Profitability and Productivity in Indian Banks: A Comparative Study

Manish Mittal
Daly College Business School, Indore
(manmittal_1969@rediff.com)
Aruna Dhade
Institute of Business Management & Research
IPS Academy, Indore
(aruna_dhade@yahoo.com)

DOI: 10.26573/2007.1.2.4
Volume 1, *Number* 2
May 2007, *pp.* 137-152

The new millennium has brought along challenges and opportunities in the various fields of economic activities including banking. The entry of various private sector and foreign banks exposed the inefficiencies in the public sector banks. This paper compares various categories of banks on their productivity and profitability. While there is no remarkable difference in the spread ratio, there is a significant difference in Burden ratio among the public sector and private sector & Foreign banks. The key to profitability for the public sector banks is increased productivity. Those public sector banks that have been able to increase the productivity found themselves at par with the private sector banks.

Keywords: Profitability, Productivity, Spread Ratio, Burden Ratio, Business per employee, Business per branch

1. Introduction

The new millennium has brought with it challenges and opportunities in various fields of economic activities including banking. Indian banking, which was operating in a highly comfortable environment till the beginning of the 1990s, has been pushed into the choppy water of intense competition. The modern banking activity is marked by itineraries into un-chartered horizons mingled with risks and heavy competition. Immediately after nationalization, the Public Sector Banks spread their branches to remote areas at a rapid pace Their main objective was to act on behalf of the government to fulfill economic obligations towards the common man. They acted over enthusiastically in penetrating into far-flung and remote corners of the country. The social responsibility that was entrusted upon the Public sector Banks digresses them from the profit motive. On the other hand private and foreign banks did not make such moves. Instead, they pursued profit making as the objective for their operations.

In 1992 the RBI launched banking sector reforms, as per the recommendations made by the Narasimhan Committee on financial reforms to create a more profitable, efficient and sound banking system. The reforms opened the banking sector for private players. Domestic private sector banks are divided into two categories old banks which existed with the public sector banks before the entry deregulation and the new banks that came into existence after the reforms of 1992. The old banks are smaller in size and are regional. In contrast the new private sector banks are much

larger in size, operate primarily in metros and are technologically superior. Interestingly, unlike many developing countries, where the government owned financial institutions own major equity of the private banks, the equity share holders of the old private sector banks were mainly non government bodies. However, most of the new private sector banks, in India are promoted by the government owned financial Institutions. These banks, too, are in the process of reducing promoter's stake by raising funds through the capital market (Sarkar et. al [12]). Figure 1 represents the banking system in India.

The emergence of New Private Sector Banks in 1995 exposed the inefficiencies of the public sector banks. New Private Sector Banks have set a blistering pace of growth, easily beating the growth rate of Public Sector Banks. The business share for Private Sector Banks is very small but their share in the total net profit of the banking system is disproportionately high. Just like in any other business, profit in banking acts as a stimulant factor for management to expand and improve their services. Though Profit maximization is secondary for Public Sector Banks, adequate profit is necessary for their survival and healthy operations because even socio-economic obligations, like branch expansion in rural areas and priority sector advances cannot be fulfilled without adequate profit.

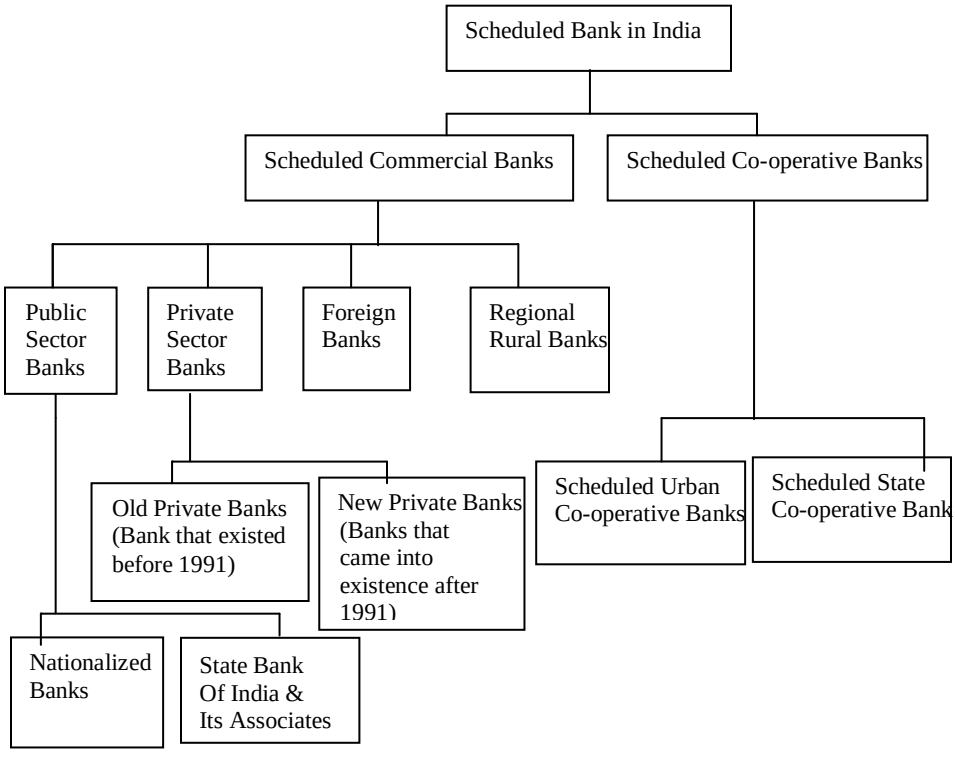


Figure 1: *Scheduled Banking Structure in India*
(Source: Report on trend and progress of Banking in India, 2002, RBI, Mumbai)

