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   INTRODUCTION

   REVIEW OF LITERATURE

   NEED/IMPORTANCE OF THE STUDY

   STATEMENT OF THE PROBLEM

   OBJECTIVES

   HYPOTHESES

   RESEARCH METHODOLOGY

   RESULTS & DISCUSSION

   FINDINGS

   RECOMMENDATIONS/SUGGESTIONS

   CONCLUSIONS

   SCOPE FOR FURTHER RESEARCH

   ACKNOWLEDGMENTS

   REFERENCES

   APPENDIX/ANNEXURE

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- Bowersox, Donald J., Closs, David J., (1996), "Logistical Management." Tata McGraw, Hill, New Delhi.
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CONTRIBUTIONS TO BOOKS

- Sharma T., Kwatra, G. (2008) Effectiveness of Social Advertising: A Study of Selected Campaigns, Corporate Social Responsibility, Edited by David Crowther & Nicholas Capaldi, Ashgate Research Companion to Corporate Social Responsibility, Chapter 15, pp 287-303.

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- Schemenner, R.W., Huber, J.C. and Cook, R.L. (1987), "Geographic Differences and the Location of New Manufacturing Facilities," Journal of Urban Economics, Vol. 21, No. 1, pp. 83-104.

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- Garg, Sambhav (2011): "Business Ethics" Paper presented at the Annual International Conference for the All India Management Association, New Delhi, India, 19–22 June.

UNPUBLISHED DISSERTATIONS AND THESES

- Kumar S. (2011): "Customer Value: A Comparative Study of Rural and Urban Customers," Thesis, KurukshetraUniversity, Kurukshetra.

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WEBSITES

- Garg, Bhavet (2011): Towards a New Natural Gas Policy, Political Weekly, Viewed on January 01, 2012 http://epw.in/user/viewabstract.jsp

AN ANALYSIS ON MEASUREMENT OF LIQUIDITY PERFORMANCE OF INDIAN SCHEDULED COMMERCIAL BANKS

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ABSTRACT

The banks are institutions, which deal in money and have the power to create money. In fact, banking is a business, which is run on the confidence and trust. The confidence enjoyed by the banks enables them to mobilize the dormant funds of public and make them available for productive purpose. Commercial Banks play significant role in the economic development of a country by promoting mobilization of resources and allocating these resources in the form of loans and advances. The resources available with the financial institutions are to be carefully managed and distributed in order to maintain efficiency. Efficiency of funds management lies not only in the efficient mobilization of funds but also in the effective and optimum use of resources. The present study shows that Banking Sector Reforms have changed the face of Indian banking industry. The reforms have led to the increase in resource productivity, increasing level of deposits, credits and profitability. Banking institutions have a good share of the total resources to be kept as reserves and to improve their spread by efficiently managing the remaining resources. The problem becomes further complicated in the current environment of global economic reforms and the resultant cut-throat competition. Commercial banks are also not free from this global problem. The study then suggests that commercial banks should focus on mobilizing more deposits as this will improve their lending performance and should formulate realistic and comprehensive strategic and financial plans.

KEYWORDS
lending, deposits, investment, portfolio, liquidity, solvency.

INTRODUCTION
NEED OF THE BANKS
Before the establishment of banks, the financial activities were handled by money lenders and individuals. At that time the interest rates were very high. Again there was no security of public savings and no uniform pattern regarding loans. So as to solve these Problems the organized banking sector was nationalized. The organized banking sector works within the financial system to provide loans, accept deposits and provide other services to their customers. Thus, banks are intermediaries between those who have and those who have not. Banks are almost life reservoir into which saving of people flow and from which loans are given for productive purposes. Secondly, and more importantly banks create money by converting less liquid assets into liquid ones.

Economic development has become the most important objective of developing nations. These days' banks occupy an important place as they provide finance to move the wheels of development. It is difficult to imagine, how economic system could function efficiently without the services of banks. The success of development depends mainly on the extent of mobilization of resources and credit deployment. Banking sector plays an important role in mobilization and allocation of resources in an economy. An efficient banking system collects savings and diverts them into productive channels for the attainment of desired objectives.

Banking has become an important feature, which renders service to the people in financial matters, and its magnitude of action is extending day by day. A profitable and sound banking sector is at a better point to endure adverse upsets and adds performance in the financial system (Athana soglou 2008). Banks support capital accumulation through the institutionalization of saving and investment to foster economic growth.

