) on a proposed project. There are many empirical studies conducted on the current issue of NPA of commercial banks in India and abroad as well. Profitability analysis of Indian banks, it is relevant to study the impact of priority sector lending, credit policies and credit worthiness of borrower. Many studies conducted on analysis of NPA with statistical tool, and found that it requires immediate reforms least it would be a serious concern of Indian economy (Kumar & Dadhich, 2014, Reddy, 2002; Ahmed & Jegdeeshwaran, 2013; Uppal & Khanna, 2014).

Objectives of the Study

- Σ To examine the trends of gross NPA of selected public and private sector banks in India.
- Σ To analyze the trends of net NPA of selected public and private sector banks in India.
- Σ To study the difference of NPA of public and private sector banks in India.

Research Design of Present Study

In this study the following three methods will be adopted in the context of research design- the survey of concerning literature and statement, experiencing and framing of literature, analysis of the collection and analysis of NPA of Indian banks.

- **Collection of Data:** The study based on secondary data collected from the published records of banks, annual reports of RBI, websites, report of economic survey, government of India etc.

- **Tools of Analysis:** The collected data recorded, analyzed and interpreted in the significant manner with the help of excel sheet. The statistical tools used for the study included Percentage and independent t-test.
- **Sample unit:** In public sector banks- State Bank of India, Punjab National Bank, Union banks of India, Bank of Baroda and Canara bank have selected whereas in private sector banks were ICICI Bank, Axis Bank, HDFC Bank, Yes bank and IndusInd banks.
- **Period of study:** The data was collected during the period of March 2012-16.

Hypotheses

H₀₁ : There is no significant difference among percentage of gross NPA of public and private sector banks.

H₀₂ : There is no significant difference among percentage of net NPA of public and private sector banks.

Data Analysis and Interpretation

Expansion of credit is a must for a country like India. But as mentioned below, high NPA growth may lead to credit problem. Therefore, policymakers, economist and administrator face the quandary as how to minimize such risks that arise from dilution in credit quality. Table 1 shows the total advances in terms of gross and net which increased from 5587.66 to 81673.45 rupee billion along with gross NPA which amount 637.41 to 6119.47 rupee billion and Net NPA augmented from 324.61 to 3498.20 rupee billion during given period of time i.e. 2001 to 2016.

Table 1: Gross and Net NPA year wise (Rupees Billion)

Year (End-March)	Advances		Non-Performing Assets					
	Gross	Net	Gross			Net		
			Amount	As % of Gross Advances	As % of Total Assets	Amount	As % of Net Advances	As% of Total Assets
2015-16	81673.45	78964.67	6119.47	7.5	4.7	3498.20	4.4	2.7
2014-15	75606.66	73881.60	3233.35	4.3	2.7	1758.41	2.4	1.5
2013-14	68757.48	67352.13	2633.72	3.8	2.4	1423.83	2.1	1.3
2012-13	59718.20	58797.73	1935.09	3.2	2.0	986.09	1.7	1.0
2011-12	46488.08	50735.59	1423.26	3.1	1.7	650.19	1.3	0.8
2010-11	40120.79	42987.04	979.00	2.5	1.4	417.00	1.1	0.6
2009-10	35449.65	34970.92	846.98	2.4	1.4	387.23	1.1	0.6
2008-09	30382.54	29999.24	683.28	2.3	1.3	315.64	1.1	0.6
2007-08	25078.85	24769.36	563.09	2.3	1.3	247.30	1.0	0.6
2006-07	20125.10	19812.37	504.86	2.5	1.5	201.01	1.0	0.6
2005-06	15513.78	15168.11	510.97	3.3	1.8	185.43	1.2	0.7
2004-05	11526.82	11156.63	593.73	5.2	2.5	217.54	2.0	0.9
2003-04	9020.26	8626.43	648.12	7.2	3.3	243.96	2.8	1.2
2002-03	7780.43	7404.73	687.17	8.8	4.1	296.92	4.0	1.8
2001-02	6809.58	6458.59	708.61	10.4	4.6	355.54	5.5	2.3
2000-01	5587.66	5263.28	637.41	11.4	4.9	324.61	6.2	2.5

Source: Report on Trends and Progress of Banking in India, www.rbi.org.in

Table 2 indicates gross advances, gross NPA and gross NPA of percentage of total under category of priority sector and non priority sectors. The NPAs in Priority sector and non priority sector depicted a significant hike along with gross advances during 2013-16. This could be area of concern which requires some corrective measures. The factors responsible for high NPAs may be change in Government policies including unfocussed liberalization, delay in release of adequate and timely credit, willful default, divergence of funds, inadequate post- follow up, non-availability of timely audited financials from the borrowers, lack of proper appraisal etc.

Table 2: Advances and NPAs of Banks by Priority and Non-Priority Sectors
(Amount in ₹ Billion)

Bank Group	Priority Sector			Non-Priority Sector			Total		
	Gross Advances	Gross NPAs	Gross NPAs as % of Total	Gross Advances	Gross NPAs	Gross NPAs as % of Total	Gross Advances	Gross NPAs	Gross NPAs as % of Total
Public Sector Banks									
2013	12,790	669	42.9	27,769	890	57.1	40,559	1,559	100.0
2014	15,193	792	36.5	30,712	1,375	63.5	45,905	2,167	100.0
2015	16,860	937	35.7	31,593	1,691	64.3	48,453	2,627	100.0
2016	18,675	1,271	25.3	32,146	3,749	74.7	50,822	5,021	100.0
Nationalized Banks									
2013	8,891	405	42.2	19,170	554	57.8	28,061	959	100.0
2014	10,711	530	37.7	21,249	877	62.3	31,960	1,407	100.0
2015	12,507	680	35.4	21,718	1,239	64.6	34,224	1,919	100.0
2016	13,356	979	25.2	21,062	2,900	74.8	34,418	3,879	100.0
SBI Group									
2013	3,899	264	44.1	8,599	335	55.9	12,498	600	100.0
2014	4,482	261	34.4	9,463	499	65.6	13,944	760	100.0
2015	4,353	257	36.3	9,875	451	63.7	14,228	709	100.0
2016	5,320	292	25.6	11,084	849	74.4	16,404	1,142	100.0
Private Sector Banks									
2013	3,157	52	26.0	7,309	148	74.0	10,467	200	100.0
2014	3,831	61	26.6	8,287	167	73.4	12,117	227	100.0
2015	4,428	72	22.8	9,946	244	77.2	14,373	316	100.0
2016	5,620	101	21.0	12,297	382	79.0	17,917	484	100.0
All SCBs (Excluding Foreign Banks)									
2013	15,947	721	41.0	35,078	1,038	59.0	51,025	1,759	100.0
2014	19,024	852	35.6	38,998	1,542	64.4	58,022	2,395	100.0
2015	21,287	1,009	34	41,539	1,934	66	62,826	2,943	100
2016	24,295	1,373	25	44,443	4,132	75	68,738	5,504	100

Source: Report on Trends and Progress of Banking in India

Table 3 : NPAs of SCBs Recovered through Various Channels (Amount in ₹ Billion)

Year	S No.	Recovery Channel	Lok Adalats	DRTs	SARFAESI Act	Total
2012-13	1	No. of cases referred	840,691	13,408	190,537	1,044,636
	2	Amount involved	66	310	681	1,057
	3	Amount recovered*	4	44	185	233
	4	3 as per cent of 2	6.1	14.2	27.2	22
2013-14	1	No. of cases referred	1,636,957	28,258	194,707#	1,859,922
	2	Amount involved	232	553	953	1,738
	3	Amount recovered*	14	53	253	320
	4	3 as per cent of 2	6	9.6	26.6	18.4

2014-15	1	No. of cases referred	2,958,313	22,004	175,355	3,155,672
	2	Amount involved	310	604	1,568	2,482
	3	Amount recovered*	10	42	256	308
	4	3 as per cent of 2	3.2	7	16.3	12.4
2015-16	1	No. of cases referred	4,456,634	24,537	173,582	4,654,753
	2	Amount involved	720	693	801	2,214
	3	Amount recovered*	32	64	132	228
	4	3 as per cent of 2	4.4	9.2	16.5	10.3

Source: www.rbi.org.in

Some measures are designed to maximize the NPAs recoveries in Indian banking. The Central government and RBI have taken steps for controlling incidence of fresh NPAs and creating legal and regulatory environment to facilitate the recovery of existing NPAs of banks. They are lime One Time Settlement Schemes, Lok Adalats, Debt Recovery Tribunals (DRTs) and Securitization and SARFAESI Act, 2002. The above table 3 shows NPAs of commercial banks recovered through Lok Adalats during the study period of 2013 to 2016. From the analysis of the table, it is clear that the number of cases referred to Lok Adalats for the recovery of NPAs of commercial banks has increased largely in 2016 as compared to 2012-13. However, if we look at the number of cases which significantly large. Same trend indicated by Debt Recovery Tribunals (DRTs) and Securitization and SARFAESI Act in terms of amount involved and amount recovered but these are minor instrument to control the NPA but not correct remedies to come out it. Recovery of advances is the lifeline for Banks. Poor rate of recovery affects the recycling of funds. RBI introduced norms for NPAs in order to ensure discipline among Banks in case of recovery. Higher level of NPAs reflects the deficiencies in the credit delivery mechanism of Banks. They also create a negative image about the bank.

Table 4: Gross and Net NPA of Public Sector Banks (In crore)

	Particular	2016	2015	2014	2013	2012
SBI	Gross NPA	112,342.99	98,172.80	56,725.34	61,605.35	51,189.39
	Net NPA	58,277.38	55,807.02	27,590.58	31,096.07	21,956.48
	% of Gross NPA	6.9	6.5	4.25	4.95	4.75
	% of Net NPA	3.71	3.81	2.12	2.57	2.1
PNB	Gross NPA	55,370.45	55,818.33	25,694.86	18,880.06	13,465.79
	iNet NPA	32,702.11	35,422.57	15,396.50	9,916.99	7,236.50
	% of Gross NPA	12.53	12.9	6.55	5.25	4.27
	% of Net NPA	7.81	8.61	4.06	2.85	2.35
Union Bank	Gross NPA	33,712.28	24,170.89	13,030.87	9,563.72	6,313.83
	Net NPA	18,832.10	14,025.94	6,918.97	5,340.08	3,353.38
	% of Gross NPA	11.17	8.7	4.96	4.08	2.98
	% of Net NPA	6.57	5.25	2.71	2.33	1.61
BOB	Gross NPA	42,718.70	40,521.04	16,261.45	11,875.90	7,982.58
	Net NPA	18,080.18	19,406.46	8,069.49	6,034.76	4,192.02
	% of Gross NPA	10.46	9.99	3.72	2.94	2.4
	% of Net NPA	4.72	5.06	1.89	1.52	1.28
Canar a Bank	Gross NPA	34,202.04	31,637.83	13,039.96	7,570.21	6,260.16
	Net NPA	21,648.98	20,832.91	8,740.09	5,965.46	5,278.07
	% of Gross NPA	9.63	9.4	3.89	2.49	2.57
	% of Net NPA	6.33	6.42	2.65	1.98	2.18

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Table 5: Gross and Net NPA of Private Sector Banks (In crore)

	Particular	2016	2015	2014	2013	2012
ICICI Bank	Gross NPA	42,551.54	26,720.93	15,094.69	10,505.84	9,607.75
	Net NPA	25,451.03	13,296.75	6,255.53	3,297.96	2,230.56
	% of Gross NPA	7.89	5.21	3.78	3.03	3.22
	% of Net NPA	4.89	2.67	1.61	0.97	0.77
Axis Bank	Gross NPA	21,280.48	6,087.51	4,110.19	3,146.41	2,393.42
	Net NPA	8,626.55	2,522.14	1,316.71	1,024.62	704.13
	% of Gross NPA	5.04	1.67	1.34	1.22	1.06
	% of Net NPA	2.11	0.7	0.44	0.4	0.32
HDFC Bank	Gross NPA	5,885.66	4,392.83	3,438.38	2,989.28	2,334.64
	Net NPA	1,843.99	1,320.37	896.28	820.03	468.95
	% of Gross NPA	1.05	0.94	0.9	1	0.97
	% of Net NPA	0.33	0.28	0.2	0.3	0.2
Yes Bank	Gross NPA	2,018.56	748.98	313.4	174.93	94.32
	Net NPA	1,072.27	284.47	87.72	26.07	6.99
	% of Gross NPA	1.52	0.76	0.41	0.31	0.2
	% of Net NPA	0.81	0.29	0.12	0.05	0.01
IndusInd Bank	Gross NPA	1,054.87	776.82	562.92	620.79	457.78
	Net NPA	438.91	321.75	210.48	184.05	136.76
	% of Gross NPA	0.93	0.87	0.81	1.12	1.03
	% of Net NPA	0.39	0.36	0.31	0.33	0.31

Table 6: Group Statistics of Gross NPA

	Types of bank	N	Mean	Std. Deviation	Std. Error Mean
Gross NPA	public banks	25	6.3292	3.30846	.66169
	private bank	25	1.8512	1.85608	.37122

The table 6 outlines group statistics i.e. mean, standard deviation and standard error mean of the selected public and private sectors banks in India.

Table 7: Independent Samples Test of Gross NPA

		Levene's Test for Equality of Variances		t-test for Equality of Means						
		F	Sig.	t	df	Sig. (2-tailed)	Mean Difference	Std. Error Difference	95% Confidence Interval of the Difference	
									Lower	Upper
Gross NPA	Equal variances assumed	12.311	.001	5.902	48	.000	4.4780	.75871	2.95251	6.0034
	Equal variances not assumed			5.902	37.74	.000	4.4780	.75871	2.94174	6.0142

Table 7 shows F-value 12.311 at significant level 0.001 for Levene's test for equality of variances so it can be concluded that both variants are different. If variances differ significantly, then unequal-variance estimate may be used instead of the equal-variance. Furthermore, the t-test that uses unequal variances assumed shown (Sig. 2-tailed) figure is 0.000 which is less than 0.05, thus H_0 is rejected and can say that there is significant difference in gross NPA of public and private sector banks.