This paper focuses on the achievement and performance of Public Sector Banks vis-à-vis Private Sector Banks and Foreign Banks. The parameters selected for evaluation of performance of various categories of banks are profitability and productivity. The time period for the performance analysis has been chosen as 1999-00 to 2003-04.

The paper is organized into six sections: The next section of Literature Review focuses on the related work done in the same areas of banking. The third section explains the sample, the sources of data and data analysis methodology adopted in the study for comparing the performance among banks of different categories. The fourth section reports the analysis results and findings of the study. The fifth section presents suggestive measures for better performance of Public Sector Banks based on the findings of the study. The last section has the conclusions.

2. Literature Review

Perhaps because profitability was not the objective of Indian banks, there have not been many attempts to compare the profitability amongst the various categories of banks. Verma and Verma [17] attempted to determine the determinants of profitability of SBI group, other nationalized and foreign banks in India. A study by Das [2] compares performance of Public Sector Banks for 3 years in the post reform period, 1992, 95, 98. He notes that while there is a welcome increase in emphasis on non-interest income, Banks have tended to show risk averse behavior by opting for relatively risk free investments over risky loans. Sarkar & Das [14] compared performance of Public Sector Banks, Private Banks, and Foreign Banks for the year-1994-95 on their profitability, productivity & financial management. They found that Public Sector Banks compare poorly with the other two categories of banks. Another study by Ram Mohan [9] covers a recent period, 1996-97 to 1999-2000. He found that over these years the profitability of the Public sector Banks did improve in comparison to the Private and Foreign Banks, but they have lagged behind in their ability to attract deposits at favorable interest rates and have been slow in technology up gradation and improving staffing and employment practices, which may have negative implications on their longer–term profitability.

Researchers have earlier opined that the major reason for declining bank profitability are increasing pre-emption for CRR, SLR, rigorously structured interest rate, the burden of social banking and enormous increase in the establishment cost. Recently, there has been an increased amount of stress on soundness of the Balance Sheet as well as on the profitability. It is recognized that Public Sector Banks must have a strong balance sheet and should be profitable. It also implies that bank interest and other earnings should be sufficient to cover its financial & administrative expenses. Stronger balance sheet also means that the banks have sufficient surplus for provisions of bad debts, tax liabilities & depreciation of financial assets, to pay dividends and to augment reserves. A bank's strong balance sheet also implies that it has sufficient capital & reserve to protect its depositors and other creditors from the risks it bears on its assets. The major reasons identified for the declining levels of profitability of Public Sector Banks are mismanagement, liquidity, credit polices, increased lending to priority & preferred sector, mounting agricultural over dues & incidences of sickness of industrial units, rise in operation cost, lack of efforts in

manpower planning (Bist, Mishra & Balwal [1]). Ganeshan [4] reveals by an empirical establishment of profit function that interest cost, interest income, deposits per branch, credit to total assets, proportion of priority sector advances & interest income loss are significant determinants of the profits & profitability of Indian public sector banks.

Sarkar et al. [12] found that the foreign banks were more profitable and efficient than Indian banks and amongst the Indian Banks private banks were superior to the public sector banks. They also conclude that the non-traded private sector banks are not significantly different from the public sector banks with respect to profitability and efficiency, a result consistent with the property right hypothesis.

Sathye [15] studied the impact of privatization on banks performance and efficiency for the period 1998-2002 and found that partially privatized banks have performed better than fully public sector banks and they are catching up with the banks in the private sector. Shanmugam and Das [16] reported that, in general, State bank group and private-foreign group banks have performed better than their counterparts during 1992-1999.

According to the Business Standard Banking annual Survey 2003, Indian Banks showed a 52.3% growth in the net profit in the year 2002-2003. Public sector banks outperformed the other category of banks bagging six of the top 10 slots. Only one foreign Bank could make it to the top. The remaining three slots were occupied by the private banks (Kadam, [5]).