OVERVIEW OF INDIAN COMMERCIAL BANKS
The Indian financial system consists of different types of financial institutions which are responsible for the development of the country's economy. Financial institutions can broadly be classified into two parts, Banking and Non-banking institutions. The Banking sector consists of Reserve Bank of India, Commercial Banks and Co-operative Banks, and Specialized Financial Institutions. Non- banking institutions, are not homogeneous, but made up of money lenders and indigenous bankers. The most active sector of the Indian money market is the commercial banking sector.

Commercial banks in India can be classified into three groups: Public sector, Private sector and Foreign banks. The majority of commercial banking in India is in the public sector with the State Bank of India and its associate's banks. After liberalization, several Private sector banks and foreign banks were allowed to open their business in the Indian financial system.

In terms of business, the public sector banks now have a dominant position. They account for more than 80 percent of the entire banking business in the country. Commercial banks are the most important medium for savings, capital mobilization and financial resource allocation. Consequently, these roles make them important in economic growth and development. In performing this role, it must be realized that banks have the potential, scope and prospects for mobilizing financial resources and allocating them to productive investments. Therefore, no matter the sources of the generation of income or the economic policies of the country, commercial banks would be interested in giving out loans and advances to their numerous customers bearing in mind which are the three principles guiding their operations, profitability, liquidity and solvency.

RELEVANCE OF THE STUDY

Funds management in Indian Banking Sector has received only limited attention. This has been brought out in the review of literature presented later in the study. The above problem invites greater attention today especially because of the growth of competitive banking and the liberalized economic policies which are likely to affect the working of Indian Banking Sector. The present study is an attempt to bring out the various facts in the working of commercial sectors in relation to funds management (deposits mobilization & credit deployment).One of the most unhealthy practices in India banking system is no efforts by the lending institutions to find out if the loan has been utilized correctly. Due to this reasons, there is great amount of unrecovered bank loan. Banks only depend upon the direction and guidelines issued by RBI.

REVIEW OF LITERATURE

As regards product type **Goldstein et al (1999)** identified two categories of savings products, namely Voluntary and Compulsory. Voluntary Savings come in two forms, Cash Deposits and Time Deposits. Cash deposits are the most commonly used savings products. They offer a great deal of flexibility to savers. A small sum is required to open an account; deposits are made according to clients' needs, while accounts are highly accessible and provide liquid deposit facilities. This kind of savings offers an opportunity for customers to place excess liquidity in a safe and secure place thus providing the capital for future investment or consumption expenditures. Institutions relying on savings to finance lending operations are concerned with attracting cash deposits while at the same time keeping transaction costs low. A time deposit on the other hand represents a large sum of savings for a fixed term and at a fixed interest rate. Time deposits are primarily utilized by middle income earners. **Das, Abraham and Ramanathan, (2000)** in their study concluded that much of the lost output of Indian Commercial banks during 1998 was the result of underutilization of resources. **Shirai, Sayuri (2002)** in her study analyzed the Indian banking sector reforms and consequences in detail. **Chodechai (2004)** while investigating factors that affect interest rates, degree of lending volume and collateral setting in the loan decision of banks, says: "Banks have to be careful with their pricing decisions as regards to lending as banks cannot charge loan rates that are too low because the revenue from the interest income will not be enough to cover the cost of deposits, general expenses and the loss of revenue from some borrowers that do not pay". Moreover, charging too high loan rates may also create an adverse selection situation and moral hazard problems for the borrowers. **Reserve Bank of India (2008)** in its "Report on Trend and Progress of Banking in India-2007-08" highlighted the policy developments and the operations of commercial banks in India. **Dr. Mohi-ud-Din Sangmi and Dr. Tabassum Nair (2010)** in their research study, analyzed through the CAMEL Approach, that both the Punjab National Bank and Jammu & Kashmir Bank have adopted prudent policies of financial management and both banks have shown significant performance as far as asset quality is concerned.

OBJECTIVES OF THE STUDY

1. To highlight operational efficiency for mobilization of deposits, advances, recovery and financial management during study period of Scheduled Commercial Banks in India.
2. To find out relationship among loan & advance, total investment and deposit.
3. To evaluate the liquidity, efficiency, risk management and profitability of Scheduled Commercial Banks in India.
4. To analyze the financial position of Scheduled Commercial Banks in terms of Loans & advances, deposit collection and investment procedure.
5. To suggest and evaluate management practices adopted for harnessing the mobilization and deployment of funds by Commercial Banks.