Table 8: Group Statistics of Net NPA

	Types of bank	N	Mean	Std. Deviation	Std. Error Mean
Net NPA	public banks	25	3.6996	2.09510	.41902
	private bank	25	.7668	1.07166	.21433

The table 8 shows group statistics i.e. mean, standard deviation and standard error mean of the selected public and private sectors banks in India.

Table 9: Independent Samples Test of Net NPA

		Levene's Test for Equality of Variances		t-test for Equality of Means						
		F	Sig.	t	df	Sig. (2-tailed)	Mean Difference	Std. Error Difference	95% Confidence Interval of the Difference	
									Lower	Upper
Net NPA	Equal variances assumed	14.395	.000	6.23	48	.000	2.9328	.47065	1.98649	3.8791
	Equal variances not assumed			6.23	35.75	.000	2.9328	.47065	1.97804	3.8875

Table 9 shows F-value 14.395 at significant level 0.001 for Levene's test for equality of variances so it can be concluded that both variants are different. If variances differ significantly, then unequal-variance estimate may be used instead of the equal-variance. Furthermore, the t-test that uses unequal variances assumed shown (Sig. 2-tailed) figure is 0.000 which is less than 0.05, thus H_0 is rejected and can say that there is significant difference in Net NPA of public and private sector banks. There is also a notion that Private Sector Banks including foreign Banks in India has low level of NPAs, due to their scientific pre – sanction appraisal and effective post sanction follow up of measures. But according to the latest reports, they also face the problem of rising NPAs. With this background, the researcher has made an attempt to analyze the level of NPAs in different sectors of the Indian Banking Industry.

Conclusion

The study outlines that there is increase in gross and net advances from the both public and private sector commercial banks during given period of time. It is concluded on the basis of analysis that there is significant expansion in non-performing assets in selected public sector banks rather than private sector banks in India. The NPAs have always formed a big problem for the banks in India for past many decades. It is not only problem for the Indian commercial banks but for the economy as a whole. The money blocked up in NPAs has a direct impact on profitability of the bank as Indian banks are highly dependent on income generated from interest on funds. This paper is an attempt to study present condition of NPA and how efficiently public and private sector banks managed their NPAs. Secondary data has been collected for the selected categories of the banks from the RBI publications for a period of four years i.e. from 2012 to 2016. Result in terms of independent t-test reveals that public sector banks have witnessed a continuous mounting trend in both gross and net NPAs in comparison to private sector banks and there is statistically significant difference in the mean of gross and net NPA of public and private sector banks in India. It also indicates that public and private sector

banks are trying hard to trim down their NPAs ratios consistently due to the regulatory and administrative frame. The governments should also make more provisions for faster settlements of pending cases. The problem of NPAs needs to address lots of serious efforts otherwise NPAs will keep killing the profitability of banks which is not apt for the growing Indian economy at all. Besides, the decline in ratio of NPAs indicates improvement in the asset quality of Indian public sector banks and private sector banks. The various steps initiated by Reserve Bank of India and Government of India in strengthening/ improving the functioning of the Debt Recovery Tribunals, Lok Adalats and SARFAESI Act as a comprehensive settlement policy certainly improves the recovery in NPA accounts. All these efforts have improved the efficiency, profitability and no doubt strengthened the financial position of the public sector banks and private sector banks.

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Freezing of Currency and its Impact on Indian Economy

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Introduction

Devaluating a country's currency to zero or changing the value of particular denomination of currency to nil called demonetization where a particular denomination ceases to be a legal tender. By nullifying high value currency note on midnight of 8th nov.2016, the Indian government gave an unexpected shock to the country's citizen. There was three big surprises to whole world were Brexit 2016, winning of Donald Trump and scrapping of high value currency notes by Indian government created uncertainty to global economy. In the annual report of reserve bank of India 2015-16 revealed that the total bank notes circulated in Indian economy were valued at Rs. 16.42 trillion out of which nearly 86% were in Rs.500 and Rs.1000 denomination. The Indian economy took to a virtual halt after demonetization of high value currency notes. In Indian economy where cash can be regarded as king of whole country where more than 80% of employment is cash centric. The informal sector of country consist nearly 22000 unorganized markets, 39.1 million small and medium scale enterprises. The trade of fast moving consumer goods (FMCG) accounted nearly 92% across the country. Due to sudden and unplanned move its created considerable inconvenience to daily wage earner and migrated working class. If we look in Indian history the

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earlier attempt to demonetize the currency was in 1946 and 1978, but it did not affect the economy because of less than 5% population had access those high value notes. The last year step to demonetize was a bold step to implement due to uncertainty of reaction on country's economy.

The Reasons of Demonetization were

- To combat black money in the country.
- To squeeze the cash circulation within the country in order curb corruption.
- To eliminate terror funding by fake currency.
- To eliminate political funding which done directly to cash.
- To bring digital revolution in the country.

Objective of Paper

- To study the impact of demonetization on various sector.
- To analyze immediate impact of demonetization in Indian economy.
- To study the pros and cons of demonetization.

Research Methodology

Being an explanatory research this research paper is based on secondary published sources of information viz. journals, articles, newspapers, books, government websites and various related research studies. Considering the objective of the study descriptive type research design is adopted to have more accuracy and rigorous analysis of research study. The accessible secondary data is intensively used for this research study.

Impact of Demonetization

Since independence, the India's economy growth suffered from corruption, black paralkel economy and terror funding. For instance, India stood 76th rank out of 168 countries in the international corruption index 2016. Moreover, the efforts of the CBDT (central board of direct taxes) in income tax raid held between 2014 and Nov 2016 to unearthed nearly Rs.31, 277crore black money and Rs.2164crore worth of undisclosed assets. As per annual report of RBI nearly 6.5 lakh of fake note of higher value in circulation used to terror funding. In India, from the year of 2013 205 district of various states badly affected by terrorism and such frequent incidents provoke the Indian army to conduct surgical strike in past. Fake Indian Currency Notes (FICN) network which help in terror funding in India. Such kind of terror incident cause lost nearly 750 lives and more than 3300 got injured. For all these grave concern the Indian government announced cash ban on Nov 8 anticipating short term pain for long term gain to economy growth and Indian society. Indian commercial eco-system has sudden break down due to demonetization the impact of demonetization largely seen in cash centric sector which shut down, rural population became jobless, poor and working people dislocated due to unavailability of daily wages and their livelihood were irreparably damaged. In the rural economy where farmers were unable to buy

farm inputs, refusal of accepting old bank notes by private hospitals, working class group felt helpless and forced to adopt a meal per day. Social activities like weddings and other religious function disrupted because the working class did not have access to structural setup to adopt to this shock doctrine country's economy.

Demonetization and Employment

Even before demonetization, creation of job in highly populated India is always a challenge to the government. The demonetization lead to further surge in job losses in various cash centric sector of country. The estimated data says that nearly 2.5 lakhs workers in textile and leather industry, 18% to 20% in gems and jewelry sector became jobless. In Gujarat the ceramic tiles industry closed down and nearly 20000 workers in diamond sector lost their job in Surat. The daily wages workers lost their earning and forced them to reverse migration. In textile sector, which holds major part of informal sector badly suffered where nearly 32.9 million textile workers have not been getting their wages due to shortage of cash. All India Manufacturers Association (AIMA) estimated a reduction of employment by 60% and estimated loss in revenue generation to its member units is 55% after demonetization. In the infrastructure there was a cut in employment rate by 35% due to shortage of immediate cash.

Whereas, the budget of 2017-18 projected a positive impact on economy growth and enhancement of employment rate in long run. The budget of 2017-18 also suggested creation of jobs in sector of tourism, footwear and apparel, leather and textile, and manufacturing. The highly educational unemployment in country can fill the gap by digital literacy which start to realizing after implementation of GST (goods and service tax) on 1st july2016. The digital literacy needed to job creation in cyber security and allied sector.

Demonetization and Investment

Since 2011, the capital formation in India has downward trend as per report of World Bank, and demonetization fuelled in flow of investment sector with uncertainty. After demonetization the new investment fell by nearly 50%.before the note ban the investment proposal were 227 declined to 173 till 31st December 2016.during the same period the value of investment proposal were also declined from Rs.82.2 thousand crore to Rs 42.7 thousand crore. There was also reduction in Private Final Consumption Expenditure from 7.9 % to 5.4%in 2016-17.

But there was strong commitment of Indian government to combat the ill effect of note ban and macroeconomic stability like cooling down inflation, reduction in bank rate and deposit rate by monetary authority, the sharp reduction in current account deficit, improvement in ease of doing business rank, step towards digital revaluation became strong fundamentals for India to attract more and more investment. Now various state government receiving investment proposals from international investors

for strengthen infrastructure. The union budget of 2017-18 also revealed a healthy and secure investment atmosphere in Indian economy.

Demonetization and GDP

The sudden scrapping of currency and contraction in supply resulted in reduction of GDP. The estimation of government of India also lowered from 7.6% to 7.1% for the year of 2016-17. The estimation of international monetary fund (IMF) also lowered from 7.5 to 6.6% for the current year of 2016-17. The projected GDP by Dr. Montek Singh Ahluwalia, former deputy chairman of planning commission was in between 5% to 5.5% for the same year. An American rating agency 'fitch' projected declining trend of GDP at 6.9% for 2017. But a positive sign was given by international rating agency 'Moody' by improving India's credit rating from the lowest investment grade of Baa3 to Baa2 in May, 2017 and changed world outlook from stable to positive. The Indian rating agencies ICRA and CARE also projected reduction to 6.8% in 2017. According to Mahesh Vyas, CMIE the India's GDP growth will shift down to 6% for next five years due to effect of demonetization. But 2017-18 budget stated that in long run the step of demonetization will contribute in high GDP growth in coming year because of no expected spillover effect of note ban in coming year. The GDP growth was projected between 6.75% and 7.5% for 2017-18. The government expenditure increased in 2016-17 in which capital expenditure increased by 25% in 2017 budget where as the fiscal deficit of government is 3.2% for 2017-18 and estimated 3% in 2018-19. The revenue expenditure excess to revenue receipt to government was 1.9%. The Indian foreign exchange reserve reaches all time high of 409370 USD million in December 2017 which is enough to cover the next 12 months of import bills.

Demonetization and Indian Rupee

A currency value is determined by the demand and supply of that currency in circulation. The Indian Rupee has been devalued at number of times by 1.68% from 66.63 to 67.75 after demonetization. The current rate of Indian rupee is 63.33 per dollar in international market on 8 January, 2018. After demonetization there was surge outflow in funds due to rising in US fed interest rate i.e., nearly \$1.4 billion of foreign investor fund out flow from Indian stock market from November to December 2016 in very short span of time. In addition the Indian forex reserve also dropped down in the same period. In country where cash withdrawal limit was lifted from February 1, 2017, it was expected that by ending such transitional pain will increase the money circulation within the country and will show the positive impact on economy. The adoption of protectionism policy by Donald Trump, changing in the interest rate of US fed reserve strengthen the value of Indian rupee in terms of USD dollar. The RBI fixed the reference rate of one rupee at 68.2043 against USD dollar on April, 2017.

Demonetization and Real Estate

The basic feature of real estate in India is its cash intensity. From the last four years, especially this sector has been witnessing a slow down. The demonetization further fuelled it and resulted nearly 38% decline in property registration. There was dropping of home sales by nearly 50% and prices fallen by 22%. In the union budget of 2017-18, the proposed infrastructure status to affordable housing to all, by pledge to build one crore rural affordable houses in next two years become a boost to real estate which helps in opening of avenues to raise capital drastically from insurance companies and various pensions funds. In order to bring more transparency in this sectors, the government implemented number of policies like Smart cities, Housing for all by 2022, AMRUT, Real Estate (Regulatory and Development) Act, Benami Transaction Act, and revolutionary reform in taxation history GST became reality will facilitate this sector but due to lack of land records create problem in pricing of this sector.

Demonetization and Digital Revolution

We are stepping towards digital economy. If we compare India with rest of the world we are lagging far behind in digital transaction from various developed and developing countries where the average number of card transaction per inhabitant nearly 7.1 compares to India. Before demonetization the government assumed that a major portion of illegal transaction stored in the form of high value currency notes. If we look on data after demonetization 96.5% of total banned currency deposited into the banks which denotes only 54000 crore failed to come into banking system. Post demonetization forced people to use mobile wallets to make online payments. Such transaction rose by nearly 14 times per day and cash transaction fallen drastically. To stimulate digital transaction various kind of tax incentives and gift offered to motivate people. It is clear that any cash driven economy ultimately drives towards mounting of black money. To get rid from such kind of situation any country need to develop as digital economy which not only facilitate services secure, faster, more accountable and formal but also help to enhance digital literacy in some way.

Demonetization and Stock Market

After demonetization and winning of Donald Trump as U.S. president the whole world on the shock. Such kind of move polarized the whole world and shaken investor's confidence in Indian stock market. A number of investors start to pulling out their capital due to uncertainty and volatility and some due to lack of funds. Foreign investors anticipated to further fall in prices of share and waiting for opportunity to buy at lower prices. Major gainer were the pharmacy stocks as the pharma companies accepted old banned notes where housing finance stock hit badly. Such move impacted negatively on long term investment stocks like real estate, vehicles and core sectors while the impact on stock of pharma, IT companies, FMCG was limited.

Mutual funds gaining popularity after demonetization as people start to invest in mutual fund to earn more returns from inflation and fixed deposits.

Challenges Faced by Demonetization

Such move is boon or bane for Indian economy. It can only determine after cost and benefit analysis of this act. The very purpose of demonetization was eradication of corruption, black money and terror funding with motive of transparency in transactions. According to report of central board of direct taxes (CBDT) that demonetization is not only a single solution for attacking on black money because of black assets held in the form of Benami properties, gold or other forms rather than cash form. During the demonetization, country's tax authorities conducted surveys, searches, inspections and seized around 112 crore new denomination currency notes and Rs. 20 lakh fake currencies. More than 75% of funds received by political parties from unknown sources since 2004 to 2014 and lead to industrial lobby. It is irony that 58% of India's GDP is concentrated un the hands of less than 1% population of country despite the fact that India is considered as poor country at world stage. It is need to mention that after the announcement of demonetization the purchase of gold rose nearly 4 tons gold within next 48 hours by black money offenders. Such kinds of activities are against of prevention of concentration of economic power in few hands. The Indian government acted actively in immediate implementation of Benami Transaction Act, Real Estate(Regulation and Development)Act, quick number of bank reforms and tax reforms, restructuring informal sector and speeding digitalization with development of IT infrastructure and ensure cyber security. After this bold step, the government has to develop public-private-partnership with the development of formal and informal sector simultaneously.