Some researchers have tried to compare the banks on productivity front. Pitre [7], reports while assessing productivity in terms of Business per employee and per office that Foreign Banks are far better than the nationalized and other scheduled commercial Banks but in terms of the number of account per employee they are at the bottom of the list. (Table 1)

Table 1: *Productivity in Indian Banks (Source: Banking Statistics, 2000)*

Amount of Business, Number of Account				
	Amount of Business		Number of Account	
	Per Employee	Per Office	Per Employee	Per Office
SBI & Associates	108	2449	367	6334
Nationalized banks	120	1953	467	7716
Foreign Banks	586	45742	291	22715
Other Commercial Banks	244	2999	505	6211
All Banks	127	1911	484	6967

3. Research Design

Sample: The sample used for the study is as follows

1. 27 public sector banks consisting of SBI & its associates (8) and nationalized banks (19),

2. 30 Private sector banks consisting of old private sector (21) and new private sector banks (9)

3. 33 Foreign Banks in India.

Data

The study is based on secondary data collected from the various volumes of banking statistics published by Reserve Bank of India (RBI) [10] and Indian Banking Association (IBA) [3]. The variables studied are interest paid, interest earned, total deposits and advances, non operating income and expenses, number of employees, number of branches, establishment expenses etc. The data on total staff and number of branches was collected from IBA Bulletin, 2005 [3] (Table 2).

Table 2: *Total Staff and No. of Branches in Indian Banks (Source: IBA Bulletin, Special Issue, Jan 2005[3])*

Total Staff					
	1999-00	**2000-01**	**2001-02**	**2002-03**	**2003-04**
State Banks &Its Associates	315548	289654	284053	282923	280676
Nationalised Banks	558021	507677	472967	474328	471951
Total (Public Sector Banks)	**873569**	**797331**	**757020**	**757251**	**752627**
Old Private Sector Banks	53565	53301	52992	52920	53041
New Private Sector Banks	7344	12420	18178	24951	30309
Total (Private Banks)	**60909**	**65721**	**71170**	**77871**	**83350**
Foreign Banks	10115	10857	11053	11751	14662
Grand Total	**944593**	**873909**	**839243**	**846873**	**850639**
No. of Branches					
	1999-00	**2000-01**	**2001-02**	**2002-03**	**2003-04**
State Banks &Its Associates	13482	13559	13593	13585	13630.00
Nationalised Banks	32802	32764	32791	33123	33354.00
Total (Public Sector Banks)	**46284**	**46323**	**46384**	**46708**	**46984**
Old Private Sector Banks	4070	4095	4150	4252	4423.00
New Private Sector Banks	160	836	988	1240	1437.00
Total (Private Banks).	**4230**	**4931**	**5138**	**5492**	**5860**
Foreign Banks	129	140	147	180	217.00
Grand Total	**50643**	**51394**	**51669**	**52380**	**53061**

Data Analysis Tools

A five years period (1999-00 to 2003-04) has been selected for evaluating the performance. The logic of selection of this period is to find out the impact of government's decontrolled and liberalized policies on public sector banks as compared to other categories of banks like private sector banks and foreign banks. The other reason is that the new private sector banks, which are having major share in asset holding, started their business commercially from the year 1996 onwards; to segregate the overall result of the new private sector banks it is more appropriate to select this period. The study uses Ratio analysis to compare profitability and productivity of different categories of banks. *Ratio analysis is a powerful tool of financial analysis.* In financial analysis ratios are generally used as benchmarks for

evaluating a firm's position or performance. The absolute values may not provide us meaningful values until and unless they are related to some other relevant information. Ratios represent the relationship between two or more variables. Ratios help to summarize large data to draw qualitative judgments about the firm's performance (Pandey [8]). The common denominator used for developing the various profitability ratios is business volume (deposits + advances). The banks generally use calculate spread ratio as % of total assets. The total assets are accounting (Balance sheet) figures, which are based on historical costs and hence are not very suitable to evaluate the current performance of the banks. In order to have a suitable indicator for evaluating current bank performance we have used the volume of business (Advances + Deposits) in the denominator. It is like using Gross profit ratio (Gross profit/sales) as a substitute for Return on Total asset (Profit/ Total asset) as an indicator of the profitability of a business organization. Productivity has been measured in terms of the outputs (like Business, deposits, advances) per input (employee/branch).

The ratios used for measuring the profitability of the banks are as:

1. Interest earned ratio (r) = Total interest earned/Volume of business

2. Interest paid ratio (p) = Total interest paid/Volume of business

3. Non-interest income ratio (n) =Total income–interest income/Volume of business

4. Other operating expenses ratio(o)=Total expenses–interest expenses/ Volume of business

5. Establishment expenses ratio (m) = Establishment expenses/ Volume of business

The following equations are derived from the above ratios:

1. Spread ratio (s) = Interest earned ratio – Interest paid ratio (r-p)

2. Burden ratio (b) = Other operating expenses ratio – Non – interest income ratio(o-n)

The profitability ratio is worked out as follows:

Profitability ratio = Spread ratio – Burden ratio

The ratios used for measuring Productivity are:

1. Deposit per employee = Total Deposit/Total Staff

2. Advances per employee Ratio = Total Advances/ Total Staff

3. Total Business per employee = Total Business/ Total Staff

4. Deposit per Branch Ratio = Total Deposits/ No. of Branches

5. Advances per Branch Ratio = Total Advances/ No. of Branches

6. Total Business per Branch = Total Business/ No. of Branches

4. Analysis and Findings

The results of ratio analysis are given in appendix (Table I- XIV).