HYPOTHESIS OF THE STUDY

H0: There is a linear relationship of mobilization of Demand deposits with the Time deposits.
H1: There is no linear relationship of mobilization of Demand deposits with the Time deposits.
H0: There is no significant difference in performance between Credit Deposit Ratio and the Investment Deposit Ratio.
H1: There is significant difference in performance between Credit Deposit Ratio and the Investment Deposit Ratio.

RESEARCH METHODOLOGY

PERIOD OF STUDY

The post- reform period of seven years has been taken for measuring the liquidity performance of Scheduled commercial banking sector. The years selected for analysis are 2005-2011.

SAMPLE- SIZE

The study is related to Indian Scheduled commercial banking sector.

DATA COLLECTION

The study is primarily based on secondary data. A major part of the database has been drawn from the published secondary sources, primarily the reports of Indian Bankers Association (IBA) and the Reserve Bank of India (RBI). The data relating to deposit mobilization and credit deployment of Schedule commercial banks has been obtained from various sources like "Financial Analysis of Banks" brought by Indian Banker's Association, "Statistical Tables Relating to Banks of India". "Reserve Bank of India Monthly Bulletin", "Report on Currency and Finance" and other publications of Reserve Bank of India.

DATA ANALYSIS

The following accounting, statistical and diagrammatic techniques are used
(A) Statistical techniques- (1) Mean (x), (2) Standard deviation (3) Coefficient of variation
(B) Various statistical tools like 't' test and correlation have been done using through EXCEL and SPSS Software.

ANALYSIS AND DISCUSSION

1. DEPOSIT MOBILIZATION

In general terms money deposits in banks are known as bank deposits. Deposits are the most important source of funds for commercial banks. Collectively banks hold the largest resources through deposits. Banks are able to generate large deposits as they also provide for the settlement process and machinery for mutual claims. Deposit mobilization is the most important function of the Commercial banks. Deposits mobilization gets added attention in a developing country like India where resources mobilization acts as a prime mover of the development process. The success of the banking greatly lies on the deposit mobilization performance of the bank as the deposits are normally considered as a cost effective source of working fund. The commercial banks have emerged as one of the major financial intermediary in the country to mobilize the community's financial savings. Sustained efforts have been made by commercial banks to induce people to keep a part of their savings as bank deposits. Deposits mobilized by the banks are utilized for: (i) loans and advances, (ii) investments in government and other approved securities in fulfillment of the liquidity stipulations, and (iii) investment in commercial papers, shares, debentures, etc. up to a stipulated ceiling. There has been a substantial increase in the deposits of scheduled commercial banks during the post-nationalization period.

Mobilization of deposits for a bank is as essential as oxygen for human being. In the post liberalization scenario, the number of players in banking industry has increased considerably which developed competition in banking marketing. "The survival of the fittest" is completely applicable for the banks. To enhance profitability, banks take steps to minimize the interest paid expenditure and so banks are forced to mobilize low cost deposits. Deposit means a credit from an individual or a firm. The two main kinds of bank deposits are: (a) Demand Deposit - this may be withdrawn at any time (on demand) and (b) Time Deposit - this stipulates that when withdrawals should be made. Bank deposits represent the principal kind of money in circulation.

Time Deposit is a money deposit in a banking institution which cannot be withdrawn for a certain "term" or period of time. When the stipulated time period is over it can be withdrawn. Longer the period, the better the returns on the money. A certificate of deposit is a time –deposit product.

Demand Deposit is also known as sight deposit or "on call" which can be withdrawn at any time, without any notice or penalty.

In the present context bank's efficiency is measured based on the deposit mix and on the quantum of low cost deposits in the mix.