Conclusion

The success of such move can only estimated through the way it was implemented. One year has passed and government celebrated the anniversary of demonetization as anti-black money day. Looking at the question that note ban proved to be an effective tool to attack black money and mitigate corruption? Returning of 99% the demonetized currency in the banking system shows little stock of black money in cash form was evidently extinguished, which denote it was successfully converted in other forms. Due to lack of official estimate on the size of black economy it become impossible to meaningfully evaluate impact of demonetization to curbing black money. The CSO (central statistical office) estimated that the GDP would expand at the rate of 6.5% and GVA projected 6.6% in current fiscal year, which is continually dropping after demonetization. The lost confidence of consumer can only regain by implementing comprehensive strategy to boost domestic consumption by improving their purchasing power, developing digital infrastructure and transparency.

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An Analysis on the Role of Nabard as Microfinance Facilitator

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Introduction

India with all its population of more than 121 crores of which more than 68% living in rural area and rest is urban population. The estimated population living below in rural and urban parts is 33.8% and 20.9% respectively living below poverty line. Governments have been trying to reduce poverty through initiating a number of programmes that lead to the generation of income. These initiatives include few for creation of physical assets while others to create self employment, promotion of entrepreneurship and endow with support to individuals or groups in their businesses. The other programmes were mainly with role of governments intervening to reduce the cost of living for the poor section of the population for their survival. Each of the different programmes has their pros and cons as asset creating initiatives are like once in life employment opportunities creating assets which are not durable and often not required but this could lead to investing of income in profitable activities leading to sustainable activities. This could be done through creating Self Help Groups. National Bank for Agriculture and Rural Development (NABARD) was created in 1981 with main aim at improving the formal financing in rural parts of the country. Rural financing becomes crucial parts of policy framework for economic development as more than 70% of India's population lives in rural India. In past two decades, the rural financing system has seen some major introductions in form of commercial banks, cooperative credit institution and Regional Rural Banks. While there have been

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increase in institutional credit in total rural credit, there still exists a large institutional credit gap. Formalities such as documentation, loan amount, proximity factors and others are the reasons that restrained institutional credit to reach the desired level. The exploitation of the rural poor by local money lenders is still the very truth. Thus, there is need to provide microcredit to rural poor.

The concept of microfinance can be denoted as the requirements of financial services to the poor by using the means of savings and disbursement of the loan. The microfinance in India is achieving increased momentum in incorporating social as well as economic factors and can lead to attaining long-term goals of eradicating poverty, women empowerment and financial inclusion of rural dwellers and very poor into the financial mainstream. Thus, microfinance can be stated as the provision of financial services to the poor through deposit and credit. (ANNAM, 2015) SHG is a group of rural poor generally comprising small marginal farmers, landless agricultural laborers, rural artisans, womenfolk and other micro-entrepreneurs. (research, 2004) They organized themselves to achieve socio-economic development by raising resources at their level initially and linking with the bank subsequently with the help of NGOs. (Bhanwala, 2014-15) NABARD is traversing the most dynamic and challenging phase of rural India's growth paradigm. One of the biggest challenges experienced by the Indian economy is enhancing the viability of agriculture. In this context, capital formation "in" and "for" agriculture is of critical importance for the sustainability of agricultural growth, and accordingly, NABARD flagged capital formation in rural economy as the thrust area for the year. The paper analyses the role of NABARD as the facilitator in the development of microfinance. NABARD continued with its role as the main facilitator and mentor of microfinance initiatives in the country, particularly the SHG-BLP initiative. It continued to provide incentives/grant assistance for formation, nurturing and credit linking of SHGs with the banks, capacity building of various stakeholders through training, exposure visits, seminars, workshops etc. With the SHG-BLP now more than two decades old, NABARD intensified its efforts to promote sustainable livelihoods among SHG members in the country, intensified providing skill development training, facilitating the creation of the Federation of SHGs to provide livelihood services.

Definitions

- **Microfinance: National Bank for Agriculture and Rural Development** (NABARD, 1999) defines microfinance as, "the provision of thrift, credit and other financial services and products of a very small amount to the poor in rural, semi-urban and urban areas for enabling them to raise their income levels and improve their living standard."
- **Microfinance Institution:** (ANNAM, 2015) an institution that provides financial services to the world's poor. A financial institution can be a non-profit

organization, regulated financial institution or commercial bank that provides microfinance products and services to low-income clients.

- **SHGs:** A Self Help Group (SHG) is a registered or unregistered group of 10-20 members who have the same social and economic background and have voluntarily come together to save small amounts regularly to a common fund and to meet their emergency needs/requirements on mutual help basis.
- **Microcredit:** (ANNAM, 2015) It is a small amount of money loaned to a client by a bank or other institution. Microcredit can be offered, often without collateral, to an individual or through group lending.

History of Microfinance

The concept of microfinance started progressing and got a major push in the late 1970s. Although microfinance structures have been credited with a long history as the first use of microfinance had started in the beginning of the 20th century.

The SEWA bank was established in 1974, named as Mahila SEWA cooperative bank with the aspiration of making financial services accessible to women. The term SEWA stands for "The Self Employed Women's Association." later National Bank for Agriculture and Rural Development (NABARD) with the Mysore Resettlement and Development Authority (MYRADA) conducted pilot testing on group lending during 1986-87 with their Self-Help Groups bank linkage programme (SBLP). From there, it spread to the whole of India in form of different models such as Individual Banking model, Non-government organization-microfinance institution (NGO-MFI) model, Bank Participation model, and SBLP model. The formal practices in microfinance started in the year 1992 when NABARD inaugurated the BANK-SHG Linkage programme. In 1998, as decentralization process, Kerala started its own statewide programme paraphrased as "Kudumbasree" followed by many caste specific programmes such as SNDP, NSS, and SCC.

Objective of Study

- To study the extent to refinance to the banks towards their lending to SHGs and MFIs provided by NABARD.
- To study the growth in NABARD's Support for training and capacity building of microfinance clients.
- To study Grant support by NABARD to partner agencies for promotions and nurturing of SHGs.

Research Methodology

This study is based on the secondary data collected mainly from the MFIN quarterly issues of Micrometer, Status of Microfinance in India reports and Annual Reports issued by NABARD and data published on RBI websites. For the purpose of

analysis, tables and charts are used. The period of study is from the financial year 2014-15 to 2016-17 where the comparison is done on annual basis.

Data Analysis

In this paper, we will look at the role of the NABARD as a facilitator in microfinance development. For the purpose, we would be looking at the three bases on which we would try to reach to an understanding. The analysis is done on the basis of data collected for the three financial years i.e. 2014-15 to 2016-17. In this section of the paper, we would be looking at the refinance provided by the NABARD to the banks for the money lent to the SHGs and MFIs. The refinance support is provided to the extent to 100% of the bank loans disbursed to the SHGs from the time SHG-BLP programme has been initiated. The main objective of this was to encourage the banks in providing loans to the rural poor and show the active participation in the programme. This led to the confidence in banks as they realized that investing time and resources in microfinance is a profitable option and started to lend microcredit to SHGs. This led to increasing the number of loans extended to the SHGs and the gap between loans extended to SHGs and NABARD refinance to bank widened. Following is the table showing data regarding bank loan and refinance for the financial years March 2014-15 to March 2016-17.

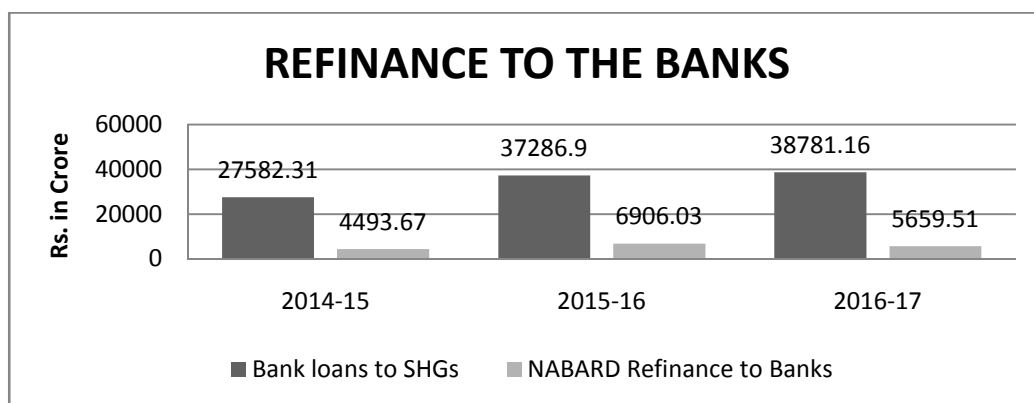
Table 1: Refinance to Banks (Rs. In Crore)

Years	Bank Loan to SHGs	NABARD refinance to Bank
2014-15	27582.31	4493.67
2015-16	37286.90	6906.03
2016-17	38781.16	5659.51

Source 1: STATUS OF MICROFINANCE IN INDIA REPORT, NABARD

To have the better presentation as well as understanding, we will form a chart relating to the above data:

Figure 1: Refinance of Loans



Source 2: Status of Microfinance in India Report, NABARD

From the above figure, we can see that in the financial year 2014-15 amounts of bank loans extended to the SHGs was Rs. 27582.31 crore of which 16.29% was refinanced by NABARD which forms amount of Rs. 4493.67 crore. In the year 2015-16, NABARD refinance to the banks increased to Rs. 6906.03 crore against their total SHG lending forming 14.36%. During the 2016-17, there was little slump as amount of loan refinanced was reduced to Rs. 5659.51 crore against the previous year total. The total amount of loans extended in this period was Rs. 38781.16 crore out of which NABARD refinanced part is 10.58% and the total cumulative disbursement to refinance for the SHGs by NABARD stands to Rs. 43294.60 crore. This shows that although amounts lend by banks to SHGs has kept increasing, the amount refinanced by the NABARD has been falling gradually forming less and less in consecutive years proportionally.

Now, coming to the second basis i.e. NABARD's support for the training and capacity building of microfinance clients. Every year NABARD organizes as well as sponsors many training programmes and visits for providing exposure in different parts of the country. These training programmes and visits are for the benefits of everyone including officials of banks, SHGs, government and non-government agencies and organizations. These events add to efficiency and effectiveness in the field of microfinance. NABARD also provides materials and training supplements required for the events to the banks and the other agencies. The analysis of each visit and programmes are done and outcome in terms of best practice and innovations are circulated to the partner agencies. (NABARD, 2012-13) NABARD has been continuously imparting training to various partners and stakeholders of SHG Bank Linkage Programme such as bankers, NGOs, government officials, SHG members, and trainers. NABARD gave training and capacity building to the various stakeholders such as bankers, government and non-governmental agencies, SHGs and trainers.

Table 2: NABARD Support for Training and Capacity Building

Years	Number of Training Programmes	Number of participants Trained (in lakh)
2014-15	5,555	1.95
2015-16	5,100	1.81
2016-17	4,700	1.75

Source 3: Various Status of Microfinance in India reports, NABARD

Numbers of training programmes conducted were around 5555, 5100 and 4700 during the years 2014-15, 2015-16 and 2016-17 respectively. Also, the number of participants that were trained during those periods stood at 1.95 lakh, 1.81 lakh, and 1.75 lakh for 2014-15, 2015-16 and 2016-17 respectively. The participants trained included from SHG-BLP, JLG, and WSHG scheme. The total cumulative numbers of participants that are trained till March 2016-17 were 37.69 lakh (35.28 lakh in SHG-BLP + 0.90 lakh in JLG + 0.37 in WSHG). In this also, we can falling trend. Every year

both numbers of training programmes as well as no. of participants trained have fallen continuously.

In the last section, we would be looking at grant support sanctioned and released by the NABARD to the partner agencies for promotion and nurturing of SHGs. Ever since SHG-BLP programmes were initiated, NABARD has been providing Self Help Group promoting agencies such as Banks, RRBs, NGOs, Farmers' groups, Individual Rural volunteers (IRV), MFIs, CCBs and PACS with financial grants for the purpose of promotion, credit linkage as well as for the nurturing of SHGs. These agencies are called Self Help Promoting Institutions (SHPIs). With SHPIs, NABARD has been able to achieve impressive development of the movement and has stretched the concept of microfinance and Self Help Groups in every corner of the country. For the better understanding we would look into following detailed table constructed below showing Cumulative Sanctioned Grants to Partner Agencies:

Table 3: Grant Support to Partner Agencies (Cumulative Sanctions)
Amount in lakh

Agency	31 March, 2015		31 March, 2016		31 March, 2017	
	Amount	SHGs	Amount	SHGs	Amount	SHGs
NGOs	26583.53	598387	29445.13	625235	32338.95	643367
RRBs	1341.44	56148	1341.44	55351	1541.78	57681
Coop. Banks	1030.15	67712	1014.00	67795	1023.82	62022
IRVs	503.26	28910	503.26	28910	455.18	26250
Farmers' Club	45.00	5078	46.00	5128	46.00	5128
PACs	593.21	13430	596.57	13490	615.91	13875
SHG Fed.	32.40	300	32.40	300	25.40	200
NGO-MFIs	-	-	100.00	2000	140.00	2800
Total	30128.99	769965	33078.80	798209	36187.04	811323

Source 4: Various 'Status of Microfinance' Reports, NABARD

Table constructed below showing Cumulative release of Grants to Partner Agencies:

Table 4: Grant Support to Partner Agencies (Cumulative Release)
Amount in lakh

Agency	31 March, 2015		31 March, 2016		31 March, 2017	
	Amount	SHGs	Amount	SHGs	Amount	SHGs
NGOs	9362.86	434884	10637.23	453511	11707.00	473108
RRBs	261.00	43849	331.75	43933	456.16	50511
Coop. Banks	437.61	54012	422.96	59126	486.17	55675
IRVs	85.09	12758	85.09	12758	78.25	12313
Farmers Club	20.27	4464	20.32	4469	20.32	4469
PACs	37.13	1522	37.13	1522	42.89	1750
SHG Fed.	15.07	195	15.07	195	12.37	46
NGO-MFIs	-	-	0	0	4.00	0
Total	10219.03	551684	11549.55	575514	12807.16	540724

Source 5: Various 'Status of Microfinance' Reports, NABARD

In Table 4 and Table 5, we have shown the data related to cumulative Sanctions and releases as on 31st March of three years i.e. 2015, 2016, 2017 respectively. Let's first look at the amount sanctioned to NGOs as SHPIs grant support were 26583.53, 29445.13 and 32338.95 whereas amount released to NGOs as SHPIs were 9362.86, 10637.23 and 11707.00 during 2014-15, 2015-16 and 2016-17 respectively. Now, we are looking at the grants sanctioned to RRBs 1341.44, 1341.44 and 1541.78 and grants released to RRBs 261, 331.75 and 456.16 during 2014-15, 2015-16 and 2016-17 respectively. Similarly, grants to the other agencies have seen a surge in annual sanctions and releases by NABARD as support when Partner Agencies are acting SHPIs.