Profitability: There is some debate about whether profitability measures are appropriate indicators of performance of public sector enterprises who are required to produce socio-economic outputs that cannot be reflected in the Balance sheet. This is relevant especially for the public sector banks in India whose objectives have been more social than economic. However, the policy makers laid emphasis on profitability as an important benchmark through which the performance of public sector banks is to be judged in the post reform era (Sarkar, [13]). In the market oriented economy some public sector banks have gone in for partial privatization and are already listed in the stock market and more banks are likely to approach the capital market to mobilize additional funds. The improved profitability is the only key parameter for evaluating performance from the shareholders point of view. Now it is up to the bank management to decide how to strike a trade-off between social and commercial banking in order to improve market holdings and services and play the role of government's agent at the same time.

In our study, we found that the public sector banks are less profitable than the public sector and foreign banks in terms of overall profitability (Spread – Burden ratio; Table VIII) but their profitability is improving over the last 5 years. Foreign banks top the list in terms of the net profitability. Analyzing further, we found that public sector banks are ranked second after the foreign Banks in terms of the spread ratio (Table VI) but they have higher Burden ratios (Table VII) which makes them less profitable as compared to the other categories of banks. The Interest earned ratio (Table I) is declining over the years for all categories of banks because over the last 5 year RBI has pursued the policy of lowering the interest rates. Still foreign Banks were able to have high Interest earned ratios as compared to the Indian Banks. The Interest earned ratio for the Indian Banks has almost been the same across all categories. The Interest paid ratio (Table II) is the lowest for the foreign Banks. This can be attributed to the effective and efficient management of the funds done by the foreign banks through which they were able to attract funds at lower cost and dispose them to high interest earning securities. The interest paid ratio of private sector banks are little more than the public sector banks. This is a case of tactful management through which the private sector banks were able to fetch huge funds on the basis of attractive interest rates. The RBI administers the interest rates of Public sector Banks and they have little control over the lending and borrowing rates.

The private and foreign banks have traditionally been viewed as high cost operators. The reason for high operating expenses ratio is that these banks have been spending heavily on technology up gradation which may affect their profitability in short term but which will improve their long-term returns as they leverage the technology to provide better customer support. Another reason for heavy operating expenses ratio is these banks are spending heavily on their advertising campaign for brand promotion. The nationalized banks do not require spending on promotions, as "Government Bank" is still a popular brand for Indian customer as far as money matters are concerned. However, the situation has changed very fast in these five years. Public sector banks, in order to compete with the other banks have realized

that in order to remain competitive Technology is the key and are now expending heavily on the technology up gradation. This fact is reflected in the other operating expenses ratio which reveals that among Indian banks- public sector banks have higher ratios than their private counterparts. The foreign banks however continue to be much ahead of the Indian banks.

Non – interest income (Table III) of private sector banks is higher as compared to public sector banks because private sector banks are offering more and more fees based services to their different customer categories (like commission, exchange brokerage etc). There is a pressing need for introducing more services to the customer by the public sector banks to have an advantage of competitive over private and foreign banks

A very important and significant component of other operating expenses (Table IV) is the establishment expenses. The establishment expenses are the expenses incurred on staff and branches. The establishment ratio (Table V) shows the highest dispersion across the different bank categories. Even the neck-to-neck competitors as SBI and new private sector banks show wide differences. The public sector banks have huge staff and a wide network of branches which are the main reasons for the high establishment expenses in them (Table 2). Though the establishment expenses of the private sector banks are showing a declining trend they are still much ahead of their competitors. The variations in the establishment expenses can be viewed as the main reason for the difference in the profitability among different category of banks. Banks with comparatively low establishment expenses are having higher profitability. Though the public sector banks have been trying to reduce the staff via different VRSs, it would take sometime for these banks to be at par with the private and foreign Banks. The declining trend of the ratio suggests that may happen in the near future.

Productivity: Productivity is defined as the ratio of Output to Input. In manufacturing organizations the value added or net output is taken as the output measure. In the service sector it is difficult to quantify the output because it is intangible. Hence, different proxy indicators are used for measuring productivity of service organizations. The indicators commonly used for assessing productivity of banks are Business per employee/ Branch, advances per employee/Branch, number of accounts per employee/branch etc. the results obtained by different factors need not be the same and may often be contradictory (Pitre [7]). In our study we have used Deposits per employee, Advances per employee, Business per employee, Deposits per branch, Advances per Branch and Business per branch as indicators of productivity of banks.

As seen in Table 2, public sector banks have more number of staff and branches than the other categories. This means they have a higher denominator as compared to other banks. It will be interesting to see whether the high denominator has enabled banks to have higher numerators as well.

Looking into the deposit per employee ratio (Table IX) we can easily infer that foreign banks are far ahead of the public banks. Even the private sector banks especially the new private sector banks are very comfortably placed as compared to the public sector banks and expect no challenge from them in the near future.