TABLE 1: AGGREGATE DEPOSITS OF SCHEDULED COMMERCIAL BANKS (Rs. crore)

Years	Demand deposits	% to Total Deposits	Time Deposits	% to Total Deposits	Aggregate Deposits
2005	248028	15	1452171	85	1700198 (100%)
2006	364640	17	1744409	83	2109049 (100%)
2007	429731	16	2182003	84	2611934 (100%)
2008	524310	16	2672630	84	3196940 (100%)
2009	523085	14	3311025	86	3834110 (100%)
2010	645610	14	3847216	86	4492826 (100%)
2011	641705	12	4566264	88	5207969 (100%)
Mean	482444		2825102		3307575
Standard Dev.	145487		1140332		1278660
C.V (%)	30.16		40.36		38.66

Source: Database from Reserve Bank of India, 2011

AGGREGATE DEPOSITS OF SCHEDULED COMMERCIAL BANKS: Deposits are the basic raw materials for the bank. Deposits help the banks to channelize credit for productive investment in the economy. The higher the deposit mobilization is the larger the scope for deployment of funds in the economy. Deposits play a key role in commercial banking activities because the lending power of a bank and the size of its operations are determined by only the quantum of deposits.

Aggregate deposits, including the demand and time deposits, are furnished in Table-1.It showed that the aggregate deposits mobilized by the Scheduled Commercial Banks has significantly gone up from Rs. 1,70,0198 crores to Rs. 5,20,7969 crores between 2005 to 2011. Demand deposits have been increasing year after year from Rs. 248028 crores in the year 2005 to Rs.641705 crores in the year 2011. The year 2009 shows a decline in trend. Compared to the demand deposits with mobilization of time deposits has been constantly rising from Rs.1452171 crores in 2005 to Rs.4566264 crores in 2011.

HYPOTHESIS TESTING

In order to test whether the mobilization of demand deposits by the scheduled commercial banks has a linear relationship with the time deposits mobilized by the banks, the **correlation tool** has been used.

TABLE – 1 (a): TEST RESULT OF CORRELATION

Paired Samples Statistics					
		Mean	N	Std. Deviation	Std. Error Mean
Pair 1	DDs	4.8244E5	7	1.45487E5	54988.95265
	TDs	2.8251E6	7	1.14033E6	4.31005E5

Paired Samples Correlations				
		N	Correlation	Sig.
Pair 1	DDs & TDs	7	.945	.001

The mobilization of demand deposits and the time deposits of the Indian Scheduled Commercial Banks have a very strong positive correlation. The linear correlation co-efficient is 0.945 which is very close to +1.This means that as the demand deposits increases the time deposits are also increasing.

2. CREDIT DEPLOYMENT

Credit means the ability to buy or borrow in consideration of a promise to pay within a specified time period following delivery. Bank credit means the loans (advances) made by banks to customers. Credit deployment is the major force through which banks helps in the transformation of saving into capital. This is considered to be the single most important causal factor in the process of economic development. Prior to the nationalization of banks in 1969, the flow of Commercial Bank credit took place mainly in favour of trade, commerce and industry to meet their short –term needs. It generally led to regional imbalances and creation of business and industrial monopolies. The nationalization of Commercial banks has brought about a definite shift in the credit policy of these banks. Thus, the agriculture, small scale industries and other small borrowers, which were rarely provided credit before the nationalization, are now the very segments of the economy specially meant to be catered to and covered under the priority sector programme. These earlier- neglected sectors have now become the focal point of credit deployment by the commercial banks.

A Commercial bank provides credit to the public directly or indirectly. Lending is done on the basis of the funds raised by accepting deposits from public. So, on the one hand banks accept deposits from people, they lend from that very funds on the other hand. Lending is imperative to earn revenue. A major portion of the bank deposits gets blocked in cash reserves and liquid assets to meet CRR and SLR requirements. The residual or deployable funds have to be lent very carefully so that not only can the bank meet establishment expenses and interest obligations comfortably but also earn reasonable returns on funds. The very important question for any banker is that, why a customer is in need for loan. If borrower misused the loan granted by the bank, he can never repay. Therefore, in order to avoid this situation each and every bank should demand all the essential detailed information about the scheme of the project or activities should be examined before lending.

"A bank should never lay all its eggs in the same baskets." This saying is very important to the bank and it should be always careful not to grant loan in only one sector. To minimize risk, a bank must diversify its investment in different sectors. Diversification of loan helps to sustain loss according to the law of average; if the security of a company depreciates then there may be an appreciation in the securities of other companies, in this way, the loss can be recovered. Unless loans are used for the borrowing purposes it will prove to be dangerous both for the bank and the borrower. Wrong use of credit facilities destroys its user, so, there is a need for providing not only a package of financial services but also professional guidance is must.

