

PERFORMANCE OF INDIAN COMMERCIAL BANKING – A REVIEW OF LITERATURE

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ABSTRACT

The Indian commercial banking system has an important and prominent role in the development of economy. The financial crisis of 2008 has induced many economics scholars worldwide to study and analyse the impacts of crisis on the financial operational performances of the banks.

Many economic scholars' and researchers have analysed the banks performance by using the ratio like nonprofit asset, liabilities, Income, expenditure, margin ratio and return on equity ratio. However, there are other ratios which may affect on the banking performance. Hence

The present study is in the context of literature review pertaining to the overall performance of banking sector after the economic crisis of 2008. This study also presents the literature review for training to the financial and operational performances of Indian commercial banks during the period of 2010 to 2020, The literature review pertaining to the positive and negative factors that have impacted on the performance of the banks and the impacts of digital banking system on the performance of the banks.

KEYWORDS: *Commercial Banking Sector, Financial and Operational Ratios, Digital Banking, Review of Literature, Non Performing Assets.*

I) INTRODUCTION

The Indian commercial banking system has achieved a new height of growth and development in the post liberalisation. In the Indian economy the Indian commercial banking sector has increased many folds due to rapid digitalisation and priority for the financial inclusion and cashless economy. The revolution in Information Communication Technology has had an impact on the entire Indian banking sector. The utilisation of ICT has led to the introduction of online banking in India; and has increase many folds in the post liberalization era. Today the Indian banking sector has been exposed to the Global market the occurrence of financial crisis in 2008 has created and interest Amongst the economics Scholars experts and researcher to understand and analyse the effects of prices on the financial and operational performance of banks. the activities of the commercial banks are differs from the other business a strong banking system enhance and promotes investment by financing productive business opportunities, saving mobilization, effect allocation of resources and makes easy the trade or goods and services. The financial performance and operational performance of bank has critical implication for economic development of the

country. How well a bank is performing is of great significance for the investors for making correct investment decisions. Well financial performance of bank rewards the investor for their investment. This in turn encourages more investment and brings about economic growth and development. On the other hand poor financial performance can result into failure of bank and crisis which have negative impacts on the economic growth. Financial and operational performances are important parameters from which investors can understand the financial condition of the bank. The financial and operational performances of bank depends on various factors like return on assets operative profit, capital adequacy ratio (CAR) credit to deposit ratio (CDR) profit per employee, net NPAs, efficiency of Management etc. That in order to have good and well financial and operational performance the bank should focus on these factors which directly effects on the Profit ability of the banks. In this context the performance of banks in terms of financial and operational he is a very popular research area for the researcher and experts over the years. Many scholars and experts have focused on the impact of the selected context or an event on the performance of the bank.

This paper intends to review some important study papers published during 2010 to 2020 pertaining to the financial and operational performance of Indian commercial banks and the review of study paper selected to positive and negative factors that are influencing on the performance of the banks. Some studies related to the impacts of digital banking and their roles in the performance of banks have been also reviewed through the presence study paper.

II) Literature review pertaining to the overall banks performance

1. **Nikhil belawadi (2021)** - Has focused on the impact of monetary policy on the overall performance of the Indian banking sector. Author on the impact of monetary policy on the total asset value, deposit mobilization etc. author has found that there is a favourable fluctuation in the bank rate which makes flexibility in the banking system.
2. **P.Mohammed Ali (2020)** - Has attempted to study the performance of Bank branches and employees during the pre and post Reform periods. Author has also examine the relationship along quality of assets, profit per employees, liabilities, income and expenses etc. and the overall performance of all sector banks in India.
3. **E.B.Bramha (2019)** - Has attempted to map the performance and financial health of banks based on the basic parameters such as income expenditure, profit, loans, deposits and interest. Author has used analysis to examine the performance of the banks. Through the study author has evaluated and compare the financial statement parameters for public and private sector banks.
4. **H.M.Manisha (2019)** - Has also analysed the performance of Indian banking system and comparatively studied the overall performance situation in pre and post Reform period. Further has highlighted the influence of Technology transformation on the overall performance of the banks. Author has observed that revolution in ICT has brought many changes in banking system and increase efficiency of banks in India.
5. **N.V.Limbore (2015)** - Has pointed out that the financial and operational performance is closely associated with the economy of the country. Through the study author has also pointed out that the manychanges in the policy and regulatory domain also impacting on the overall performances of banking sector. Author has observed that several banks are showing increasing trends in investment. in the opinion of author there is a need of proper domestic capital market
6. **Saumya Lohiya (2013)** - Has attempted to analyse the overall performance of Indian banking sector in different way. Author has analysed the available information to determine the share