Though the ratio is showing an increasing trend for the public sector banks they have to go a long way to be at par with their competitors. The same holds good for the Advances per employee (Table X) and Business per employee ratios (Table XI) as well.

It is true that the public sector banks have a large network of branches and have their presence in the rural and semi urban areas as well; whereas the foreign banks, in some cases even the private banks, do not have branches in both rural and semi urban areas; but when we compare per branch bank deposit, advance and business ratios (Table XII, XIII, XIV) again the ratios for the public banks are much lower to private and foreign banks. It is also true that public sector banks have a predominantly societal orientation but the point to be noted here is that the difference is too high to support the argument.

5. Recommendations and Suggestions

Productivity and profitability are interrelated. Though productivity is not the sole factor, it is an important factor influencing profitability. The key to increase profitability is increased productivity. Public sector banks have not been as profitable as the other banks primarily because of two reasons – Low Productivity and High Burden ratio. To overcome these drawbacks private banks should chalk out a program to increase productivity. We have the following suggestions for the private sector banks .

They should *reduce overstaffing* – Though public sector banks have been trying to reduce the number of staff employed and has been successful in reducing the number from 8.73 lakhs to 7.52 lakhs, but they need to improve further. They should go for a second round of VRS to reduce the staff further.

They should have a *strategic tie up with the rural regional banks* - for reaching the far-fetched areas instead of opening branches themselves in the areas which cannot provide them the break even business.

They should *embrace latest technology* - Indian public sector banks have a unique advantage over their competition in terms of their branch network and the large customer base, but it is the use of technology that will enable PSBs to build on their strengths (Rishi and Saxena [11]). Foreign banks and the new private sector banks have embraced technology right from their inception and they have better adapted themselves to the changes in technology. Where as the public sector banks and old private banks have been slow in keeping pace with the changing technology, which is regarded as one of the major reason affecting their profitability and productivity (Leeladhar [6]).

6. Conclusions

Since the process of liberalization and reform of the financial in the financial sector were introduced in 1991, banking sector has undergone major transformation. The underlying objectives of the reform were to make the banking system more competitive, productive and profitable. As per the IBA report “Banking Industry Vision 2010” there would be greater presence of international players in the Indian

Financial system and some of the Indian banks would become international players in the coming years.

The key to success in the competitive environment is increased productivity and profitability. Indian banks especially the public sector banks and the old private sector banks are lagging far behind their competitors in terms of both productivity and profitability with the exception of the State bank of India and its associates. The other public sector banks and old private sector banks need to go for the major transformation program for increase their productivity and profitability. We suggest a three point program – reduce overstaffing, forge strategic alliance with the rural regional banks to open up rural branches and increased use of technology for improved products and services for the same.

7. References

1. Bisht, N. S., Mishra, R. C. & Belwal, R., "Liberalization & its Effect on Indian Banking", *Finance India*, 2001,16(1), 147-152.
2. Das, A., "Profitability of Public Sector Banks: A Decomposition Model", *RBI occasional Papers*, 1999, 20.
3. "Database on Indian Banking 2001-2004", *IBA Bulletin*, 2005, Special Issue, Indian Banking Association.
4. Ganeshan, P, "Determinants of Profit & Profitability of Public Sector Banks In India: A Profit Approach", *Journal of Financial Management & Analysis*, 2001, 14(1), 27.
5. Kadam, K, "State owned Banks – still the best" *Banking Annual Year 2002*, Business Standard, 2003, Available from http://www.business-standard.com/special/bankannual/2003/overview.htm, Accessed October 20, 2005.
6. Leeladhar V, "Contemporary and future issues in Indian banking", *Kanara Chamber of*
7. *Commerce and Industry, Mangalore*, 2005, Available from http://www.bis.org/review/r050321g.pdf. Accessed October 20, 2005.
8. Pitre V, "Measuring Bank Efficiency: Productivity versus profitability", *Business line*, 2003, Available from http://www.blonnet.com/2003/09/03/stories/2003090300090900.htm. Accessed October 20, 2005.
9. Pandey, I. M, Financial Management, 2002, Vikas Publishing House Pvt. Ltd, New Delhi, 109.
10. Ram Mohan T. T, "Deregulation & Performance of Public Sector Banks", *Economic & Political Weekly*, 2002, Issue on Money, Banking & Finance, Feb, 393.
11. "Report on Trend and Progress of Banking in India 2001-02", *Reserve Bank of India*, Available from www.rbi.org, Accessed January 21, 2003.
12. Rishi, M, and Saxena, S. C, "Technological innovations in the Indian Banking industry: the late bloomer", Accounting, Business & Financial History, 2004, 14, 339-353.