Conclusion

Microfinance is a good tool for financial inclusion of poor into mainstream banking activities whether it is saving or loan distribution or insurance-related activities. Earlier, banks treated poor people badly and were ignorant of their needs of financial instruments due to their inability of producing enough collateral for loans. They also excluded them from mainstream banking because their transaction costs to serve the poor were higher in comparison big loans generally provided by banks. The microfinance has been planned in such a manner that they can overcome the issues like risk and cost that are generally faced by formal financing. The one approach that has gained maximum pull is SHGs-BLP in recent years. During the last decades, SHGs-BLP has become a prominent mode of microfinance in India and has been successful in gaining momentous savings.

The paper analyses the role of NABARD as the facilitator in the development of microfinance. The research is done to find three basic objectives to show the extent which NABARD has been successful in the role of facilitator. NABARD focused on bringing different stakeholders on a parallel ground, building capacity among them to move forward. NABARD extended 100% refinance to the banks. Seminars, workshops, training programmes were conducted in the whole country on regular basis throughout the years to create awareness about microfinance among all. All the partner agencies in which NGOs being prominent with others like rural financial institutions, Farmers Clubs, etc. had a crucial role in organizing and nurturing the SHGs acting as SHPIs with encouragement provided by NABARD in form of promotional grants assistance. The phenomenal growth of SHG-Bank linkage programme during the last 20 years owes a great deal to these promotional efforts actively supported by NABARD and participated by the stakeholders. Simultaneously, efforts were also on to experiment innovative initiatives in improving the efficacy and reach of the programme with the involvement of all microfinance practitioners facilitated by NABARD.

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A Study on Non-Performing Assets of Indian Commercial Banks

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Introduction

NPAs affect both the banking sector and the economy and it is risky for the future income of the banks. The capital of the bank lost here has a very bad effect on the assessment of the credit risk assets quality and efficiency of allocation of resources to productive sector. And in India deficiency of capital plays a crucial role to the threat of survivors of the economic development as a whole. And the role of banking industry is to remove such deficiencies by mobilizing saving towards the need of capital and systematic infrastructure. After taking many steps by the (RBI) banking system in India, India is still in need of capital. This requirement can only be fulfilling by providing them the resource that they want. The policy makers, minister of finance (related government) and financial sector (RBI) regulatory have made many efforts to improve. Regulation in the banking sector but still NPAs is a major issue for the banking sector. A very big challenge the Indian banks is facing is strategically strength which is lacking in the Indian banking sector for the new era financial transaction. under the current ownership relation there are lots of merger activities has seen in

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this sector has enable the policy makers the control over the large sector but still NPAs are challenging. Here the NPAs are very important factor to define the result and the output of the banking sector.

NPA: A non-performing assets is a loan given by a financial institution, which stop the inflow of income and the base amount. NPAs include loans where payment is not received for more than 90 days.

Categories of NPA

Banks has to classify non-performing assets into these three categories based the period of the non-performing assets.

- Sub-standard assets
- Doubtful assets
- Loss assets

Sub-Standard Assets

Sub-standard asset was one, which was classified as NPA for a period not exceeding two years. An asset that is classified as an NPAs for a period less than or equal to 18months. In the situation the market value of security charged is not enough to confirm the recovery by the banks total. We can say that the characteristic of the debt are change into loss if the bas situation is not removed. In such cases, the current net worth of the borrower/guarantor or the current market value of the security charged is not enough to ensure recovery of the dues to the banks in full.

Doubtful Assets

If an assets exceeding more than 18 months as and NPA than it is said doubtful assets. We can say that if an NPA remained for a period exceeding 2 years is classified as doubtful assets. In this classification a loan has all the weakness in that particular assets which be classified as substandard plus the weakness of collection and liquidation in total so these are highly questionable and improbable.

Loss Assets

In loss assets the amount is still not return of totally and is indentified during the internal and external audit of the bank or by the RBI's inspection. Or we can say that it is pour loss because it is not able to continue as a bank's assets and has a very little value or recovery value.

Objective of the Study

The objective is to find out of different year of NPA (Non-performing assets) of Indian commercial banks.

Review of Literature

A number of researchers have been studied of the issues of NPAs in banking sectors.

Luther (1976) RBI in 1976 has declined to study the productivity, efficiency and profitability of commercial banks. This committee has settle down different issues related to planning, budgeting and marketing in Indian commercial banks.

Bhawani Prasad,G. and veena,V.D.,2011 It was examined that the reason behind the falling revenues from traditions sources is 78%of the total NPAs in PSBs.

Mehta .L, Malhotra .M (2014) has given the result and indicate NPAs as a risk factor for the banking sector. For the good condition of Indian banking the NPAs must be handled cautiously. In the research paper by the above committee they have discussed both the positive and negative impact of the NPAs. Recession is also an output of the increased NPAs.

NPA Position

	NAPs (Rs. Crore)	NAPs Ratio
Mar-16	571,841	7.69
Jun-16	618,109	8.42
Sep-16	651,791	8.81
Dec-16	677,443	9.18
Mar-17	711,312	9.06
Jun-17	829,338	10.21

Gross NPAs rise to 9.6% in March, 2017

According to the financial stability report (FSR) released by RBI mention that the GNPAs of SCBs has raised from 9.2% in September 2016 to 9.6% in March. The SCBs net non-performing advances increased from 5.4% in September 2016 to 5.5% in March 2017. However, the stressed advances ratio decline marginally from 12.3% to 12.0%, due to fall in restricted standard advances. According to the report agriculture services and retail sectors is under stressed due to the NPAs. The maximum NPAs are of the large borrowers and for the new structured NPAs. There should be a standard deadline to distribute fund throughout the large numbers of people. This ratio in the industry however, rose from 22.3% to 23.0% mainly on account of subsectors such as cement, vehicle mining and quarrying and basic metals. Accretion of new NPAs from restructured standard advances declined in 2016-17. Large borrowers, defined as those with aggregated fund-based and non-fund based exposure of 50 million and more, accounted for 56% of gross advances and 86.5% of GNPAs of SCBs. top large accounted for of gross advances. But still the level of NPAs of large borrowers increases while there restricted advances decline during the same period that is result in a total stressed of 1.8% NPAs with in contributed 25.6% of SCBs.

Conclusion

In Indian banks are depends on income generated from interest and funds provided as a lending. The recovery is utmost maximum if not zero. But the NPAs of Indian banks is even higher than the foreign banks .The government is trying its best

to reduce the NPAs but still a lot to do there. The big borrowers are the major concern while dealing with the problem of NPA. Somehow they are stronger than the system with their political links.

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HRD Practices in Banks (A Comparative Study of PNB and ICICI Bank)

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Introduction

With the worldwide reduction in interest rates, pursuant to globalization of banking, the pressure for a gradual, if not precipitous downward trend in interest rates, has almost become inevitable, affecting in the process, the 'spread' and the margin, thinner. Coupled with this, "It is the emergence of phenomenon of disintermediation, whereby, both on cost effective mobilization and commercial deployment of funds, banks are facing that what one labels as a Buyers' Market in economic terminology". The problem is further compounded by:

- On the deposit mobilization by the large availability of alternative Government savings instruments with attractive fiscal concessions and private savings instruments with higher returns; and
- On the credit deployment front, retention of Blue Chip borrowers has become difficult, as they are able to tap, their fund requirements for working capital directly from 'household' sector.

Therefore, "the Bank's viability now depends solely on the extent to which it is able to make its operation 'cost effective' and its ability to systematically cost and appropriately price its products and services."

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Technological Dimension

With 'miniaturization' and rapid technological advancement in computers office automation / telecommunication, hardware configuration and software packages, it would be difficult for banks to ensure 'cost effective operations' and retain their competitive edge, vis-a-vis, foreign/ new brethren (who have the sophisticated technology back up plus lean manpower), unless banks make their operations cost effective by being proactive in the matter of technology adoption/absorption, by the rank and file of their staff.

Financial Accounting Dimension

The third challenge facing the selected banks relates to the new nouns of financial accounting, viz.,

- Recognizing only real income on actual basis for Balance Sheet purposes,
- Asset reclassification and making appropriate provisions for the same, and
- Higher norms for capital base within the prescribed time frame work, (capital adequacy of 8% against risk-weighted assets) which would not only call for 'cleansing' of the existing portfolios, but more so, warrant tremendous efforts to increase earnings, through innovative fund-based and non-fund based service packages.

This means, "one has to ensure that the staffs handling these portfolios develop the requisite professional skills/competence, through appropriate/continuous updating of their professional knowledge and expertise"

HRD/Training Dimension

The fourth dimension relates to development of appropriate HRD/training inputs, to facilitate thousands staff, located in various/farflung metro/urban outlets, not only to cope with hardware and software application packages, but enable them to smoothly absorb the same. This calls for a proactive approach in conceptualizing, designing, planning and implementing appropriate HRD/training plans. Incidentally, the critical aspects relating to the compensation packages, for the staff, especially to the highly skilled and expert professional categories of staff need orientation in view of the looming threat of drain of 'creamy layer' due to availability of better monetary superannuation packages to new/foreign bank outlets.

These far-reaching changes in the banking scenario, indeed, thrown a number of challenges in the operational areas as well as in HRM/HRD functions forcing the banks to have a change and a review of their various policy frameworks, functions and practices so as to appropriately redesign them to effectively respond to the metamorphosis that is now taking place in the business profile of the banks. The implications of these changes, especially on its interface with the HRM/HRD functions, are set out below;

- A variety of new competencies at various levels including at TM level will be needed. Many specialists in technology and financial services will be required.
- Free licensing of new/foreign banks with the advantage of sophisticated work technology and consequently thin manpower (perhaps without clerical/sub staff components) and lower overhead costs.
- Increased concern for quality of services and the products.
- Focus on innovativeness to remain competitive.
- A new work culture facilitating higher productivity, job enrichment /enlargement, single window operations wherever technically/ operationally feasible and scope for an environment free from restrictive/wasteful practices. An open system, facilitative of free flow of creative ideas; breaking of hierarchies and recognition of individual talents.
- Changes in management structure, authority pattern and work ethos/culture.
- Changes in personnel/HRM/HRD with emphasis on providing a separate route of promotion to high fliers, management of talent and rewards based on performance and a flexible rewards and punishment systems.
- Intensive management development to enhance the technical professional competencies in keeping with changing roles of banks; skills to operate in a very turbulent and dynamic environment and vision to be futuristic.
- To turn around industrial relations climate from one of a 'fire fighting approach' to one based on "mutual faith, trust, harmony and of collaborative relationships".

Changing Aspect

With the changing Indian Banking Scenario, selected banks are certain desirable changes are also taking place in the HRD front in banks by way of introducing or evolving modern subsystems/ strategies/ mechanisms like, Quality Circles (QCs), Human Resources Information System, (HRIS) and impact of computerization on changing work technology and work culture which are discussed in detail in the following paragraphs.

Human Resources Information System (HRIS)

Selected banks understandably place considerable value on achieving the optimum use of their resources in order to accomplish their objectives. Given the fact that human resources constitute such an important part of banks' resource base, the development of an information system that provides an ongoing assessment of the utilisation of these resources is a natural reaction to an essential managerial need. Any HRIS is logically an inventory of the positions and skills extant in a given bank. However, HRIS is more than a simple aggregation mechanism for inventory control and accounting, it is the foundation for a set of management tools enabling managers to establish objectives for the use of their bank's human resources and to measure the extent to which these objectives have been achieved. As "managers come to

recognize both the essentiality and feasibility of sophisticated management information systems for monitoring human resources, more and more computerized personnel management information system such as HRIS will be installed”.

The specific objectives of HRIS were developed around an extensive review of perceived organizational needs. Two such needs were immediately apparent. First, data bases on both people and positions had to be rebuilt to provide the specific information required for HRM needs. The major hurdle was the gross labels used by the traditional personnel related inventories. HRIS offers an alternative to the inherent weaknesses of the label concept. Its development is recognition of the capacity of today's automated technology to input, maintain, retrieve and analyse large amounts of specific data. The second objective, building in part upon the structure of the first, involves output processes entailing new reporting and inquiry methods for HRIS, such as resource allocation review, assignments matching and intake and training projections, etc. These systems require comprehensive data on both positions and persons. HRIS can provide these data in reporting formats shaped to the specific objectives of each system. A strategy to be followed by the

HRD Department in this regard is:

- To design and develop the skill inventory in a phased manner.
- To approach the officers at the relevant phase for need-based relevant data, seeking data only on positive aspects.
- To decentralize the skill inventory at regional office level and centralize and computerize the limited data.
- To provide suitable climate for receptivity for the data collected. The feedback and reference from the HRIS can be further facilitated if computerization is introduced to maintain the skills inventory. A HRIS for System Design and Development could be conceptualized and defined as follows:

An information system that monitors controls and influences the movement of human beings from the time they indicate their intention to join, till the time they separate after joining. Thus, computerized HRIS will have the subsystems like recruitment system, personnel information, manpower planning system, training information system, health information system, annual appraisal system, payroll, personnel statistical system and competitors' compensation system. For instance, the computerized data on training will furnish the details regarding nature of training programme - workshop, seminar, refresher course, etc. (in-house or external), venue and duration, participation fee (for external programmes), faculty coordinator and overall evaluation of the course. From the computer output, clear-cut information about the total number of training programmes attended by an individual can be obtained which will be a valuable data for considering the individual's further course

nominations. Certain analytical information can also be obtained from the computerized data to make training efforts more meaningful.