price performance of Indian banks relative to the share price performance of banks in Hong Kong and in Europe and US. Author has observed that private banks are performing well than the public sector banks in India.

7. **KRM Rao and Sudha Rani (2013)** - Has attempted to compare the banking parameters like written on assets operative profit capital adequacy ratio etc. and there Association with overall performance of banking sector. Through the study authors have shown the performance of banks in terms of deposit growth, Investments, advances, total assets, NPAs, interest income etc. Author has pointed out that the State Bank of India and new private banks are performing better in the post financial crisis.
8. **Mukesh Kumar and Shekhar Mishra (2013)** - Have attempted to examine the overall performance of Indian banking sector in terms of efficiency, returns to scale and total factor productivity change. Author has observed that there are positive changes in public and private sector banks due to technology transformation and new business practices in post Reform period.
9. **D.S.Desai (2013)** - Has studied the relationship between banking financial position and Indian economy. Through the study author has discovered on the various universities services provided by public sector banks private sector banks and cooperative sector banks and its relation with performers of banks. author has also made comparison of innovative services headed by Indian banks to each other Author has examine and compare the overall performance of Bank of India, State Bank of India, Axis Bank, Bank of Baroda, HDFC Bank etc.
10. **M.Kartik and MPS Ganesh (2013)** - Has focused on the relationship between the performance of banking sector and banking reform. Author has also observed that the impacts of reforms in the banking sector are most effective and witness impressive changes and improvements in a short period of time.

III) Literature review pertaining to financial and operational performance

- 11) **S.G.Roshan (2021)** - Has reviewed the existing literature per training to the financial and operational performance of the Indian commercial bank during 2010 to 2021. The author has discussed the major banks financial indicators like return on assets capital adequacy ratio, NPAs etc. the study author has also focused on the banking process and operational issues.
- 12) **Devesh Chauhan (2021)** - Has analysed the banks financial performance during the covid-pandemic period. The author has attempted to identify the key factors that are directly effects on the banks financial performance. The study has observed that private sector banks perform better than public sector banks during the covid 19 pandemic period.
- 13) **Shalini Shukla (2015)** - Has attempted to analyse the financial at operational performance of Indian commercial banks on the basis of return on assets, capital adequacy ratio, growth in Profit ability, credit to deposit ratio etc. Through the study author has observed that there are differences in Profitability and soundness in business and showing group prospects for private sector banks.
- 14) **Anup Mohanty (2020)** - Has discussed the CAMEL model to evaluate the performers of SBI, HDFC, Axis Bank, Kotak Mahindra Bank and ICICI Bank. The author has evaluated the financial performance of these banks through the capital adequacy ratio, debt equity ratio, net NPA to total advances, business for employees' etc. author has observed that major Indian commercial banks have succeeded in maintaining capital to risk weighted assets ratio at Higher level than the prescribed level.

15) **Pinku Paul (2015)** - has attempted to study the operational performance of Indian commercial banks. In this regard the author has used indicators like aggregate deposits, mobilized credits and investment, credit deposit ratio, share of commercial banks in the priority sector lending etc. Author has found that the schedule commercial bank have been significantly performing satisfactory and contributing to the growth and economic development of the country.

IV) Literature review pertaining to the positive and negative factors influencing on the performance of the banks

16) **Mohammad Azim (2021)** - Has discussed the effects of specific factors on the financial performance of commercial banks. Another has worked out the financial performance analysis to facilitate business management decisions by stakeholders. the author has examined staffing level effects on the performance of the banks and results of the study indicated that there is a negative relation between the number of staff and efficiency of banks.