13. Sarkar J, Sarkar S, and Bhaumik S. K, "Does Ownership always Matter? - Evidence from the Indian Banking Industry" *Journal of Comparative Economics*, 1998, 26, 262-281.
14. Sarkar, J, "Indian Banking Sector: Current Status, Emerging Challenges & Policy Imperatives in a Globalized Environment" *India: A Financial Sector for the Twenty-first Century* ed. James A. Hanson, Sanjay Kasturia, 1999, Oxford University Press, 71-131.
15. Sarkar, P.C. and Das, A, "Development of Composite Index of Banking Efficiency: The Indian Case", *RBI Occasional Papers*, 1997, 18.
16. Sathye, M, "Privatization, Performance, and Efficiency: A study of Indian Banks", *Vikalpa*, 2005, 30(1), 7-16.
17. Shanmugam, K.R, and Das, A, "Efficiency of Indian commercial Banks during the reform period", *Applied Financial Economics*, 2004, 14, 681-686.
18. Verma, S, and Verma, S, "Determinants of profitability of SBI Group, Other Nationalized & Foreign Banks in India*", Banking & Financial Sector Reforms in India*, ed Amlesh Banerjee & S. K. Singh, 1999, Deep & Deep, New Delhi, 326.

Appendix: Ratio Analysis

Profitability Ratios

Table I : INTEREST EARNED RATIO

	1999-00	2000-01	2001-02	2002-03	2003-04
PUBLIC SECTOR BANKS					
STATE BANKS &ITS ASSOCIATES	7.57	7.38	7.51	7.04	6.27
NATIONALISED BANKS	7.12	7.02	6.64	6.34	5.68
TOTAL (PUBLIC SECTOR BANKS)	**7.28**	**7.15**	**6.95**	**6.59**	**5.89**
PRIVATE SECTOR BANKS					
OLD PRIVATE SECTOR BANKS	7.42	7.21	7.11	6.33	5.64
NEW PRIVATE SECTOR BANKS	6.50	6.92	4.82	7.62	5.92
TOTAL.	**7.02**	**7.08**	**5.79**	**7.09**	**5.81**
FOREIGN BANKS	**6.59**	**8.16**	**7.80**	**7.37**	**6.41**
GRAND TOTAL	***7.21***	***7.20***	***6.82***	***6.72***	***5.90***

Table II : INTEREST PAID RATIO

	1999-00	2000-01	2001-02	2002-03	2003-04
PUBLIC SECTOR BANKS					
STATE BANKS &ITS ASSOCIATES	5.16	4.95	5.15	4.69	3.89
NATIONALISED BANKS	5.03	4.78	4.57	4.07	3.35

TOTAL (PUBLIC SECTOR BANKS)	**5.07**	**4.84**	**4.77**	**4.29**	**3.54**
PRIVATE SECTOR BANKS					
OLD PRIVATE SECTOR BANKS	5.62	5.27	5.27	4.49	3.71
NEW PRIVATE SECTOR BANKS	4.82	5.11	3.56	6.02	4.16
TOTAL.	**5.28**	**5.20**	**4.28**	**5.40**	**3.99**
FOREIGN BANKS	**5.89**	**5.86**	**5.44**	**6.64**	**3.05**
GRAND TOTAL	***5.14***	***4.95***	***4.74***	***4.61***	***3.59***

Table III : NON INTEREST INCOME RATIO

	1999-00	**2000-01**	**2001-02**	**2002-03**	**2003-04**
PUBLIC SECTOR BANKS					
STATE BANKS &ITS ASSOCIATES	1.25	1.13	1.17	1.38	1.67
NATIONALISED BANKS	0.94	0.88	1.13	1.26	1.42
TOTAL (PUBLIC SECTOR BANKS)	**1.05**	**0.97**	**1.14**	**1.30**	**1.51**
PRIVATE SECTOR BANKS					
OLD PRIVATE SECTOR BANKS	1.27	0.92	1.78	1.67	1.50
NEW PRIVATE SECTOR BANKS	1.35	1.14	1.28	2.40	1.88
TOTAL.	**1.31**	**1.02**	**1.49**	**2.11**	**1.73**
FOREIGN BANKS	**2.61**	**2.29**	**2.63**	**2.54**	**2.87**
GRAND TOTAL	***1.32***	***1.06***	***1.29***	***1.51***	***1.63***

Table IV : OTHER OPERATING EXPENSES

	1999-00	**2000-01**	**2001-02**	**2002-03**	**2003-04**
PUBLIC SECTOR BANKS					
STATE BANKS &ITS ASSOCIATES	2.97	3.08	2.86	2.96	3.19
NATIONALISED BANKS	2.69	2.86	2.68	2.78	2.85
TOTAL (PUBLIC SECTOR BANKS)	**2.79**	**2.94**	**2.75**	**2.85**	**2.97**
PRIVATE SECTOR BANKS					
OLD PRIVATE SECTOR BANKS	2.44	2.32	2.79	2.64	2.55
NEW PRIVATE SECTOR BANKS	0.16	2.26	2.04	3.16	2.89
TOTAL.	**1.46**	**2.29**	**2.36**	**2.95**	**2.76**
FOREIGN BANKS	**5.03**	**5.29**	**4.87**	**1.76**	**4.63**