On Changing Work Technology

A big change in work technology is in offing in banking industry following the signing of an agreement between the Indian Bank's Association and their Workmen on mechanization and computerization in Banks in September 1983. Mechanization and computerization is bound to have an impact to a greater or lesser extent on the organization and business development of the industry. Hence, the various aspects connected with this problem should be treated as Policy Issues. As the need for diversification has arisen in the banking industry mainly as a result of falling profitability, it is of utmost importance that their operations are conducted with due emphasis on maximum economy and operational efficiency. Intensive competition in the financial services industry is creating further pressures for cost reductions. The emphasis has, therefore, "to be on high-value or wholesale business and on computerization, which would greatly reduce operational costs"

Computerization is the buzz word today in all activities all over the world. With policy liberalization it has come to stay in India as well. In India, if there is any industry which is most suited to exploit the use of computers, it is banking. Unlike other industries, the raw materials for the Banking Industry is fund of information on accounts, balances, limits, cash, etc. So the banking industry is ideally suited to exploit the new technology. The French have an excellent word for computer, the word is "informatique", a combination of the words 'information' and 'automatic'. In simple words, it is a general machine which can be instructed to perform a series of actions and also to control other machines. Mechanization of branch operations and computerization in banks necessarily warrant appropriate changes in the work technology coupled with standardization of the systems and procedures, and the glossary of terminology, especially on operation aspects, among the banks, so as to ensure uniformity and proper development of software. This integrated approach helps in achieving higher productivity norms and improved customer service, while implementing mechanization and computerization. Another spin-off benefit of computerization would be the large employment potential due to:

- "The need for computer personnel like data entry operators, verifiers, programmers and system analysts for operation and maintenance of the hardware and software";
- The enhanced 'capability' of the banking system to effectively service a large clientele, this is expected to lead to faster business growth and expansion, with consequent generation of further employment opportunities; and

- The enlarged employment potential in the industries downstream. These are expected to have a 'multiplier effect' on the scope, potential and availability of job opportunities.

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Management of Non-Performing Assets in Central Co-Operative Banks in India: An Overview

Dr. Harish Kumar *

Introduction

In India, the cooperative bank is an imperative component of the Indian financial system. It also plays a vital role today in rural finance. The activity of the cooperative bank in urban areas has also amplified dramatically in current years due to the shrill upsurge in the number of primary cooperative banks. Cooperative banks in India are registered under the Cooperative Companies Act. The cooperative bank is also controlled by the RBI. They are governed by the Banking Act of 1949 and the Banking Companies Act (1965). Non-productive activities (NPAs) are a key concern of all banks in India. The NPAs replicate the performance of the banks. A great level of NPA suggests a high possibility of a huge number of credit defaults that disturb the profitability and equity of banks and also corrodes the value of the asset. The growing of the NPA implies the need for provisions that reduce general earnings and shareholder value. Today, unproductive activities are the subject of excessive concern for the banking sector and other non-bank financial institutions. A loan or lease that does not meet the declared principal amount and the interest payments is called unproductive assets. The NPA can be categorized as commercial credit with a maturity of more than 90 days, and consumer loans past owing for more than 180 days, and the increase of the NPA is due to the delinquency of commercial lends, there are many exceptional cases that are managed by Indian banks and further financial institutions.

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Literature Review

Bhatia, BS, Waraich, S., Gautam, V. (2013): this study was conducted in the District Central Cooperative Bank of Punjab, the study sought to analyse the impact of specific novel product lines on non-productive progress in cooperative banks and tendencies in the NPA against lending schemes. Finally, a comparative analysis was carried out between banking experts and components to find out the gaps and suggest measures to improve the management of the NPA.

Das, S. (2010): in this document, the author tried to analyse the parameters that are actually the causes for the NPA, and these are market failures, intentional violations, inadequate monitoring and supervision, lack of cooperation banks, lacking lawful agenda, lack of commercial expertise and distraction of funds.

Dutta. A (2014): this document investigated the growth of NPA in public and private sector banks in India and analysed non-productive assets of commercial banks. For the purposes of the study, the data were collected from secondary sources, such as the report on the performance and performance of the banking sector in India, RBI, Currency and Finance Report, RBI Economic Surveys of India. This document investigated the growing of NPA in public and private sector banks in India and analysed non-productive assets of commercial banks. For the purposes of the study, the data were together from secondary sources, such as the report on the performance and recital of the banking sector in India, RBI, Currency and Finance Report, RBI Economic Investigations of India.

Objectives of the Study

- Study the management of the NPA of the Co-operative Bank Ltd. special highlighting on cooperative central banks in India.
- Understanding the provisions for customers prepared by the bank.
- Study on the classification of activities.
- Find out why the loan amount becomes an NPA.
- Study the practice for recurring loans.
- Study the strategy and procedures to decrease the NPA.

The Identification of Account as NPA

According to Narasimham committee “An advance where a date of Balance sheet on amount paid to the bank (interest or installment of the principal) is a part due for a period more than 90 days”.

Table 1: Types of Loans and its Characters

Nature of Facility	Parameters
Term Loan	Interest and/or instalment of principal remain overdue beyond 90 days
Overdraft/Cash Credit	Remains „out of order “as indicated above
Bill Purchased/discounted	Remains overdue beyond 90 days

Crop Loans (short duration crops)	Instalment of principal or interest thereon remains overdue for 2 crop seasons
Crop Loans (Long duration crops)	Instalment of principal or interest thereon remains overdue for 1 crop season
Securitization transactions	Amount of liquidity facility remains outstanding beyond 90 days
Derivative transactions	Overdue receivables representing positive mark-to-market value of a derivative contract which remains unpaid beyond 90 days from specified due date for Payment
Securitisatation transaction	Liquidity facility remains outstanding for more than 90 days,

Source: <http://www.iibf.org.in/documents/IRAC.pdf>

The identification of non-productive activities must be carried out at the balance sheet date. Therefore, the bank branch, which must classify the loan activities with a low default performance, should find out whether the overdraft or cash credit is being renewed "out of order" as at the balance sheet date. In that case, they should also find out if the account has been held out of service for more than 90 days to classify the account as an NPA as in the balance sheet data.

- Standard assets.
- Sub-standard assets.
- Doubtful assets.
- Loss assets.

Standard Assets

Standard activities are activities that are not NPA and, as such, do not represent more than the normal risk associated with the activity.

Sub-standard Assets

Activities below the standard are those that are NPA for a period not exceeding 12 months. In these assets, the current value does not apply to the guarantor or the existing market value of the securities collected is not sufficient to certify that the retrieval of the bank's shares is combustible, in other words, the asset will have credit weaknesses that may put settlement endangered debt and are characterized by the various possibilities that the bank will remain a certain loss of incorrect deficiencies.

Doubtful Assets

an activity that is doubtful is activity 1, which remains a non-productive activity during the 12-month period. A loan categorized as doubtful presents all the weaknesses of leavening as the amount below the standard with the additional characteristics that the weak points impose or regulate the outstanding instalments in that quantity on the basis of known facts, values of highly questionable conditions and unlikely or these are assets that have remained as NPAs for more than two years since March 2001, assets should be categorized as uncertain if they remain below the average for 12 months.

Loss Assets

A loss making business is an asset that or in which the loss has been recognized by the bank or by internal or external auditors or by the RB inspection officials. But the amount has not been totally or partially cancelled, in other words, since the asset is measured as collectable and of such low value that it is the continuation, since the banking activity is not guaranteed, though there may be specific residual value or recovery.

Causes for Non-Performing Assets

A strong banking sector is vital for a thriving economy. Bankruptcy in the banking sector can have an adverse influence on supplementary sectors. The Indian banking system, which operated in a narrow economy, now faces the challenges of a wide economy. On the one hand, a sheltered environment certified that banks never required growing erudite treasury processes and asset management and accountability. On the other hand, a mixture of direct loans and social banking has demoted profitability and competitiveness to the background. The net outcome was an unsustainable NPA and, consequently, a higher actual cost of banking services. There are numerous causes why an account becomes an NPA.

- Internal factors
- External factors

Internal Factors

- Funds loaned for a specific determination but not used for this persistence.
- Project not accomplished on time.
- Bad credit recovery.
- Excessive capacity created in non-economic costs.
- The inability of the company to elevation capital through the issue of shares or other debt instruments of the capital markets.
- Trade failures.
- Diversification of funds for expansion / modernization \ creating new projects \ helps or promotes sisters' concerns.
- Voluntary non-compliance, deviation of funds, fraud, disputes, administrative disputes, embezzlement, etc.
- Shortcomings by banks, viz. in credit assessment, monitoring and follow-up, delay in the reimbursement of payments / branches by government agencies, etc.

External Factors

- Slow Legalized System
 - Long lawful links
 - Changes that have taken place in labour laws
 - Lack of sincere exertion.

- Lack of raw materials, energy and further means.
- Industrial depression.
- Lack of raw materials, escalation of raw materials / input prices, lack of energy, industrial recession, overcapacity, natural disasters such as floods, accidents.
- Bankruptcies, non-payment of taxes in other countries, depression in other countries, outsourcing problems, unfavourable exchange rates, etc.
- Government policies such as changes in excise duties and amendments to import duties, etc.

Suggestions

Non-productive assets are a drain on banks. Banks in India are adopting various policies to decrease unproductive activities in their banks and are also adopting various methodologies, thanks to which the additional addition to the NPA portfolio is reduced to a minimum. In the true sagacity of the word, if there is a recovery in capital and the commission's payable for loans granted to banks are 100% received, the question of non-productive activities does not arise. Though, there is no ideal bank in which the NPA is zero. With the exception of the banks that have originated recently, all banks probably have part of their loans and advances as unproductive advances the following are some strategies with which banks are annoying to reduce largely unproductive activities:

- **Retrieval Camps**

Bank personnel are jointly directed to unpaid borrowers for repayment at a time and place suitable for both parties. These are more suitable for small loans. In general, borrowers who have used small loans will be more numerous in rural and semi-urban areas than in urban and municipal areas. As such, banks, instead of setting up retrieval camps in their branches, usually carry out retrieval camps in centres such as panchayat offices, court buildings, government buildings, etc. such recovery fields so that mortgagors discover it appropriate to go to the retrieval camps. In definite conditions, the bank branch manager and some branch officials go to each visit to the home of each borrower and recover the fees due in relation to the loans granted. This form of recovery field will be successful if a notice is sent in advance to the borrowers who mention the date of the recovery fields.

- **Preference of Claims**

Banks must demand prompt and appropriate compensation from organizations such as deposit insurance and credit Guarantee Company called DICGC, an export credit guarantee called ECGC, a credit guarantee fund for small industries, companies insurance, etc. and invoke government guarantees or additional own assurances to recuperate the loan installments and reduce non-productive activities.

- **Concession Schemes**

The lines of commitment are adopted by the banks, where borrowers encounter some real difficulties and where normal retrieval is not possible. It implies some sacrifices on the portion of the banks on the principle of "a handmade bird is worth two in the bush". These proposals can be taken into account taking into account the history of the borrowed account, the available security, the net value of the mortgagor / guarantor, the temporary value of the offer, etc.

- **Technical Write Off**

Generally banks elect to cancel small loans that have become bad and retrieval is not conceivable in those accounts under any conditions due to the particulars that the mortgagor could have expired; has no means to reimburse the loan at any cost and there may be large losses in property, etc. This is for the solitary determination of serving those accounts that do not work.

- **One Time Clearance Scheme**

To decrease the absolute amount of impaired assets, the Indian government, together with the Reserve Bank of India, has periodically announced one-off settlement schemes in recent years. When mortgagors are active and when mortgagors are agriculturalists, small business owners, etc. and they discover it very hard to recompense off their debts for various reasons, such as poor health and fall in their businesses, however, they tend to pay their debts to banks, this type of practice is very valuable for borrowers and institutions of credit. Surely banks are capable to lose a certain share of their loan amount when they are carrying out one-off payment schemes.

- **Suit Filing**

The filing of a complaint is taken as a last recourse when all other resources fail to recover non-productive resources. Banks can initiate recovery procedures with or without court intervention. To simplify the process, banks must be attentive and proactive at all stages of the process. that is, preparation of the complaint, notification of the convocation, written statements, application process, obtaining a copy of the decree, prayer for precautionary measures, execution of decrees, seizure of property, arrest of the accused, if necessary, etc.

- **Debt recovery Tribunals**

The law of the debt collection court was approved by the Indian Parliament in 1993 with the aim of providing banks and financial institutions with a rapid recovery of taxes in cases where the loan amount is Rs. 10 lakhs and more. The time limit provided for by the law is not met when the causes are eliminated due to inadequate infrastructure and the lack of recovery staff with the DRT. However, the DRT Act and the succeeding modification in 2000 provided a noticeable enhancement over the usual lawful medium.

- **Lok Adalats**

It is a lawful medium for the accelerated settlement of loan instalments on the agreement reached between the bank and mortgagors interceded by LokAdalat.

- **Securitisation Act**

Securitization and financial assets and the execution of transferable securities - SARFAESI 2002 act aims to allow secured creditors to yield proprietorship, manage and sell the securities without the interference of a court / tribunal. It also aims at the reconstruction of assets for securitization or for the reconstruction society. However, loan with balance less than Rs. Loans without license of 1 lakh and loans against agricultural land guarantees are exempt from the scope of this law.

- **Up Gradation of Assets**

Once the accounts become NPA, bankers must take steps to update them by recuperating all the instalments. Generally a follow-up will ensure success.