17) **B. B. Ranajee (2018)** - Has examined the factors that are influencing on the profitability of the banks. For this purpose author has considered the factors like globalization, intensified competition, return on assets, and return on equity etc. author has observed that financial performance of Indian banks is influenced by external and internal factors. NPS ratio and consumer price index inflation have a negative impact on banks financial performance.

18) **Ritu Paliwal (2017)** - Has attempted to investigate the major factors that directly affecting on the financial performance of the Indian commercial banks. For this purpose other has considered the variables like size of banks, type of assets, financial structure, revenue diversification and other independent variables. Author has found that the bank size and quality of assets and financial structure are major factors that directly impacting on the banks performance.

19) **M. Jagadishwarn (2017)** - Has attempted to examine the impacts of microeconomic factors on the performance of bank. Author has considered the factors like foreign direct investment, Gross Domestic Product; expert rate etc. Author has observed that foreign direct investment Gross Domestic Product expiry and real interest rate etc. are significant and influencing on the financial performance of the banks.

20) **Vikramjeet (2020)** - Has found that there is a positive relationship between Bank performance and factors such as human capital, liquidity, management deficiency and asset quality. The author has pointed out that capital adequacy and earning of banks are also important factors that impact on the profitability of banks.

V) Literature review pertaining to impacts of digital banking system on the performance of the banks

21) **Amar Tigga (2012)** - Has explored the important impacts of Information Technology based services on the overall performance of the commercial banks. The study author has focused on some banking services that are transformed due to utilization of Information Technology. The author has found that the banking sector in India has implemented information technology for the improvement of customer care services daily operations and financial transactions, risk management etc. which have directly impacted on the overall performances of Indian commercial banks.

22) **Sarath Chandran (2021)** -Has also examined the impacts of Information Technology on the banking sector in the Indian economic advancement measures. The author has discussed in detail about the role of information technology in the improvement of banking services and improvement of banks or all performance.

- 23) G.TulasiRao and T.Lokeshwar Rao (2015)** - Have pointed out that Information Technology has enabled banks to introduce innovative products to the customers in the form of ATM facility, mobile banking etc.. Information Technology has moved as a helpful for increasing banking performances in terms of finance, administration/ management and risk management. The authors have also observed that transformation due to Information Technology has led to change in cost structure and one handed competitive pressure etc. and caused to transform the overall performances of Indian commercial banks.
- 24) SaiSudha and V.D. Rao (2020)** - focused on the technology influence on the banking sector growth in 4G period. The authors have pointed out that mobile transactions and RTGS are having a positive influence on the performance of the banking Technology index. They have also an examined of Banking digital transactions on the operating profits of private sector banks.
- 25) L.M.Madhushree and Revati Radhakrishnan (2018)** - Have attempted to analyse the role of information technology in the Indian banking sector and examined the extent of use of services specially the IT enabled service in banking. Through the study authors have focused on the various aspects of IT services rendered by bank and also focused on the implementation of it in the banking sector. Authors have observed that the efficient use of Technology has facilitated accurate and timely management of the increased transactions of banks which comes with the larger customer care.

VI) CONCLUSION

The present literature with the literature review pertaining to the performance of the Indian commercial banking sector. Through the literature reviews and attempts has been made to present the thoughts, conclusions and findings based on the empirical studies conducted by experts. After going through the literature it is found that the majority of the study is empirical that lacks a sound theoretical Foundation regarding the banks financial and operational performances. The majority of the study shows that performance majors depend on the objectives of the researcher; there are no unique images of performance discussion in study. Through the study of published literature it is observed that the majority of the studies are related to specific aspects of financial performance of the banks. Very few studies have been conducted with regard to the overall performance of cooperative sector banks. Some authors have Imperial provide the evidence to resolve the debate if the global financial crisis has any influence on the performance of the commercial banking sector of India. Some authors have pointed out the positive relationship between the microeconomic indicators and the performance of commercial banks. Through the literature it is observed that over the first some years Indian commercial banks for portrayed a drastic improvement by using information technology. Information Technology has brought drastic transformation in banking services and to great extent it has positively impacted on the overall performance of Indian commercial banks. The present literature is just an attempt to review and substantiate the views of expert and researchers and take a glance at some important studies pertaining to the Banking performance in India.

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