CHANGING SCENARIO OF PUBLIC SECTOR BANKS IN INDIA

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Abstract

Changing Scenario of Public Sector Banks in India. Indian financial sector underwent a radical change during the nineties. From the relatively closed and regulated environment in which agents had to operate earlier the sector had opened up as part of the efficiency enhancing structural policies to bring about high sustainable long growth of the economy. The banking sector was also not an exception to this rule. New measures were to induce efficiency and competition into the system. Accounting and provisioning norms, capital adequacy norms, proper risk management measures, partial privatization of public sector banks etc. were brought in place and entry regulations were also relaxed. Despite the suggestions of the Narasimham committee to rationalize state owned Banks, the Government of India decided against liquidation, which would have involved significant losses accruing to either the Government or depositors. It opted instead to maintain and improve operations to allow banks to create a starting basis before a possible privatization. It is believed that private ownership helps to improve efficiency and performance. In 1993, partial private shareholding of the SBI was allowed, which made it the first State Owned Bank to raise equity in the capital markets. After the 1994, amendment of the Banking Regulation Act State Owned Banks was allowed to offer up to 49 percent of their equity to the public. This led to the partial privatization of the many state owned Banks. Despite those partial privatizations Government is committed to keep the public character of these banks by maintaining strong administrative controls.

Key Words: *Privatization, Consolidation, Amalgamated, Liquidation, Nationalization, Banking Regulations.*

Introduction

Banking is the key sector of any economy. Its energy and vitality indicate the health and prosperity of any Nation. The importance of commercial banks in directing the activities in an economic system is indeed overwhelming. This sector occupies a crucial place in understating the development effort and acts as a vehicle for socio- economic transformation as well as a catalyst to economic growth.

Banking system in India, being the dominant segment of financial sector accounting for a major portion offundflow, is the main vehicle for monetary policy signals, credit channel and facilitator of payment system. Banking sector is entering a new world and exciting developments are changing its face. National and situational boundaries are becoming unimportant. Consolidation of institutions, globalization of operations, and development of new technologies and universalization of banking are taking place at rapid pace. Banking system has come a long way to grow into a mature and stable banking system. The globalization of bank operations along with the heightened co-petition, continuing deregulation and technological advancements have significantly altered the face and scope of banks.

Traditionally, Indian Banking System operated primarily in the private sector. Since ancient times, indigenous banking has been different from the modern western banking. It has been organized in the form of family or individual business. The basic inability of the Indian Banking Sector is to develop the economy and serve the society to the desired level, led to a demand for restructuring of the Banking system. It was only in 1931 that the Central Banking Enquiry committee asked for linking the prevalent banking business with RBI. Till then traditional Indian banking system operated in private sector. Until Nationalization, the banking system had more or less confined its activities to different classes of people and thus helped only big borrowers. With this background the present paper made an attempt to focus on the following issues.

Objectives

- To highlight the origin and the growth of Indian banking
- To highlight the working of State Bank of India and its Associate Banks
- To show the changing scenario of the public sector banks

Origin and Growth of Indian Banking

A historical glance on the development of Indian Banking industry reveals that it has passed through various phases of growth. Commercial Banking in India was made in the seventeenth century when the British established agency house in the colony. The beginning of accidental banking in India started with the establishment of the Bank of Hindustan in Bengal which failed in 1832 due to failure of its parent firm. The Indian government also realized the need for developing modern banking in India and established the Bank of Bengal in 1980 as Presidency Bank. Thereafter many Banks had spring up like mushrooms and failed due specialization, mismanagement, and failure of their parent companies.

The Indian Government realized that there is a need for a national bank to run the accounts of the government efficiently, therefore Imperial Bank of India was established in 1921 by amalgamation of three Presidency Banks viz., Bank of Bengal, Bank o Bombay and Bank of Madras. The Imperial Bank of India was managing the accounts of the government till the establishment of the RBI in 1935. The RBI was nationalized in 1948 followed by the enactment of Banking Companies Act, 1949. As per the advice of various banking committees the government of India established the State Bank of India during 1955.

Further a serious thought was made for the expansion of public sector banking through the nationalization of major fourteen Indian Scheduled Commercial Banks. Accordingly, during 19th July 1969 fourteen large commercial banks incorporated in India. A second round was also observed in the expansion of commercial banking in India. During 15th April 1980, six more banks in the private sector were nationalized. The number and the performance of the Indian Commercial Banks are presented in the table number one and two.