Table V : ESTABLISHMENT EXPENSES RATIO

	1999-00	2000-01	2001-02	2002-03	2003-04
PUBLIC SECTOR BANKS					
STATE BANKS &ITS ASSOCIATES	1.54	1.69	1.31	1.28	1.28
NATIONALISED BANKS	1.48	1.62	1.32	1.25	1.17
TOTAL (PUBLIC SECTOR BANKS)	**1.50**	**1.65**	**1.32**	**1.26**	**1.21**
PRIVATE SECTOR BANKS					
OLD PRIVATE SECTOR BANKS	1.05	0.92	0.95	0.92	0.86
NEW PRIVATE SECTOR BANKS	0.24	0.27	0.27	0.40	0.41
TOTAL.	**0.70**	**0.62**	**0.56**	**0.61**	**0.59**
FOREIGN BANKS	**0.94**	**0.77**	**1.01**	**0.85**	**0.86**
GRAND TOTAL	***1.38***	***1.46***	***1.18***	***1.13***	***1.07***

Table VI : SPREAD RATIO

	1999-00	2000-01	2001-02	2002-03	2003-04
PUBLIC SECTOR BANKS					
STATE BANKS &ITS ASSOCIATES	2.41	2.43	2.36	2.35	2.38
NATIONALISED BANKS	2.10	2.24	2.08	2.26	2.34
TOTAL (PUBLIC SECTOR BANKS)	**2.21**	**2.31**	**2.18**	**2.30**	**2.35**
PRIVATE SECTOR BANKS					
OLD PRIVATE SECTOR BANKS	1.80	1.94	1.84	1.84	1.92
NEW PRIVATE SECTOR BANKS	1.67	1.81	1.26	1.59	1.76
TOTAL.	**1.74**	**1.88**	**1.51**	**1.69**	**1.82**
FOREIGN BANKS	**0.70**	**2.30**	**2.36**	**0.73**	**3.36**
GRAND TOTAL	***2.07***	***2.25***	***2.09***	***2.11***	***2.31***

Table VII : BURDEN RATIO

	1999-00	2000-01	2001-02	2002-03	2003-04
PUBLIC SECTOR BANKS					
STATE BANKS &ITS ASSOCIATES	1.71	1.95	1.70	1.58	1.52
NATIONALISED BANKS	1.75	1.98	1.56	1.52	1.43

TOTAL (PUBLIC SECTOR BANKS)	**1.74**	**1.97**	**1.60**	**1.54**	**1.46**
PRIVATE SECTOR BANKS					
OLD PRIVATE SECTOR BANKS	1.16	1.40	1.01	0.97	1.05
NEW PRIVATE SECTOR BANKS	-1.19	1.12	0.76	0.75	1.02
TOTAL	**0.15**	**1.27**	**0.86**	**0.84**	**1.03**
FOREIGN BANKS	**2.42**	**3.00**	**2.24**	**-0.77**	**1.76**
GRAND TOTAL	***1.42***	***1.95***	***1.53***	***1.29***	***1.40***

Table VIII : PROFITABILITY

	1999-00	2000-01	2001-02	2002-03	2003-04
PUBLIC SECTOR BANKS					
STATE BANKS &ITS ASSOCIATES	0.70	0.48	0.67	0.78	0.86
NATIONALISED BANKS	0.35	0.26	0.52	0.74	0.91
TOTAL (PUBLIC SECTOR BANKS)	**0.47**	**0.34**	**0.57**	**0.76**	**0.89**
PRIVATE SECTOR BANKS	0.00	0.00	0.00	0.00	0.00
OLD PRIVATE SECTOR BANKS	0.63	0.54	0.83	0.88	0.87
NEW PRIVATE SECTOR BANKS	2.86	0.69	0.50	0.84	0.74
TOTAL.	**1.59**	**0.61**	**0.64**	**0.85**	**0.79**
FOREIGN BANKS	**-1.72**	**-0.70**	**0.12**	**1.50**	**1.60**
GRAND TOTAL	***0.65***	***0.31***	***0.56***	***0.82***	***0.91***

Productivity Ratios

Table IX : DEPOSIT PER EMPLOYEE

	1999-00	2000-01	2001-02	2002-03	2003-04
PUBLIC SECTOR BANKS					
STATE BANKS &ITS ASSOCIATES	0.8	1.1	1.2	1.4	1.5
NATIONALISED BANKS	0.9	1.1	1.3	1.5	1.7
TOTAL (PUBLIC SECTOR BANKS)	**0.8**	**1.1**	**1.3**	**1.4**	**1.6**
PRIVATE SECTOR BANKS					
OLD PRIVATE SECTOR BANKS	1.1	1.3	1.5	1.7	2.1
NEW PRIVATE SECTOR BANKS	6.4	5.1	4.9	4.6	5.2
TOTAL.	**1.8**	**2.0**	**2.4**	**2.7**	**3.2**