- **Compromise Clearances**

Where possible, in the case of chronic PNAs, banks may consider the probability of entering into agreements with the borrowers.

- **Rescue through legal remedy:**

Banks can submit complaints without delay against willing debtors. The banks can appeal against a civil case or the special recovery laws approved by different States or the law on the security and recovery of financial assets and security (SARFAESI) of 2002. The bank must check with legal cases.

Conclusion

NPA management is necessary over time. The NPA is a key factor to increase/decrease the Bank's net income. The NPA is having a straight influence on net income. The course open to the banker serves to certify that an asset does not become an NPA. If it does, it must take measures for early recovery, which will not affect the bank's profitability. Time is essential in the management of the NPA. The banking sector is the lifeblood of the Indian economy. The bank has three types of sectors, which provide funding to different sectors, namely the private sector, the public sector and the cooperative sector. The cooperative banking sector in India plays a vital role in the expansion of the rural economy, as does the banking structure and its services for the last man in society. The structure of the cooperative bank has developed very rapidly in India, but it is still late on many aspects, such as the ideal liquidity situation due to the NPA of customers and staff, the modernization of the banking structure, etc.

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Basel III Norm: An Empirical Analysis on Awareness Level of Bank Employees of Selected Banks in Chandigarh

Dr. Mohar Singh*
Charu Watts**

Introduction

With the beginning of globalization, banks are now facing a number of risks. Hence, in order to mitigate risks, some stringent norms are required. Basel norms are one such internationally accepted model (of rules and regulations) applicable to banks, to overcome the challenges faced by them in performing various activities on routine basis. In order to protect banks from global financial crisis, several guidelines are given by Regulatory Bodies all over the world. One such guideline is laid down by Basel Committee on Banking Supervision (BCBS 2009) for maintaining capital adequacy and supervision of banks. The Basel Committee was formed in the year 1974 in Basel, Switzerland to serve as a forum for international banking supervision for regular cooperation on banking supervisory matters. Initially the membership was limited to the G 10 countries, represented by the governor of the central banks of these countries. However in 2009, the membership was expanded to twenty seven countries (BCBS 2009). The main functions of the committee involves formulating the Core Principles for effective banking supervision and the concordat on cross border banking supervision and encourages convergence to common global banking standards.

The financial world saw the worst crisis in early 2008 and whole financial markets tumbled. One of the major debacles was the fall of Lehman Brothers. One of

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the interesting comments on the Balance Sheet of Lehman Brothers read: "Whatever was on the left-hand side (liabilities) was not right and whatever was on the right-hand side (assets) was not left." Thus, it became necessary to re-visit Basel II and plug the loopholes and make Basel norms more stringent and wider in scope. This crisis led to the introduction of Basel III accord.

Review of Literature

Sikdar, P and Makkad, M. (2014) in his paper on "Shift from Basel 2 to Basel 3 a reporting perspective on Indian Banking sector" concluded that "Basel 2 was a paradigm shift from traditional banking to modern sophisticated banking for the Indian banking industry. RBI wished that Indian Banks adopt these norms to enhance the soundness and stability of the financial system. All the Indian banks complied with the directives given by RBI and accepted the credit rating policies implemented RBI and started to get it done through RBI prescribed agencies. Along with it almost all banks appointed separate people for this risk management work. These accords are so designed to provide better ability and transparency to the current banking system. RBI is taking appropriate measures to move in this direction in phased manner.

Koundal. B., (2012) in his paper on "performance on Indian banks in Indian Financial System" has taken various variables to test the effectiveness of the Indian banking system at all the level. He concludes in his paper that the Indian banking is improving due to the various reform measure of the past which is also affecting the profitability of the banks. He has mentioned in the paper that the profitability has improved in the public sector banks also but the larger piece of cake is still with the private sector and the foreign banks. Hence the public sector banks need to look at various challenges to improve its performance.

Makwiramiti (2008) conducted a comparative analysis of the general implementation issues and established that all emerging countries should apply the Basel II rules uniformly across all the banking institutions that operate in their territories.

Objectives of the study

- To examine the awareness of public and private Indian bank employees regarding the Basel III norms.
- To examine the preparedness of the bank regarding the Basel III norms.
- To examine different factors affecting implementation of Basel III norms.

Finding and Analysis

The study focuses on the awareness level of managers at various positions in branches of selected banks situated in the Chandigarh. The sample consisted of 40 respondents from two public sector banks and two private banks of Chandigarh region. Primary Data was collected through questionnaire and the time frame for the study was from October 2017 to January 2018.

Table1: Work Experience of The Respondents

Particular	Frequency	Percentage
0-1 year	2	5
2-5 year	12	30
6-10 year	15	37.5
10 or above years	11	27.5
Total	40	100

Source: Primary Data

Table 1 show that 65 % of the employees working in the Indian banks had experience of 6 years and above.

Particulars	Frequency	Percentage
Yes	40	100
No	0	0
Total	40	100

Source: Primary Data

Table 2 shows that all employees are aware about Basel III accord.

Table 3: Awareness Regarding Instruction Given by Banks for Basel III

Particulars	Frequency	Percentage
Yes	30	75
No	10	25
Total	40	100

Source: Primary Data

Table 3 shows that 75% of the banks provided information to their employees regarding Basel III & 25 % of the banks did not provide any information to their employees.

Table 4: Level of understanding about Basel III

Particulars	Frequency	Percentage
Thorough Understanding	11	27.5
Partial understanding	29	72.5
No understanding	0	0
Total	40	100

Source: Primary Data

Table 4 shows that 27.5% employees had a thorough understanding of Basel III while 72.5% of the employees had a partial understanding of Basel III accord.

Table 5: Ease of implementation by Top Management

Particulars	Frequency	Percentage
Hard	7	17.5
Moderate	22	55
Easy	11	27.5
Total	40	100

Source: Primary Data

Table 5 shows that 82.5% of the employees agreed that their top management has taken several steps to create awareness about Basel III.

Table 6: Preparedness of Bank

Particulars	Frequency	Percentage
Prepared	30	75
Not Prepared	10	25
Total	40	100

Source: Primary Data

Table 6 shows that 75 % of the employees said that the bank is prepared to implement Basel III whereas only 25 % are not prepared to implement Basel III.

Table 7: Improvement in Banks performance through Base III

Particulars	Frequency	Percentage
Yes	40	100
No	0	0
Total	40	100

Source: Primary Data

Table 7 shows that all employees consider that the Basel III accord will definitely improve their performance as it considers all the risks allocated with a bank.

Major Finding

The important findings of the study are:

- It was found that most of the employees of the bank are aware of Basel III.
- It was found that 72.5% of the employees have partial knowledge of Basel III and 27.5% of the employees have thorough knowledge of Basel III.
- It was also found that 75% of the respondents believed that Banks are prepared to implement Basel III.
- A majority of the bank's Management have high involvement in creating awareness of Basel III.
- All employees believe that implementing Basel III accord will improve their performance.

Conclusion

Since Bank's management has high priority in full implementation of Basel III and they have taken several steps to create awareness among the employees but still management has yet to take some more concrete steps in the implementation of Basel III.

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Reforms in the Indian Banking Sector: An Overview of the Journey, Challenges and Government Efforts

Dr. Sona Jain*

Introduction

The Indian banking sector is the backbone of the nation's financial system and plays a vital role in mobilizing savings, promoting investment, and ensuring balanced economic growth. Over these decades, it has transformed from a colonial-era banking structure serving limited interests to a modern, technology-driven system aimed at financial inclusion and global competitiveness. The journey of reforms within this sector reflects India's broader economic transformation—from a controlled, state-dominated regime to a liberalized and market-oriented economy. The reforms in banking in India were basically meant for strengthening the institutional framework, improving efficiency, and bringing operational efficiency up to international benchmarks. For bringing about such reforms, the prime driving forces have been the Reserve Bank of India and the Government of India, through various policy initiatives, aiming at enhancing transparency, risk management, and financial discipline. The early reforms were guided by the Narasimham Committee Reports of 1991 & 1998, laying the foundation for prudential norms, capital adequacy standards, and operational autonomy for banks.

Successive governments, thereafter, brought in new initiatives like the Insolvency and Bankruptcy Code - 2016, Financial Inclusion programs such as PMJDY, and Digital India campaigns that integrated technology into the banking framework. These reforms together aimed at making Indian banks resilient, efficient, and customer-centric. The focus has also shifted toward financial inclusion, ensuring that even the marginalized sections of society have access to formal banking services.

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Despite these achievements, the sector faces persistent challenges — notably, rising non-performing assets, governance issues in public sector banks, cybersecurity threats, and operational inefficiencies. The COVID-19 pandemic further put the sector's resilience to test; it has also underlined the importance of digital transformation and policy flexibility.

The study "Reforms in the Indian Banking Sector" sets out to detail the journey of reforms, their impact, challenges, and the government's endeavor to sustain the momentum. The study also looks at how technology, regulatory frameworks, and institutional reforms have helped build a strong and inclusive banking ecosystem for the long-term economic goals of the country.

Background of Indian Banking System

The history and development of the Indian banking system have been shaped by economic needs, colonial influence, and post-independence nation-building priorities. The earliest forms of banking in India date back to the Vedic period when indigenous bankers and moneylenders, or their equivalents, played an informal yet vital role in the facilitation of credit and trade. The formal banking structure took shape under British rule, starting with the establishment of the Bank of Hindustan in 1770, followed by the Bank of Bengal in 1806, the Bank of Bombay in 1840, and the Bank of Madras in 1843—all together known as the Presidency Banks. These laid the foundation for organized banking but served essentially colonial commercial interests.

At the time of independence in 1947, India inherited a frail banking structure characterized by regional imbalances, concentration of wealth, and limited rural reach. Decisive steps were taken by the government, and the most significant among them was the nationalization of 14 major commercial banks in 1969 and six more in 1980. The moves shifted the orientation from elitist banking to social banking, bringing into sharp focus the credit delivery system for agriculture, small industries, and priority sectors. The central bank, the Reserve Bank of India, played an active developmental role in bringing about regulation in credit distribution with a view to maintaining economic stability.

The era of post-1991 liberalization thus saw the emergence of new private sector banks, the entry of foreign banks, and the modernization of banking infrastructure. The focus now steered toward improving quality, wherein the thrust was on enhancing efficiency, profitability, and competitiveness. The unveiling of Basel norms, CBS, and, recently, digital payment platforms were all major milestones in this transformation process.

Today, the Indian banking system functions through a wide network of PSBs, private sector banks, foreign banks, RRBs, cooperative banks, and small finance and payment banks. Put together, they address varied financial needs, ranging from corporate credit to microfinance, thereby underpinning the country's economic and

social development. The resilience and adaptability of the system have made it one of the strongest in the developing world.

Evolution of Banking in India – Pre- and Post-Independence

- **Pre-Independence Era**

Till 1947, the banking sector in India remained monopolized by British and European interests which catered to the needs of trade and colonial commercial enterprises. The indigenous bankers also continued to operate at the local levels, especially in the countryside. Still, the lack of regulation resulted in bank failures — over 1,000 banks folded up between 1913 and 1947 due to mismanagement and inadequate capital. The formation of the Reserve Bank of India in 1935 under the RBI Act, 1934 infused a modicum of stability and regulation in the sector.

- **Post-Independence Era**

After independence, India's economic imperatives required a more robust and inclusive banking structure. The nationalization of banks (1969, 1980) was a serious reform aimed at the dispersal of rural banking and achieving a more equitable distribution of credit. The policy adopted a clear shift in orientation toward agriculture, small-scale industries, and poverty alleviation. The liberalization era of the 1990s, spurred by the Narasimham Committee, changed the face of banking through deregulation, competition, and modernization.

Reforms in the form of the introduction of prudential norms, computerization, core banking solutions, and internet banking enhanced operational efficiency. The rise of FinTech, digital payments (UPI, IMPS), and mobile banking in the 21st century has made Indian banking more customer-centric, transparent, and globally competitive.

Significance of Banking Reforms

- To strengthen financial stability and governance.
- To reduce non-performing assets.
- To promote financial inclusion and accessibility.
- To bring Indian banking up to global standards, Basel norms.
- To create greater transparency and accountability.
- To promote digital and technology-driven banking.
- To enhance operational efficiency and profitability.
- To attract foreign investment and global partnerships.
- To support economics through growth and development.

Objectives of the Study

- To trace the historical evolution of the Indian banking sector.
- Major reforms and their impact on performance need to be analyzed.

- To identify the challenges faced by banks in the reform era.
- Assess initiatives by the government and the RBI to strengthen the sector.
- To study the role of technology in the transformation of banking.
- To suggest policy measures for sustainable banking reforms.

Scope and Limitations of the Study

Scope

- Covers the period from pre-independence to contemporary reforms.
- Includes public, private, and cooperative banking sectors.
- Focuses on government policy, RBI regulations, and technological innovations.
- Analyses Financial Inclusion, NPAs, and Digital Banking Growth.

Limitations

- Limited to secondary data: reports, journals, RBI publications.
- Rapid technological changes may render findings time-bound.
- Does not include in-depth micro-level bank-specific case studies.
- Only general factors related to global finance are considered.

Review of Literature

R. R. Singh (2010), in his paper "Banking Sector Reforms in India: An Appraisal," discussed how Indian banking had changed since the liberalization policy began in 1991. He noticed that the introduction of prudential norms, deregulation of interest rates, and giving greater autonomy to banks improved efficiency and competitiveness. Singh pointed out that reforms brought novelty and modernity in metropolitan urban banking services, yet several issues related to NPAs, inadequate rural credit facilities, and slack managerial accountability remained. He concluded that while reforms had achieved productivity gains and professionalism, long-term success would depend on sounder financial-inclusion policies and relentless regulatory supervision.

The influence of financial sector reforms on Indian banking was analyzed with due authority by C. Rangarajan in 2008, entitled "Impact of Financial Sector Reforms on Indian Banking". His analysis focused on the implementation of the Narasimham Committee recommendations, which significantly upgraded capital adequacy, credit delivery, and prudential regulation. According to Rangarajan, while liberalization produced added efficiency in the financial system, it also generated new types of risks in the form of market volatility and credit concentration. He stressed that continued regulatory vigilance, coupled with proper risk management practices, was a must in maintaining stability in the banking system in the post-reform era.