Table 1 Number of Commercial Banks since Nationalization

Year	Scheduled Commercial Banks	of which RRBs	Non Scheduled Commercial Bank	Total Commercial Banks
Jun-69	73	-	16	89
Mar-98	299	196	1	300
Mar-99	301	196	-	301
Mar-00	297	196	2	298
Mar-01	296	196	5	300
Mar-02	293	196	4	297
Mar-03	288	196	4	292
Mar-04	286	196	5	290
Mar-05	285	196	4	289
Mar-06	280	133	4	222
Mar-07	179	96	4	183
Mar-08	170	91	4	174

Source: www.rbi.org.in

Table 2 Credit Deposit Ratio and Investment -deposit Ratio of Commercial Banks since Nationalization

Year	Credit Deposit Ratio	Investment deposit Ratio
Jun-69	77.5	29.3
Mar-98	53.5	36.1
Mar-99	51.1	35.3
Mar-00	53.3	36.6
Mar-01	53.5	37.1
Mar-02	53.8	38.7
Mar-03	56.9	41.3
Mar-04	55.9	45
Mar-05	62.6	47.3
Mar-06	70.1	40
Mar-07	73.5	35.3
Mar-08	74.6	35.4

Source: www.rbi.org.in

A Brief about State Bank of India (SBI) and its Associate Banks

State Bank of India (SBI) is the India's largest commercial bank. SBI has a vast domestic network of over 10000 branches and commands one fifth of deposits and loans of all scheduled commercial banks in India. The State Bank Group includes a network of seven banking subsidiaries and several non-banking subsidiaries offering merchant banking services, fund management, factoring services, primary dealership in government securities, credit cards and insurance. State Bank of India has seven subsidiaries with controlling interest ranging from 75 per cent to 100 per cent. The origin of State Bank of India dates back to 1806 when the Bank of Calcutta was established. On June 2, 1809, the Bank of Calcutta changed its name to the Bank of Bengal. On 1st April, 1840, another bank named Bank of Bombay was established. After this, on 1st July, 1843 Bank of Madras was established. These three banks were known as Presidency Banks. On January 27th 1921 the government amalgamated the three Presidency banks to form the Imperial Bank of India. The Imperial Bank of India continued as a joint stock company. Until the establishment of a Central Bank in India, the Imperial Bank and its early predecessor's served as India's central Bank, at least with respect to the issuing of currency. On 30th April 1955, the Parliament of India enacted the state Bank of India Act authorizing the Reserve Bank of India (RBI), which is Central Bank, to acquire a controlling interest in the Imperial Bank of India. The RBI then took 60 per cent ownership stake. On July 1, 1955 Imperial Bank of India became State Bank of India. In 1959, the Government of India (subsidiary Banks) Act, enabled SBI to take over eight former state associated banks as its subsidiaries. The separate entity of these banks was retained in the form of subsidiaries to enable them to serve the local needs in their respective areas. With effect from 1st January 1963, the State Bank of Bikaner and State Bank of Jaipur were amalgamated under the new name of the state Bank of Bikaner and Jaipur, with head office located at Jaipur. Thus, after this date, there were only seven subsidiary banks of the State Bank of India.

On 19th May, 200, Lok Sabha passed SBI (Subsidiary Banks Laws) Amendment Bill 2007 that seeks to lower the minimum shareholding of SBI in its seven subsidiary Banks to 51 percent to provide more autonomy to the board of these banks, allow these banks to issue preference shares and ensure the presence of a RBI nominee on their boards. On June 29, 2007 the Government of India acquired the entire Reserve Bank of India (RBI) shareholding in State Bank of India, consisting of over 314 million equity shares, with a market value of over 355 billion rupees. On March 9th, 2008 State Bank of India became the second bank in the world to have 10,000 branches.