TABLE 2: CREDIT OF SCHEDULED COMMERCIAL BANKS (Rs.crore)

Years	Amount	% of increase over previous year
2005	1100428	------
2006	1507077	37
2007	1931190	28
2008	2361913	22
2009	2775549	18
2010	3496720	26
2011	4298740	30

Source: Database from Reserve Bank of India, 2011

CREDITS DEPLOYED BY SCHEDULED COMMERCIAL BANKS -Banks accept deposits to lend the same at a higher rate of interest. Commercial Banks are the dealers of money and suppliers of credit. They are the active participants in the process of deposit mobilization and credit creation.

The year-wise credits supplied by these banks are furnished in Table-2.The data in table-2 shows that the Indian Scheduled Commercial Banks have been successful in performing the credit function. The credits which were Rs.1100428 crores in 2005 have gone up to Rs. 4298740 crores in 2011. It is an encouraging sign that a higher percentage of increase has been recorded in 2011 than 2005.

3. INVESTMENT

Investment can be defined as sacrifice of present consumption with expectation of return in future. Investment takes place at present but return can be expected in future but return is uncertain too. Uncertainty is measured by risk as there is always involvement of risk in investment. Investment usually involves putting money into a bet, which is not necessarily marketable in order to enjoy a series of return the investment is expected to yield. On the other hand speculation is usually shorter than phenomena. Speculators tend to buy assets expecting of a profit that can be earned from subsequent price change & sale. Investments are usually made expecting a certain stream of income, which has existed, will not change in the future. "Investment is made in assets. Assets in all are of two types' real assets (land, building, factures etc.) and financial assets (stock, bond, etc.). These two investments are not competitive but complementary. Highly developed financial institutions greatly facilitate real investment. "Investment is nothing but deploying our saving in manner that ensures safety of our money & provides a sustained return to supplement our regular income" (Delhi Stock exchange 2002).

TABLE 3: INVESTMENTS OF SCHEDULED COMMERCIAL BANKS (Rs. Crore)

Years	Amount	% of increase over previous year
2005	739154	-----
2006	717454	-3
2007	791516	10
2008	971714	23
2009	1166410	20
2010	1729006	48
2011	1916053	11

Source: Database from Reserve Bank of India, 2011

INVESTMENTS MADE BY SCHEDULED COMMERCIAL BANKS- Investment as a window of deployment of funds was given more emphasis than lending. The year-wise investments made by the banks are presented in Table-3.

In table-3, it's shown that Indian Scheduled Commercial Banks have been quite successful as far as investment is concerned. During the period under reference, the banks have been able to mark a rising trend in investment from Rs. 739154 crores in the year 2005 to Rs. 1916053 crores in 2011. Although it declined in 2006, it but picked up in the subsequent years. A higher percentage of increase has been recorded in the years 2011.

4 (A) CREDIT DEPOSIT RATIOS (CDR)

The CDR is nothing but the quantum flow of advances to the deposits mobilized by banks in terms of percentage. This ratio explains about the bank's credit deployment and mobilization capacity. Banks are required to maintain a CDR of at least 60 per cent particularly in rural and semi-urban branches so as to ensure that the financial resources mobilized from rural pockets are fruitfully utilized without diverting the same to urban and metropolitan centers.

Commercial banks act as the backbone of economic growth and prosperity by acting as a catalyst in the process of development. They inculcate the habit of saving and mobilize funds from numerous small households and business firms spread over a wide geographical area. The funds so mobilized are used for productive purposes in agriculture, industry and trade.

The target of our banking system should be the integration of technology to provide a hassle free banking experience and to meet the challenges created by various internal and external factors. The Banks are the main participants in the financial system in India. The Banking sector offers several facilities and opportunities to their customers. All the banks not only provide safety to our money and valuables but also provide credit, loans and various services in addition to above .They keep on doing their primary job of accepting deposits and lending funds. The credit / deposit ratio (CD ratio) is a major tool to examine the liquidity of a bank. CD ratio measures the ratio of fund that a bank has utilized in credit out of the deposit total collected. More the CD ratio more the effectiveness of the bank to utilize the fund it collected.

The CD ratio is derived by the following formula: **Total Credit/Total deposit collected×100**

This ratio measures the extent to which the banks are successful to mobilize their total deposit on loan and advances. Loan and advances are outside asset which yield profit to the bank. Increment of loan and advances is the main target of all Commercial Banks. So higher the ratio better is the mobilization of the funds.