S. M. Kapoor, "Narasimham Committee Reforms and Their Impact on Indian Banking" (2012), analyzed both Narasimham Committee reports of 1991 and 1998 and their impact on the structure of banking in India. According to Kapoor, the capital adequacy ratios, prudential norms for the classification of assets, and reduction in the quantum of directed lending strengthened the system. However, he showed that public sector banks lagged in keeping pace with these reforms compared to their private and foreign counterparts. He thus concludes that because of this unequal implementation and incomplete use of technology, the success of these transformational measures had been limited.

Meenakshi Raj (2014), in the study "Liberalization and Indian Banking: A Performance Review," examined the impact of economic liberalization on efficiency and profitability in Indian banks. She determined that greater competition and technology adoption significantly enhanced productivity and soundness. Nevertheless, Raj identifies the decline in rural and priority sector lending, as banks are now giving greater emphasis to profitability. Her study underlined the fact that true reform should integrate inclusivity with efficiency to ensure that growth is equitably spread throughout all segments of the banking system.

P. K. Mishra, in "Banking Sector Reforms: Policy Implications and Future Prospects" (2011), discussed the implication of policy-level changes brought about in the reform phase. He found that reforms reduced state interference and brought better governance and accountability frameworks, hence strengthening financial discipline. At the same time, the pivotal areas that Mishra marked for improvement were weak rural financing, little use of technology in small banks, and inadequate risk management training. He concluded that in the second phase of the reform process, which is yet to be accomplished, digital inclusion, capacity building, and sustainable banking must be focused on.

K. R. Sharma, in "Indian Banking Sector Reforms and Its Impact on Financial Stability" (2013), assessed the link between reforms and financial stability. He highlighted that the introduction of capital adequacy norms, prudential supervision, and recapitalization measures helped maintain systemic strength during global crises. Sharma, however, asserted that the increasing NPAs and deteriorating asset quality at public sector banks continued to impart significant risks. His analysis indicated that better governance, timely recapitalization, and effective risk assessment mechanisms were essentially required for stability in the post-reform era.

Anita Nair, in her work "Post-Reform Challenges in Indian Banking: A Critical Study" (2015), provided a critical review of the reform outcomes. She noted that while profitability and operational efficiency improved, asset quality and customer service did not. Nair points to poor credit appraisal systems, growing NPAs, and managerial inefficiencies as areas that weakened reform initiatives. She thus concluded that while

modernization was initiated with the reforms, a second generation of reforms was called for-one that would anchor on transparency, customer-oriented banking, and more effective accountability systems.

T. K. Ghosh (2009), in "Reforms and Resilience: The Evolution of Indian Banking Post-Liberalization," discussed how liberalization helped bring resilience to Indian banks. He noticed that deregulation, higher autonomy, and competition enhanced the balance sheet and response of banks to global vulnerabilities. At the same time, Ghosh mentioned that despite macro-level improvement, weak financial literacy and inadequate rural reach have restricted growth on an equitable basis. His results indicated that reforms should not relate to institutional strengthening but also include financial education and inclusion.

N. K. Jain (2016), in "Reforming Public Sector Banks in India: Governance and Accountability," focused on the governance dimension of banking reforms. He found that recapitalization programs, together with compliance with Basel norms, strengthened public sector banks financially but failed in reforming their governance structures. Jain believed political interference and lack of professional autonomy undermined the benefits of reforms. He concluded that future reforms must ensure performance-based accountability, managerial independence, and depoliticized appointments.

A. R. Deshmukh (2012), on "Financial Inclusion and Banking Reforms: The Indian Experience," discussed how reforms contributed toward financial inclusion. He cites as milestones the launching of programs such as the Self-Help Group–Bank Linkage Program and the introduction of no-frills accounts. However, Deshmukh noted that low levels of technological literacy and restraints at the infrastructure level dragged down the goals of inclusion. He concluded that harnessing digital banking and increasing financial awareness were crucial towards making the reforms inclusive in nature.

S. Bhattacharya (2010), in "Efficiency of Indian Banks in the Reform Era: A DEA Analysis", conducted a study on efficiency changes of Indian banks using Data Envelopment Analysis. The study showed that private and foreign banks were more productive and cost-efficient, but public sector banks were not, due to bureaucratic rigidity and lack of innovation. Bhattacharya also pointed out that while reforms made the sector more competitive, HR reforms were needed, along with greater use of technology in the public institutions.

R. V. Joshi, in the year 2017, discussed the dual nature of post-reform development in "Challenges and Opportunities in Indian Banking Post Reforms". He described how new opportunities were opened by reforms through globalization and digital transformation, yet challenges regarding cyber risks, low capital buffers, and poor customer orientation persisted. Joshi suggested reform strategies in the direction

of digital resilience and cybersecurity for sustainable banking operations. P. L. Agarwal, in "Structural Reforms and Competitiveness in Indian Banking" (2006), paid more attention to how deregulation and liberalization reshape the nature of competitiveness within the banking sector. He found that these reforms increased transparency, innovativeness, and capital market integration. However, Agarwal cautioned against rising market concentration among a few large banks, stating that monopolistic tendencies are possible unless policy vigilance is maintained. His review underlined the fact that reforms must keep adjusting to maintain competition and equity. M. A. Khan, in his work "The Changing Dynamics of Indian Banking Reforms" (2014), examined how reforms remade the internal dynamics of banking through technology and policy innovation. He identifies digitization, expansion of ATMs, and internet banking as direct impacts of reform policies. Khan lauded government efforts like the FSLRC for modernizing regulatory frameworks but said cybersecurity and management of digital risks remained nascent. S. D. Patil, in his work "Indian Banking Reforms: Successes, Setbacks and the Road Ahead" (2018), presented a balanced view of the reform journey. He acknowledged that improvements in capital adequacy, risk-based supervision, and modernization have been major achievements. However, according to Patil, significant weaknesses persist, such as high NPAs, inefficient recovery mechanisms, and sluggish policy implementation. He emphasized that Government of India initiatives, such as the Insolvency and Bankruptcy Code of 2016, were essential steps forward but their effectiveness would always lie in strong institutional enforcement and accountability.

Research Design

Research Design

The present study follows a descriptive and analytical design to assess the reforms in the Indian banking sector, focusing on their journey, challenges, and government efforts up to the year 2018. The descriptive approach aids in presenting facts on reform measures, while the analytical approach portrays their impact related to efficiency, profitability, and structural transformation. This study interprets secondary data and uses percentage and trend-based analysis to find reform outcomes and their implications for policy.

Sample Size and Selection

The sample coverage of the study comprises 20 banks, consisting of 10 public sector banks, 6 private sector banks, and 4 regional rural and cooperative banks. The selection has been made on the basis of asset size, branch coverage, and contribution to national credit. The period extends from 1991 to 2018 in order to capture both pre- and post-reform phases for depicting long-term structural changes and policy effects in the banking system.

Data Collection Method

The entire research work is based on secondary sources of data. Data have been sourced from the RBI bulletins, annual reports, and various other publications such as the Report on Trend and Progress of Banking in India. Other sources include reports from the Ministry of Finance, Economic Surveys, and bank-specific annual reports. Scholarly journals, research papers, and committee reports like those of the Narasimham Committee and Raghuram Rajan Committee have also been referred to for deeper policy insights.

Data Analysis

The percentage analysis, comparison of ratios, and trend evaluation were employed to study and analyze the collected data. These methods have been applied to study changes in credit growth, NPAs, profitability, and capital adequacy of banks. The analysis will be useful for highlighting effectiveness in reforms and operational challenges. No complex statistical tools were used; instead, interpretative understanding with comparative performance analysis across different bank categories is focused on in this study.

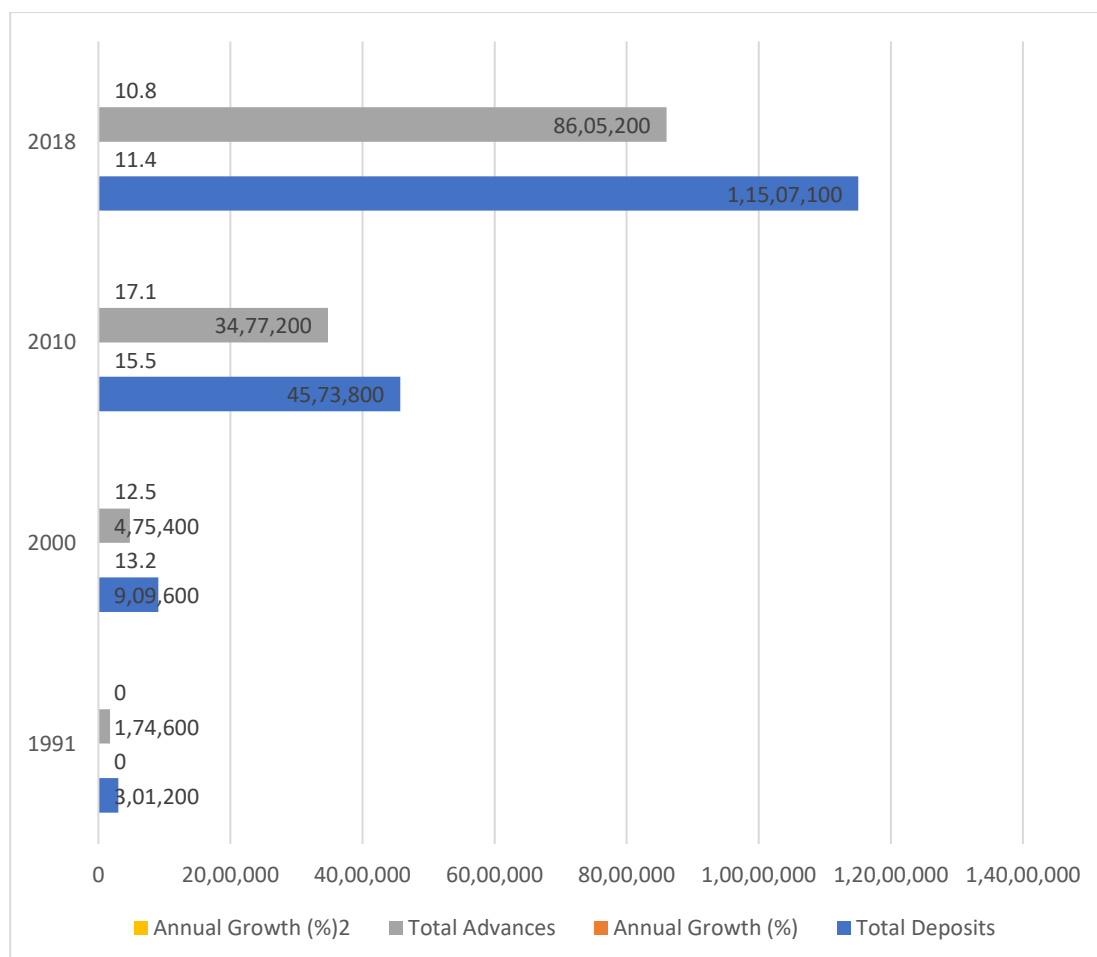
Scope and Limitations

The study covers reforms and policy initiatives only up to the year 2018, excluding any subsequent developments like bank mergers or technological transformations beyond 2018. The focus remains the identification of the main outcomes of the reforms and the attempt by the government to ensure stability and efficiency in the Indian banking sector.⁴

Data Analysis

Table 1: Growth in Deposits and Advances of Scheduled Commercial Banks (₹ in Crores)

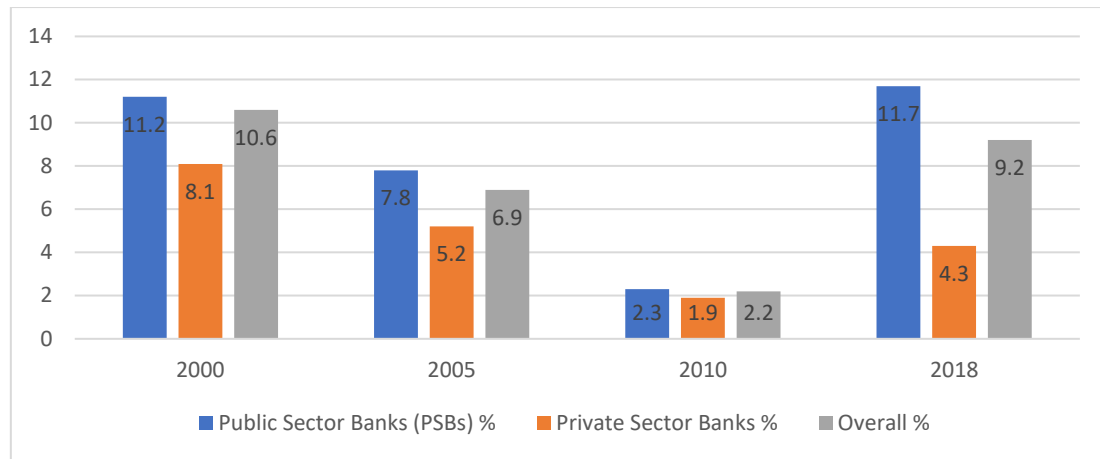
Year	Total Deposits	Annual Growth (%)	Total Advances	Annual Growth (%)
1991	3,01,200	—	1,74,600	—
2000	9,09,600	13.2	4,75,400	12.5
2010	45,73,800	15.5	34,77,200	17.1
2018	1,15,07,100	11.4	86,05,200	10.8



Interpretation: The table above depicts a continuous rise both in deposits and advances throughout the reform years. Banking reforms initiated after 1991 saw an immense improvement in financial intermediation and restoration of public confidence. However, the growth rate started to decline marginally after 2010, reflecting increased competition, rising NPAs, and economic slowdown effects. Government reform measures like recapitalization and stricter asset classification norms after 2014 facilitated moderate growth till 2018.