The ratio of Owned Funds to local Deposits has increased from 5.45 per cent in 1955 to 9.12 per cent in 2008. The Credit-Deposit ratio has also revealed a rise from 48.13 per cent in 1955 to 35.26 per cent in 2008. The Investment-Deposit ratio has come down from 53.23 per cent in 1955 to 35.26 per cent in 2008, thus, shows a shift from investments to advances. As regards advances to priority sector, its share was 28.61 per cent of the total advances in 2008. In the year 1955, it had 477 branches which increased to 10269 in 2008. Out of its total branches in 2008, 39.5 per cent were located in rural areas, 28.24 per cent in semi urban, 17.28 per cent in urban areas and 14.17 per cent in metropolitan centers. SBI is the only bank among the SBI group having branches abroad. It has 84 branches (0.82 per cent) outside India. The number of ATMs was 8594 in 2008. Currently, State Bank of India has spread its arms around the world and has a network of branches spanning all time zones. SBI International Banking Group delivers the full range of cross-border finance solutions through its four wings. This led to the merger of other unlisted associate banks with SBI. The government, in the first phase is giving priority to the merger of only 100 per cent owned subsidiaries of SBI. Of the associate banks, SBI owns 98.05 per cent shareholding of State Bank of Indore, while it is 100 per cent in State Bank of Patiala and State Bank of Hyderabad. In other associate banks, it has diluted its stake through listing them on different stock exchanges. Earlier during 2OO7, SBI successfully integrated State Bank of Saurashtra operations with itself after the union cabinet's approval.

State Bank of Hyderabad

State Bank of Hyderabad is a subsidiary of the State Bank of India and is currently the largest associate bank of State Bank of India. State Bank of Hyderabad was constituted as Hyderabad State Bank on 8th August, 1941 under Hyderabad and State Bank Act, 1941. State Bank of Hyderabad had the unique distinction of being the Central Bank of the erstwhile State of Hyderabad covering present day Telangana region of Andhra Pradesh. In 1953, State Bank of Hyderabad took over the assets and liabilities of the Hyderabad Mercantile Bank Ltd. In 1956, the bank was taken over by Reserve Bank of India as its first subsidiary and its name was changed from Hyderabad State Bank to Stat Bank of Hyderabad. With effect from 1st October, 1959 became a subsidiary of the State Bank of India.

State Bank of Indore

State Bank of Indore was incorporated with its head office in Indore in 1920. The bank was originally known as Bank of Indore Ltd. The bank was incorporated under a special charter of his highness Maharaja Tulkaj Rao Holker-III, the then ruler of Malwa Region. The Bank of Indore Limited became a subsidiary of State Bank of India with effect from 1st January, 1960 and was renamed as State Bank of Indore. State Bank of India holds 98.05 percent share of State Bank of Indore. Since then, the bank has been making steady progress. State Bank of Indore acquired the Bank of Dewas Limited. In 1962 and the Dewas Senior Bank Ltd. in 1965. State Bank of Indore was upgraded to Class 'A' category bank in

1971. During the year 2004-05 the bank's turnover crossed 23000 Crore. Its branches have increased from 22 in 1960 to 459 in 2008 accounting for a rise of more than twenty times. Most of the branches are located in Madhya Pradesh.

State Bank of Travancore

State Bank of Travancore is subsidiary of State Bank of India. The bank was originally established as Travancore Bank Ltd. In 1945 it was sponsored by the erstwhile Princely State of Travancore. Under a special statue of the Indian Parliament (SBI Subsidiary Banks Act, 1959) State Bank of Travancore was made an associate of the State Bank of India and a member of the State Bank group. State Bank of Travancore is the premier bank in Kerala State with maximum branches in Kerala. The ratio of Owned Funds to Deposits has declined from 15-.8 per cent in 1960 to 4.86 per cent in 2008. The Credit-Deposit ratio has shown a rise from 49.7 percent in 1960 to 79.59 per cent in 2008. But Investment-Deposit ratio has come down from 41.7 per cent in 1960 to 32.11 per cent in 2008. As far as advances to priority sectors were concerned its share was 41.73 per cent of the total advances in 2008. In 1960, it had 28 branches which expanded by about more than twenty five times i.e. 710 in 2008. Out of the total branches in 2008, 74 branches (10.42 per cent) were in rural areas and 460 branches (64.79 per cent) in semi urban areas, 117 branches in urban areas and 39 branches in metropolitan centers. Total number of ATMs in 2008 was 387.

