ABSTRACT

The Banking sector in India is one of the important pillars of the financial sector, which plays a vital role in the functioning of the economy. A sound financial system is indispensable for a healthy and vibrant economy. The banking sector constitutes a predominant component of the financial services industry and the performance of any economy, to a large extent, is dependent on the performance of the banks. In 1969, fourteen banks were nationalized with the objective of extending credit facilities to all segments of the economy and also mitigated seasonal imbalances in their availability.

The Indian financial sector reforms in the 1990s brought unprecedented changes in the banking sector. The interest rate deregulations had opened various financial markets combined with the intensifying competition were affecting the spread of the banks.

The pressures arising on the profitability, capital adequacy, liquidity, productivity and operational efficiency of the bank could not be tackled on the fire fighting basis.

There were healthy competitions from the public and private sector banks to provide the best financial services to their customers. To what extent a better quality and service could be offered to retain the customers became the ultimate aim of each bank. The issues faced by banks after the introduction of reforms were issues relating to interest rate, exchange rate fluctuation, liquidity position and credit competition.

This study had been undertaken to evaluate the financial performance and service quality of twelve public sector and private sector banks in total, which were listed under the CNX Bank index on 31st March

2012. The banks, which were taken for the study, include Axis Bank Ltd., Bank of Baroda, Bank of India, Canara Bank, HDFC Bank Ltd, ICICI Bank Ltd, IDBI Bank Ltd, Kotak Mahindra Bank Ltd, IndusInd Bank Ltd, Punjab National Bank, State Bank of India and Union Bank of India. In order to understand the financial health of the select banks and their service quality, two years less than a decade after the reform process in 1992, i.e., the period commencing from 2000-2001 to 2011-12 had been selected as the period for the study.

The results of five research objectives were presented in this study. The first research objective was to examine the productivity of select commercial banks in India by using the tools like the Mean, Standard Deviation and Coefficient of variance. DEA analysis and correlation analysis had been used to find the degree of relationship between productivity and other factors like Return on investment, Business per employee, Total expenditure per employee, etc., of the banks. In this study, from the analysis of DEA, it was inferred that private sector banks showed higher productivity level and Axis bank ranked first in generating the productivity which was followed by IDBI Bank. While analyzing the productivity of public sector banks, State Bank of India ranked first and it was followed by Union Bank of India and Bank of India.

The second research objective was to analyze the capital adequacy of select commercial banks in India. This study had adopted the statistical tools, the Altman Z-Score and Logit model to identify and compare public sector banks with private sector banks. The analysis had indicated the significance of the Logit model. Capital Adequacy Ratio, Return on Assets, Ratio of Investment, Government securities and Local Bodies Investment, Deposit to Loan Ratio and Net Interest Margin to Total Asset were significantly influenced the dependent variable, i.e., these regression coefficients did significantly predict the outcome of needs significant improvement in public sector banks. On the other hand, five ratios had directly influenced the banks to possess the healthy financial conditions of the select private sector banks. They were Capital Adequacy Ratios which include Return on Assets, Government Securities for Investment, Deposit and Loan ratio, Net Interest Margin to Total Assets, whereas Return on Earnings, Ratio of Investment Loans and Advances to Assets, Debt Equity Ratios had not shown any significance.

The Third research objective was to assess the operating efficiency of select commercial banks in India. To assess the operational efficiency, Multiple Discriminant analysis had been used to identify the variables which significantly discriminated the high and low operational efficiency of select commercial banks. The operational efficiency of select public and private sector banks were studied with the help of Multiple Discriminant Analysis. It was found from the analysis that private sector banks had proved high level operational efficiency when compared to public sector banks. The factors such as Loan to Total Assets, Total Income to Total Assets and Net Income to Net interest earned had shown significant differences.

The fourth research objective was to evaluate the profitability position of select commercial banks in India. The dependent variable ROA was considered to ascertain the profitability position of select banks. The Productivity, Capital Adequacy and Operational Efficiency, Spread, Burden, Spread to Total Assets, Burden to Total Assets had been used to evaluate the Profitability. Multiple Regression and DEA analysis had also been used. The analysis revealed that the thirty variables were used to ascertain the profitability. Out of thirty, only thirteen variables showed significant results at 1% and 5 % level. From the analysis of DEA, it was inferred that public sector banks had shown high profitability level and State Bank of India was ranked first in generating the profit followed by Punjab National Bank and Bank of India.

The fifth research objective was to ascertain the customers' preferences and priorities towards service quality of select commercial banks in Tamil Nadu. The primary data were collected through questionnaires from selected customers. The total population of selected branches was 21, 30,666 as on 31st March 2012. The sample respondents were selected by using a Systematic Random Sampling Method. In order to get the answers to questions, 500 questionnaires were distributed to the respondents in Coimbatore, Erode, Salem, and Tiruppur cities through the mail as well as in person. Out of 500 questionnaires administrated, 495 responses were received. The screening process excluded 39 responses from the study because of inadequate data. The remaining responses of 456 had represented an effective response rate of around 91% of the total sample. Structural Equation Model and Chi-square were used to examine the interrelationship between various dimensions of service quality. The analysis indicated that there was a significant association among measured variables such as Tangibility, Reliability, Responsiveness, and Assurance except Empathy which had fulfilled the criteria based on the Structural Equation Model outcomes. The researcher had identified that the service quality variables had influenced the customer satisfaction positively except Empathy, which was not significant in private sector banks. However, Tangibility, Reliability, Assurance and Empathy variables had influenced customer satisfaction positively except Responsiveness in public sector banks.