4 (B) INVESTMENT DEPOSITS RATIO (IDR)

Investment policy is the proper management of any fund or wealth to maximize value or to obtain this high or favorable return with low risk considering the protection of Invest forms inflation and other possible dangers. Banks disburse their money as investment in trade business and industry. Due to huge competition, investments are comparatively losses. Therefore, Banks should follow the principle of investment for profit. An investment policy should ensure maximum profit and minimum risk. Investment policy determines the investor's objective and the amount of its investable wealth because there is possible relation between risk and return for sensible investment strategies. The banks also offer investment and insurance products. Investment / Deposit Ratio help to know how the banks mobilize their deposits for the investment in the various securities. A high ratio indicates the success in mobilizing the funds in securities.

The ID ratio is derived by the following formula: **Total Investment/Total deposit collected×100**

TABLE 4: C-D AND I-D RATIOS OF SCHEDULED COMMERCIAL BANKS

Years	Credit Deposit Ratio (%)	Investment Deposit Ratio (%)
2005	62.6	47.3
2006	70.1	40.0
2007	73.5	35.3
2008	74.6	35.5
2009	73.8	35.7
2010	73.7	36.4
2011	76.5	34.1
Mean	72.11	37.76
Standard deviation	4.61	4.6
C.V (%)	6.39	12.18

Source: Database from Reserve Bank of India, 2011

CREDIT-DEPOSIT RATIO AND INVESTMENT DEPOSIT RATIO: Commercial banks enjoy a special privilege of credit creation by multiple expansions of deposits. Bank credit implies loans and advances. The Credit Deposit Ratio of the bank indicates the creation of credit out of the deposit .Investment-Deposit Ratio is calculated by investments made by banks, divided by the aggregate deposits of the banks. Investments of Scheduled Commercial Banks in India include only investments in government securities and other approved securities. The year-wise Credit –Deposit Ratio and Investment-Deposit Ratios are given in Table-4.

Table-4 reveals that the Credit Deposit Ratio of Scheduled Commercial Banks has been rising from 62.6% in the year 2005 to 76.5% in 2011.

A further analysis of the table 4 reveals that the Investment-Deposit Ratios of Scheduled Commercial Banks has been constantly decreasing from 47.3% in 2005 to 34.1%in 2011. From the year 2006, this ratio shows a declining trend as more credits were deployed by the banks.

The test results are given in Table-4(a).

Table- 4(a) provides the result that there is strong evidence that (‘t’ is > 2.306004), HO is rejected. Hence, there is a difference in performance between the Credit Deposit Ratio and the Investment Deposit Ratio of Scheduled Commercial banks.

HYPOTHESIS TESTING

A sample ‘t’ test was performed to determine whether the C-D Ratio of the Scheduled Commercial Banks significantly differs from the I-D Ratio of the Scheduled Commercial Banks in India.

TABLE 4 (a): PAIRED SAMPLES STATISTICS

		Mean	N	Std. Deviation	Std. Error Mean
Pair 1	CDR	72.1143	7	4.60559	1.74075
	IDR	37.7571	7	4.59487	1.73670

Table 4(b) (sig 2tailed) value is less than 0.05 (95% level of significance), hence H0 is rejected it means that there is a significant difference in performance between Credit –Deposits Ratio and Investment –Deposits Ratio of Scheduled Commercial Banks.

TABLE 4 (b): PAIRED SAMPLES TEST

		Paired Differences					t	df	Sig. (2-tailed)
		Mean	Std. Deviation	Std. Error Mean	95% Confidence Interval of the Difference				
					Lower	Upper			
Pair 1	CDR IDR	3.43571E1	9.18257	3.47068	25.86469	42.84960	9.899	6	.000

5. DEPOSITS AND CREDITS OF SCHEDULED COMMERCIAL BANKS PER BRANCH

Banks accept deposits to lend the same at a higher rate of interest. Deposits and credits are just like inflow and outflow of funds of the banks. Banks deploy funds by way of providing credits to needy people. Credits (loans and advances) are the largest income-earning asset of the bank and the most profitable and high risk associated item on the asset side of the bank balance sheet. The sound financial position of a bank is the guarantee not only to its depositors but equally important for the whole economy of the nation.