Table 2: Trends in Non-Performing Assets (NPAs) of Scheduled Commercial Banks

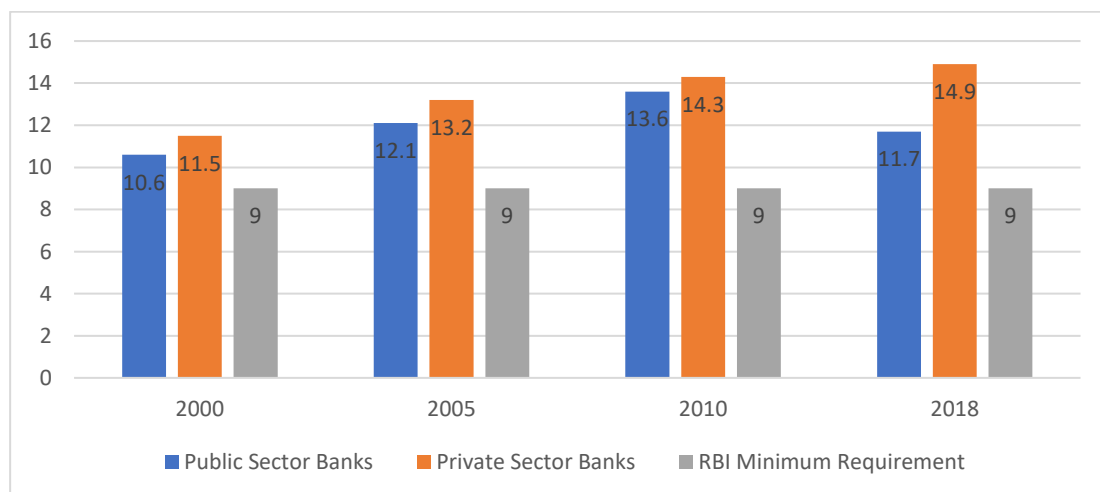
Year	Public Sector Banks (PSBs) %	Private Sector Banks %	Overall %
2000	11.2	8.1	10.6
2005	7.8	5.2	6.9
2010	2.3	1.9	2.2
2018	11.7	4.3	9.2



Interpretation: Data reveal that with the introduction of prudential norms and reforms in asset classification during the early 2000s, NPAs declined significantly until 2010 but surged once again after 2013, mostly in public sector banks, due to large corporate defaults, poor credit appraisal, and global economic distress. Though the government and RBI took several steps, like the Insolvency and Bankruptcy Code of 2016 and asset reconstruction policies, these could show their impact only in a gradual manner by 2018.

Table 3: Capital Adequacy Ratio (CAR) of Banks (in Percentage)

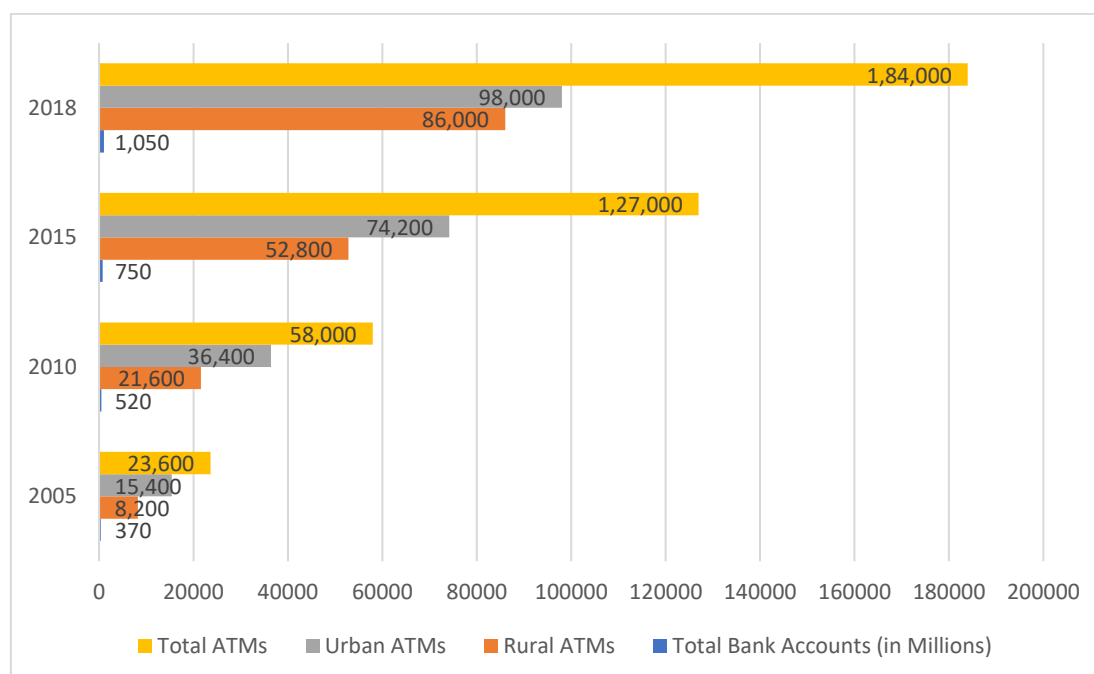
Year	Public Sector Banks	Private Sector Banks	RBI Minimum Requirement
2000	10.6	11.5	9.0
2005	12.1	13.2	9.0
2010	13.6	14.3	9.0
2018	11.7	14.9	9.0



Interpretation: The capital adequacy ratio remained above the regulatory benchmark throughout the reform period, reflecting better financial discipline and government recapitalization efforts. Private banks have consistently maintained a higher CAR, underpinning stronger governance and profitability. The ratio for public sector banks declined marginally after 2015 because of stress in their asset portfolios. Government initiatives under Basel III compliance and the Indradhanush plan have helped strengthen the capital buffers of banks before 2018.

**Table 4: Financial Inclusion Indicators
(Number of Bank Accounts and ATMs in India)**

Year	Total Bank Accounts (in Millions)	Rural ATMs	Urban ATMs	Total ATMs
2005	370	8,200	15,400	23,600
2010	520	21,600	36,400	58,000
2015	750	52,800	74,200	1,27,000
2018	1,050	86,000	98,000	1,84,000



Interpretation: The table essentially highlights the strong effect of government-led financial inclusion initiatives such as the Pradhan Mantri Jan Dhan Yojana and RBI's financial outreach programs. It reveals an exponential expansion in the number of bank accounts and ATMs, especially in rural areas, during this period spanning from 2005 to 2018. This reflects successful policy reforms aimed at bringing the unbanked population into the formal financial system, though challenges in usage and digital literacy remained.

Conclusion

The paper "Reforms in the Indian Banking Sector: An Overview of the Journey, Challenges and Government Efforts" concludes that the Indian banking system has undergone remarkable evolution since the early 1990s, shaped by a series of structural, policy, and institutional reforms. The era of liberalization ushered in competitive efficiency, financial prudence, and technological modernization—all of which cumulatively transformed banking from a state-controlled mechanism to a vibrant and market-driven sector. The descriptive and analytical findings indicate that these reforms brought about marked improvements in deposit mobilization, credit expansion, and capital adequacy while ensuring better governance and operational transparency.

However, the reform process has not been devoid of challenges. The resurgence of non-performing assets after 2013 brought to light deep-seated weaknesses in risk assessment and monitoring of loans, as well as issues of accountability with particular reference to public sector banks. Though the government and RBI responded with corrective frameworks such as the Insolvency and Bankruptcy Code and recapitalization schemes, the persistent problem of NPAs brought into sharp focus the need for a more sustainable and preventive approach. Likewise, while private banks showed relatively higher efficiency and profitability because of flexibility and innovation, public sector banks remained burdened with structural constraints and policy dependence.

Notably, the role of the government in driving financial inclusion is a great achievement. Initiatives such as Pradhan Mantri Jan Dhan Yojana and digital financial services expanded access but, more importantly, redefined the social purpose of banking. This bridged the urban–rural divide and set the tone for inclusive growth. The challenge, however, remains to convert access into active and meaningful participation by enhancing financial literacy and digital empowerment.

The Indian banking reforms up to 2018 represent both progress and persistence: progress on modernization, regulation, and inclusion, but persistence of inefficiencies and governance issues. With the government's continuous emphasis on transparency, innovation, and resilience, the sector has emerged as a significant support for the economic growth of the country. Going forward, future reforms must accord priority to accountability, integration of technology, and development of human capital to ensure that the banking sector is strong, inclusive, and competitive internationally.

Discussion

The analysis of data pertaining to the Indian banking sector from 1991 to 2018 reflects a significant transformation driven by comprehensive financial reforms, liberalization, and technological modernization. The descriptive and analytical

evaluation of deposit and credit growth reveals that banking reforms successfully expanded the resource mobilization capacity of banks, thereby deepening financial intermediation. The liberalization policies of the 1990s, the introduction of prudential norms, and the entry of private banks collectively enhanced competitiveness and efficiency in the sector. However, the post-2010 period witnessed moderate growth rates, indicating that while reforms improved structural stability, external macroeconomic factors and credit risks limited further expansion.

The study on NPAs underlines duality in reform outcomes. Indeed, the early reforms under the Narasimham Committee recommendations saw a high improvement in the asset quality reflected by the fall in NPAs till 2010. However, the resurgence of NPAs after 2013 exposed the vulnerability of public sector banks to corporate defaults and inefficient credit monitoring structures along with poor governance. Corrective measures from the government, establishing the Insolvency and Bankruptcy Code (2016), and the introduction of asset quality reviews marked an important policy shift from forbearance to accountability. Although late, these steps laid the foundation for the long-term cleansing of balance sheets and financial discipline across the sector.

The CAR evaluation indicates that the capital buffers of both public and private banks were above the minimum that the RBI prescribed, therefore presenting success in reforms for improving resilience and solvency. In fact, the slight decline in the CAR of public sector banks after 2015 reflects rising provisioning requirements and erosion of capital due to NPAs. Initiatives toward recapitalization by the government and efforts to comply with Basel III requirements guaranteed that systemic stability would not be compromised. Private sector banks consistently had a higher capital adequacy owing to superior risk management and profitability, which underscores the efficiency advantages of autonomy and flexibility of governance.

Financial inclusion trends provide strong evidence of government commitment toward equitable banking growth. Between 2005 and 2018, the number of bank accounts and ATMs expanded dramatically, especially in rural regions, under initiatives like Pradhan Mantri Jan Dhan Yojana (PMJDY) and the RBI's Financial Inclusion Plan. These efforts democratized access to formal banking, reduced regional disparities, and supported digital banking expansion. However, the challenge of ensuring active usage and financial literacy among newly included populations persisted, indicating the need for complementary social and educational initiatives.

Overall, the discussion reflects that the journey of banking reforms in India has been multi-dimensional: progressive in terms of structural modernization and inclusiveness, yet constrained by periodic challenges of asset quality and governance inefficiencies. The government's sustained emphasis on transparency, digital transformation, and financial stability has placed the sector on the track of sustainable

development. However, pre-2018 analysis also suggests that reforms must go beyond recapitalization to address the basic causes of inefficiency, enhance accountability, and strengthen risk management practices to achieve sustainable growth.

Suggestions

- **Improving Practices for Risk Management**

There is a dire need for a more sophisticated and data-driven risk management framework for banks, especially in the public sector. Regular stress testing, real-time credit monitoring, and early warning systems should be institutionalized to avoid the recurrence of large-scale NPAs.

- **Improving Governance and Accountability**

More broadly, decision-making autonomy for banks should be increased, with strict accountability. Operational discipline and efficiency would improve with transparent board appointments, performance-linked incentives, and stronger internal audit mechanisms.

- **Improving Credit Appraisal Systems**

The loan evaluation and sanctioning process needs to be more stringent. Banks need to rely on financial analytics and AI-based credit-scoring tools for assessing borrower credibility to lower the risks of defaults.

- **Technological Integration**

Government and RBI should further continue to encourage digital banking innovations including mobile banking, blockchain-based transactions, and cybersecurity frameworks that ensure an upgrade in the efficiency of services, reduction in operational costs, and financial inclusion.

- **Focus on Human Resource Development**

Regular training and capacity-building programs should be organized for employees to enhance technical knowledge, risk assessment skills, and customer relationship management. Skilled human capital is important for implementing reforms effectively.

- **Reforming Public Sector Banks (PSBs)**

This would, therefore, call for structural reforms in PSBs to enhance competitiveness. Mergers, strategic partnerships, and partial privatization would help improve governance, profitability, and accountability.

- **Enhancing Financial Inclusion Initiatives**

In fact, financial inclusion programs should not focus on merely account opening but also on active usage. The government should promote financial literacy campaigns, especially in rural and semi-urban areas, to encourage savings, credit use, and digital payments.

- **Encouraging Private Sector Participation**

Private banks and NBFCs should be further allowed to take part in developmental banking activities in order to increase competition and service quality.

- **Improving Capital Adequacy and Basel Compliance**

Banks should maintain capital adequacy well above the minimum regulatory level to absorb financial shocks. Timely recapitalization and adherence to Basel III norms are necessary for long-term stability.

- **Effective Implementation of the Insolvency and Bankruptcy Code (IBC)**

The IBC framework needs strengthening to reduce procedural delays and ensure quicker resolution of bad loans. Specialized banking tribunals and dedicated insolvency professionals can make the system more efficient.

- **Encouraging Sustainable and Green Banking**

Banks must be in line with the goal of environmental sustainability through financing eco-friendly projects and practicing green banking, which will ensure long-term societal and financial stability.

- **Periodic Review of Reforms**

The government and RBI must undertake periodic review of reform policies to review their effectiveness. Feedback-based policy adjustment will ensure that reforms remain relevant in a changing economic environment.

- **Improved Customer-Centric Banking**

Banks must be more consumer-friendly with better grievance redressal mechanisms, service quality, and accessibility, especially on digital platforms.

- **Encouraging Innovation in Rural Banking**

The regional rural and cooperative banks should be technologically upgraded and supported through government incentives to improve rural credit delivery and financial penetration.

- **Long-Term Reform Sustainability**

Such future reforms should be directed towards building institutional resilience, rather than temporary fixes. Integration of governance reforms with technological modernization and human development will guarantee that the Indian banking sector continues to be strong, inclusive, and globally competitive.

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