State Bank of Saurashtra

State Bank of Saurashtra is one of the associate banks of State Bank of India. The origin of State Bank of Saurashtra can be traced to Bhavnagar Darbar Bank, which was established in the year 1902. Bhavnagar was one of the princely states of the Saurashtra region of Gujarat. In 1948, when princely states were integrated to form Saurashtra state, a need for state-owned bank was felt. Accordingly, the Bhavnagar Darbar Bank was formed into statutory corporation, called State Bank of Saurashtra, and the four Darbar Banks - Rajkot State Bank, Porbandar State Bank, Palitana Darbar Bank and Vadia State Bank were merged with it with effect from 1st July, 1950 as its branches. On 1st May, 1960 the State Bank of Saurashtra joined the State Bank family as one of its fully owned subsidiaries. This enabled State Bank of Saurashtra to expand its operations by using the network of the State Bank Group for furthering its business activities. The ratio of Owned Funds to Deposits has declined from 11.3 per cent in 1960 to 7.08 per cent in 2008. The Credit-Deposit ratio has shown a rise from 59.2 per cent in 1960 to 75.71 per cent in 2008. But Investment-Deposit ratio has come down from 60 per cent in 1960 to 37.02 per cent in 2008. As regards advances to priority sectors, its share was 39.55 per cent of the total advances in 2008. In the year 1960, it had 62 branches only, which increased to 460 in

2008. Out of its total branches in 2008, 145 branches (31.52 per cent) were located in rural areas, 145 branches (31.52 per cent) in semi urban areas, 16.30 per cent in urban areas and 20.65 per cent in metropolitan centers and number of ATMs in 2008 was 222.

State Bank of Patiala

State Bank of Patiala is a subsidiary of the State Bank of India. The bank was founded in 1917 by Late his highness Bhupinder Singh, the then Maharaja of erstwhile Patiala State. In those times, State Bank of Patiala was known as Patiala State Bank. It was state owned and set up for the explicit purpose of fostering growth of agriculture, trade and industry. With the formation of the Patiala and East Punjab States Union (PEPSU) in 1948, the bank was reorganized and brought under the control of Reserve Bank of India and was renamed as Bank of Patiala. On 1st April, 1960 the Bank became a subsidiary of the State Bank of India and was christened as the State Bank of Patiala. On 24th January, 2003 State Bank of Patiala became the first fully computerized Public Sector Bank in the country. The ratio of Owned funds to Deposits has increased from 5.4 per cent in 1960 to 5.58 per cent in 2008. The Credit-Deposit ratio has also shown a sharp rise from 33.2 per cent in 1960 to 74.94 per cent in 2008. But Investment-Deposit ratio has come down from 62.5 per cent in 1960 to 29.60 per cent in 2008. As regards advances to priority sectors, its share was 31.6 per cent of the total advances in 2008. In I960, it had 48 branches which have increased by more than eighteen times to 798 by the end of 2008. Out of its total branches, 259 branches (32.46 per cent) were located in rural areas, 218 branches (27.32 per cent) in semi-urban areas, 25.19 per cent were in urban areas and 15.04 per cent in metropolitan Centres. Number of ATMs in 2008 was 441.

State Bank of Mysore

State Bank of Mysore is a subsidiary of State Bank of India. The bank was established in 1913 as Bank of Mysore Ltd. Under the patronage of the erstwhile Government of Mysore, at the instance of the banking committee headed by the great engineer statesman, late Dr. Sir. M. Visveswaraya. State Bank of Mysore became an Associate of State Bank of India in 1960. State Bank of India holds 92.33 per cent shares of State Bank of Mysore. State Bank of Mysore offers wide range of services to the customers. The ratio of Owned funds to Total Deposits has shown a decline from 7.7 per cent in 1960 to 5.02 per cent in 2008. The Credit-Deposit ratio has increased from 62.2 per cent in 1960 to 76.57 per cent in 2008. But Investment Deposit ratio has shown a decline from 43.2 per cent in 1960 to 30.6 percent in 2008. As regards advances to priority sectors, its share was 31.85 per cent of the total advances in 2008. Bank had 52 branches in 1960 which has increased to 654 by the end of 2008 showing rise about five times. Out of the total branches in 2008, 210 branches (32.11 per cent) were located in rural areas, 133 (20.34 per cent) in semi urban areas, 148 (22.69 per cent) in urban areas and the rest 163 (24.93) in metropolitan centers. Number of ATMs in 2008 was 319.