TABLE 5: DEPOSITS AND CREDITS OF SCHEDULED COMMERCIAL BANKS PER BRANCH (Rs. lakh)

Years	Deposits of SCBs Per Branch	Credits of SCBs Per Branch
2005	2574	1700
2006	3047	2209
2007	3675	2757
2008	4344	3222
2009	4980	3615
2010	5479	3983
2011	6090	4575
Mean	4313	3152
Standard deviation	1291	1007
C.V (%)	29.9	32

Source: Database from Reserve Bank of India, 2011

Table-5 exhibits the deposits and credits of the banks per Branch. The analysis of table 5 reveals that Scheduled Commercial Banks have been successful so far as deposit is concerned. During the period under reference, these banks have been able to mark a rising trend in deposits and Credits, with Rs. 2574 crores, and Rs.1700 crores respectively in the year 2005 to Rs.6090 crores, and Rs.3152 crores in 2011.

Since the co-efficient of variation of deposits of Scheduled Commercial Banks per Branch is less than the co-efficient of variation of credits of banks per Branch, deposits of Scheduled Commercial Banks per Branch are more consistent.

SUGGESTIONS

- Banks must continue to pay adequate attention to deposits and credits as they constitute the core of banking activity and a substantial portion of income and expenditure is associated with them. So far as deposits are concerned, it is a safe area of business expect for few stray instances of operational risks like human errors, frauds and forgeries. Credit is the real activity that should be managed to generate profits by keeping three cardinal principles of investment in mind “Liquidity, Solvency and Profitability”.

- Commercial banks should develop credit procedures, policies and analytical capabilities and these efforts should be expanded into full credit management including origination, approval, monitoring and problem management tailored to the needs of each bank.
- Commercial banks should strategize on the ways to attract and retain more deposits so as to further improve on their lending performance.
- There should be closer consultation and cooperation between commercial banks and the regulatory authorities so that the effect of regulatory measure on commercial banks can be taken into account at the stage of policy formulation.
- The cost associated with lending to priority sectors as a national goal, should be borne by the society as a whole through the government budget instead of burdening the commercial banks with such cost. This is necessary because the commercial banks cannot afford to overprice or under price their loans for efficient lending performance.
- Commercial banks should ensure good planning which encompasses budgeting, reviews and incentives. They should formulate critical, realistic and comprehensive strategic and financial plans. This will help them be better positioned to enjoy the positive effects in a volatile environment of the economy.
- It is essential for commercial banks to build system and skills in liquidity management, assets and liability management and foreign exchange management. Banks should try as much as possible to strike a balance in their loan pricing decisions. This will help them to be able to cover cost associated with lending and at the same time, maintain good banking relationship with their borrowers.

CONCLUSION
Banking is the back-bone of modern economy. Our economy is so much dependent upon the banking system that any cessation of banking activity even for a day would completely paralyze the economic life of the nation. The operation of the banks records the pulse of the economy as repositories of people's savings and purveyors of credit, especially as the success of economic development depends on the mobilization of resources and their investment in an appropriate manner. Lending which may be on short, medium or long-term basis is one of the services that commercial banks do render to their customers. The size and composition of their transaction reflect the economic happenings in the economy. The country's economic progress is judged and determined by the progress and development of its banking system. In other words, banks do grant loans and advances to individuals, business organizations as well as government in order to enable them embark on investment and developmental activities as a mean of aiding their growth in particular or contributing toward the economic development of a country in general. However, commercial bank's decisions to lend out loans are influenced by lots of factors such as the prevailing interest rate, the volume of deposits, the level of their domestic and foreign investment, bank's liquidity ratio, prestige and public recognition.

Savings mobilization as a part of full financial intermediation is much more complex than administering a credit-only program, requiring special attention to developing appropriate management capacity. In addition to special technical knowledge in liquidity and risk management, staff needs to display competence in interacting with their clients to overcome social barriers and to establish confidence in the institution as a prerequisite for successful savings mobilization. The complexity of deposit taking also requires effective incentive and bonus systems to stimulate staff performance.

In developing countries, the rates of savings are quite low and existing institutions are partially successful in mobilizing such savings. Investment is an essence of the national economy. Banking system is the integral part of investment system in productive sector. It involves the sacrifice of current rupees for future rupees. It is concerned with the allocation of present fund for later reward, which is uncertain. When people deposit money in a saving account in bank for example; the bank must invest the money in new factories and equipments to increase their production.

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