FOREIGN BANKS	**4.0**	**5.5**	**5.8**	**5.9**	**5.4**
GRAND TOTAL	***0.9***	***1.2***	***1.4***	***1.6***	***1.9***

Table X : ADVANCES PER EMPLOYEE

	1999-00	**2000-01**	**2001-02**	**2002-03**	**2003-04**
PUBLIC SECTOR BANKS					
STATE BANKS &ITS ASSOCIATES	0.41	0.52	0.58	0.67	0.79
NATIONALISED BANKS	0.40	0.52	0.67	0.76	0.87
TOTAL (PUBLIC SECTOR BANKS)	**0.41**	**0.52**	**0.63**	**0.72**	**0.84**
PRIVATE SECTOR BANKS					
OLD PRIVATE SECTOR BANKS	0.58	0.69	0.78	0.93	1.10
NEW PRIVATE SECTOR BANKS	3.03	2.43	4.16	3.59	3.72
TOTAL.	**0.87**	**1.02**	**1.65**	**1.78**	**2.05**
FOREIGN BANKS	**3.02**	**3.57**	**4.23**	**4.43**	**4.13**
GRAND TOTAL	***0.46***	***0.60***	***0.77***	***0.87***	***1.02***

Table XI : BUSINESS PER EMPLOYEE

	1999-00	**2000-01**	**2001-02**	**2002-03**	**2003-04**
PUBLIC SECTOR BANKS					
STATE BANKS &ITS ASSOCIATES	1.22	1.60	1.82	2.05	2.33
NATIONALISED BANKS	1.26	1.60	1.97	2.21	2.56
TOTAL (PUBLIC SECTOR BANKS)	**1.25**	**1.60**	**1.91**	**2.15**	**2.47**
PRIVATE SECTOR BANKS					
OLD PRIVATE SECTOR BANKS	1.71	2.02	2.27	2.66	3.17
NEW PRIVATE SECTOR BANKS	9.39	7.49	9.06	8.23	8.95
TOTAL.	**2.64**	**3.06**	**4.01**	**4.44**	**5.27**
FOREIGN BANKS	**6.99**	**9.03**	**10.07**	**10.31**	**9.57**
GRAND TOTAL	***1.40***	***1.80***	***2.20***	***2.47***	***2.87***

Table XII : DEPOSIT PER BRANCH

	1999-00	**2000-01**	**2001-02**	**2002-03**	**2003-04**
PUBLIC SECTOR BANKS					
STATE BANKS &ITS ASSOCIATES	19.01	23.02	25.83	28.78	31.77
NATIONALISED BANKS	14.66	16.71	18.83	20.78	23.80

TOTAL (PUBLIC SECTOR BANKS)	**15.93**	**18.55**	**20.88**	**23.11**	**26.11**
PRIVATE SECTOR BANKS					
OLD PRIVATE SECTOR BANKS	14.96	17.33	19.04	21.50	24.83
NEW PRIVATE SECTOR BANKS	291.76	75.22	90.25	93.34	110.47
TOTAL.	**25.43**	**27.15**	**32.73**	**37.72**	**45.83**
FOREIGN BANKS	**311.12**	**423.14**	**438.84**	**383.94**	**367.54**
GRAND TOTAL	***17.47***	***20.48***	***23.25***	***25.88***	***29.69***

Table XIII : ADVANCES PER BRANCH

	1999-00	**2000-01**	**2001-02**	**2002-03**	**2003-04**
PUBLIC SECTOR BANKS					
STATE BANKS &ITS ASSOCIATES	9.59	11.09	12.10	13.93	16.18
NATIONALISED BANKS	6.85	8.08	9.62	10.85	12.36
TOTAL (PUBLIC SECTOR BANKS)	**7.65**	**8.96**	**10.35**	**11.74**	**13.47**
PRIVATE SECTOR BANKS					
OLD PRIVATE SECTOR BANKS	7.59	9.00	10.00	11.63	13.17
NEW PRIVATE SECTOR BANKS	139.18	36.08	76.48	72.19	78.40
TOTAL.	**12.57**	**13.59**	**22.79**	**25.30**	**29.16**
FOREIGN BANKS	**236.88**	**277.09**	**318.07**	**288.99**	**278.83**
GRAND TOTAL	***8.64***	***10.13***	***12.46***	***14.12***	***16.29***

Table XIV : BUSINESS PER BRANCH

	1999-00	**2000-01**	**2001-02**	**2002-03**	**2003-04**
PUBLIC SECTOR BANKS					
STATE BANKS &ITS ASSOCIATES	28.6	34.1	37.9	42.7	47.94
NATIONALISED BANKS	21.5	24.8	28.5	31.6	36.16
TOTAL (PUBLIC SECTOR BANKS)	**23.6**	**27.5**	**31.2**	**34.9**	**39.58**
PRIVATE SECTOR BANKS					
OLD PRIVATE SECTOR BANKS	22.5	26.3	29.0	33.1	37.99
NEW PRIVATE SECTOR BANKS	430.9	111.3	166.7	165.5	188.87
TOTAL.	**38.0**	**40.7**	**55.5**	**63.0**	**74.99**
FOREIGN BANKS	**548.0**	**700.2**	**756.9**	**672.9**	**646.37**
GRAND TOTAL	***26.1***	***30.6***	***35.7***	***40.0***	***45.97***