State Bank of Bikaner and Jaipur

State Bank of Bikaner and Jaipur was established in January 1963, after amalgamation of erstwhile State Bank of Jaipur (Established in l94B) with state Bank of Bikaner (established in 1944) as a subsidiary of State Bank of India. The bank took over the business of the Govind Bank Private Limited on 25th April, 1966. The bank's main area operation is Rajasthan, with presence at all important centers in the country. The bank follows transparent .corporate governance policies and is preparing itself for smooth migration to Basel II. The bank has rolled out Business Process Re-engineering (BPR) initiatives to improve operational efficiency and better customer service and is committed to offer value added services to its customers. The ratio Owned Funds to Total Deposits has increased from 4 per cent in 1960 to 5.02 per cent in 2008. The credit-Deposit ratio has also shown a rise from 57.9 per cent in 1960 to 73.52 percent in 2008. But Investment-Deposit ratio has come down from 46.7 per cent in 1960 to 30.78 per cent in 2008. As regards advances to priority sectors, its share was 40.99 percent to the total advances. In the year 1960, total branches of the State Bank of Bikaner and Jaipur were 106, which have increased by more than 8 times to 850 in 2008. Out of its total branches 287 branches (28.35 per cent) were in rural areas, 24I (28.35 per cent) in semi- urban areas, 155 branches (18.24 percent) in urban areas and 167 branches (19.65 per cent) in metropolitan centers. Number of ATMs in 200g was 406.

Thus, the State Bank's associated banks have also substantially expanded the number of their branches so as to cover larger areas for their activities. The rate of growth of deposits and advances differ from bank to bank. The differences are natural on account of the varied economic operations, besides their own organizational inadequacies or otherwise. They follow the policies as per suggestions of their holding company viz., the State Bank of India. Among their Boards of Directors, the majority of the directors are of their holding company. Collectively the SBI group is known as the India's largest group because of their branches and operations.

A Need for Privatization in the Banking Industry

It is believed that private ownership helps to improve efficiency and performance. Accordingly, the Indian government started diluting its equity in public sector banks from early nineties in a phased manner. After the 1994 amendment of the Banking Regulation Act, State Owned Banks were allowed to offer up to 49 per cent of their equity to the public. This led to the partial privatization of twelve out of twenty-seven state owned banks upto the end of March, 2002. Despite these partial privatizations the government is committed to keep the public character of these banks by maintaining strong administrative controls. Anderson (1997) considers a firm as privatized when more than one-third of the shares stand transferred to the private investors. Talwar (2001) states that “as a part of financial sector reforms and with a view to giving the public sector banks operational flexibility and functional autonomy, partial privatization has been authorized as a first step, enabling them to dilute, the share of the Indian government to 51 percent”. RBI (2003) stated "dilution of government stake could provide greater operational freedom to banks which could have a positive impact on their efficiency”.

Accordingly, the Government of India embarked upon the dilution of its stake in the Public Sector Banks from the early 1990's in a phased manner. So, a bank that has been allowed to tap capital market to raise capital by diluting government equity has been considered as partially privatized. Hence, all the banks in which dilution of government ownership has taken place are included in the set of partially privatized banks. Indian banking sector is presently in the process of completing one full circle. Initially, it was in private sector and moved to public sector, with the nationalization of banks in two stages in 1969 and 1980. Now with the proposal to reduce government's stake in banks from 51 per cent to 33 per cent, public sector banks are again moving in the direction of partial privatization.

Changing Scenario of Public Sector Banks in India: Towards Partial Privatization

Indian financial sector underwent a radical change during the nineties. From the relatively closed and regulated environment in which agents had to operate earlier the sector had opened up as part of the efficiency enhancing structural policies to bring about high sustainable long growth of the economy. The banking sector was also not an exception to this rule. New measures were to induce efficiency and competition into the system. Accounting and provisioning norms, capital adequacy norms, proper risk management measures, partial privatization of public sector banks etc. were brought in place and entry regulations were also relaxed. Despite the suggestions of the Narasimham committee to rationalize state owned Banks, the Government of India decided against liquidation, which would have involved significant losses accruing to either the Government or depositors. It opted instead to maintain and improve operations to allow banks to create a starting basis before a possible privatization.

It is believed that private ownership helps to improve efficiency and performance. In 1993, partial private shareholding of the SBI was allowed, which made it the first State Owned Bank to raise equity in the capital markets. After the 1994, amendment of the Banking Regulation Act State Owned Banks was allowed to offer up to 49 percent of their equity to the public. This led to the partial privatization of the many state owned Banks.

Despite those partial privatizations Government is committed to keep the public character of these banks by maintaining strong administrative controls.

After the decision of dilution of Government stake, some banks started tapping the capital market. The public equities by public sector Banks (PSBs) with date of issue, equity capital before public issue, equity capital after public issue and post issue shareholding of these banks to the end of March 2008. Table-3 clearly highlights the share of government, SBI and private sector as on March 2008.

Table 3 Share of Government of India's/SBI and Private Sector in Public Sector Banks at the end of March, 2008

Name of Bank	Share of Government of India/SBI (in percent)	Share of Private Sector (in percent)
Allahabad Bank	55.23	44.77
Andra Bank	51.55	48.45
Bank of Baroda	53.81	46.19
Bank of India	64.47	35.53
Bank of Maharashtra	76.77	23.23
Canara Bank	73.17	26.83
Central Bank of India	80.2	19.8
Corporation Bank	57.17	42.83
Dena Bank	51.19	48.81
Indian Bank	80	20
Indian Overseas Bank	61.23	38.77
Oriental Bank of Commerce	51.1	48.9
Punjab National Bank	57.8	42.2
Syndicate Bank	66.47	33.53
UCO Bank	74.98	25.02
Union Bank of India	55.43	44.57
Vijaya Bank	53.87	46.13
State Bank of India	59.73	40.27
State Bank of Bikaner and Jaipur	75.3	24.7
State of Indore	98.05	1.95
State Bank of Mysore	92.33	7.67
State Bank of Travancore	76	24

Source: Performance Highlights of Public Sector Banks in India 2007-08, an IBA Publication, Mumbai.

Indian Banking is presently in the process of completing one full circle. Initially it was in private sector with the nationalization of banks in two stages in 1969 and 1980. However, public sector banks started showing a decline in efficiency after 1987. Thus the Financial Sector Reforms were initiated to bring about a paradigm shift in the banking industry. In this context, the recommendations made by a high level committee on financial sector, chaired by M. Narasimham, laid the foundation for the banking sector reforms. The committee which was setup in 1991 submitted its report in 1992. After considering the recommendations of Narasimham committee in July 1993 as a part of the banking sector reform process a measure had been taken to induce competition in the banking sector. The RBI permitted entry of the private sector into the banking system and nationalized banks have been permitted to raise capital from the market up to 49 percent of their authorized capital which results in the introduction of private sector banks and private equity in public sector banks which kept the pace with the changes. This was a major step towards the initiation of the partial privatization. Ownership in public sector banks is now well diversified.

There were only ten banks having private shareholding at the end of March, 1999 and which rose to 22 at the end of March, 2008. The process of diversification of ownership of public sector banks made further progress from the end of March, 1999 to March, 2008. The number of public sector banks with private shareholding up to 20 percent increase from two at the end of March, 1999 to three at the end of March, 2008. Similarly, the number of Banks with private shareholding up to 30 per cent increased from six at the end of March, 1999 to nine at the end of March, 2008, while those with more than 40 percent and up to 49 percent was only one at the end of March, 1999 and increased to 10 at the end of March, 2008. Now with the proposal government stake in public sector banks again moving further in the direction of partial privatization.

Conclusion

The Indian Banking Sector has witnessed a remarkable shift in its operational environment during the last decade. Various reform measures both qualitative and quantitative were introduced with an objective to revitalize the banking sector and enable it to meet the future challenges. The reform processes undertaken by the government has been implemented in a phased manner to allow the banks to have a level playing field and to tune themselves with the changes. Liberalization of the sector has resulted in the advent of new generation banks in the private sector which have redefined the service spectrum, of the banks. Profit maximization has always been subject to constraint of acceptable level of risk. The major issues related to international competitiveness consists of financial soundness, operational efficiency, commercial viability and profitability. There has been a change in the perception of the Government and RBI. The government has raised the borrowing rates to make them competitive and realistic.

The RBI has rationalized its organization by adding one more board to supervise the bank-s. The lending rates have been simplified, SLR and CRR reduced and the accounting practices have been changed. Restrictions on expansion and entry of new private sector banks have been relaxed. State owned banks were allowed to access the capital market up to 49 percent of their equity from the public. This led to the partial privatization of 22 public sector banks out of 22 public sector banks to the end of 2009. So, the Indian Banking sector has witnessed a remarkable shift in its operational environment during the last decade. Nevertheless, much is desired for a systematic approach to deal with endogenous and long term problems so that the banking sector ushers into the era of prosperity and compete with multinational institutions.

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