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   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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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.

JOURNAL AND OTHER ARTICLES
- 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.

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A STUDY ON THE GROWTH OF SCHEDULED COMMERCIAL BANKS IN INDIA

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ABSTRACT

Global economy was growing steadily since 2002 and everything was fine till the beginning of Sep 2008. The economic meltdown started with the bankruptcy of Lehman Brothers in Sept. 2008 and the recession had impacted all the sectors and on the backdrop of recessionary trends in European and other developed countries , the under developed and developing countries had also experienced the pinch. The global financial crisis that emanated from the subprime crisis in the US is however, the deepest in the history since the great Depression in 1930s and it has trangled the global economic growth. It has badly eroded the investor's confidence and has posed a serious threat to the global financial stability. The direct and indirect effect of global slowdown had its impact on India too in the form of reduced money flow and reduced trade. Akin to other emerging economies in Asia, Indian financial sector too has shown remarkable resilience in situation of global financial turmoil because of the healthy, prudent and sound practices of bank capitalization and timely intervention of Reserve Bank of India. This paper aims to study the trends in growth and development of scheduled commercial banks in India in pre and post crisis period.

KEYWORDS

capitalisation, economic growth, financial stability, global crisis.

INTRODUCTION

The crucial role of the financial system is to allocate capital investment towards the most productive applications. The energetic growth and technological advance of the western economies suggest that our financial system has performed this task well over long periods. However, the global financial crisis and the following recession blemish this record. . Indian banking is a success story in midst of the financially triggered global crisis of 2008, thanks to the regulatory environment in place and the structural banking drivers. The global financial crisis, which left the banking sector of most developed and even developing countries weakened, had relatively limited impact on the Indian banking sector. While the Indian banking system largely withstood the pressures of the crisis, it was not expected to remain insulated from the slowdown of the Indian economy, which followed the crisis.

OBJECTIVES

1. To study the trends in the growth of different variables in the banking system during the pre and post crisis period
2. To study the trends in the growth of different variables of profitability, efficiency and financial stability of different groups of banks during the pre and post crisis period.
3. To study the impact of these variables on the different groups of banks.
4. To analyse how far Indian banks are affected by the crisis.

METHODOLOGY

For the purpose of the study, secondary data were used. It has been collected from bank records, published financial reports, journals, magazines and websites. The study covers a period from 2003 to 2011.

Sample size includes five groups of banks put together 83 Scheduled commercial banks having 26 public sector banks(PSBs)14old private sector banks(OPVTBS))7 new private sector banks(NPVTBs),and36foreign banks(FBs) which may be considered adequate to represent banking industry in India.

The study is made under two heads; In the first section a general analysis of different variables on the banking sector as a whole has been made.(2003-2011). Moreover, analysis of these variables during the pre and post crisis period has also been made. (2007-2011).In the second section a comparative analysis of various bank groups with respect to different variables has been made. (2007-2011)

SECTION I- TABLE1- SHOWS COMMERCIAL BANKS AT A GLANCE

The number of commercial banks in India has decreased to 167 in 2011 from 293 in 2003. The decline in the number is due to the merger and acquisition taking place in the banking industry at present. At the same time population served by bank office has reduced to 13000 from 16000in 2003 which is the result of the rapid branch expansion policy of commercial banks.

TABLE 1: SCHEDULED COMMERCIAL BANKS IN INDIA AT A GLANCE

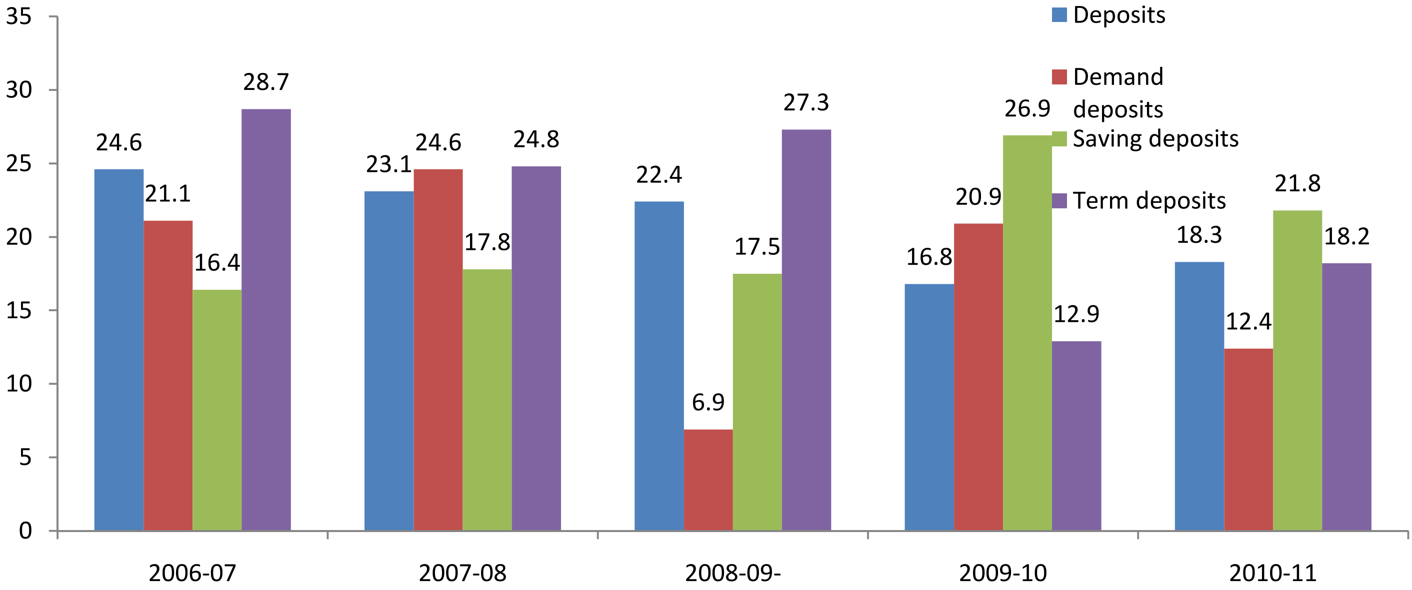
Indicators	March 2003	March 2004	March 2005	March 2006	March 2007	March 2008	March 2009	March 2010	March 2011
No. of commercial banks	293	291	288	222	182	173	170	167	167
Population per office(in thousands)	16	16	16	16	15	15	15	14	13
Aggregate deposits of Scbs in India Rs. crores	1311761	1504416	1700198	2109049	2611934	3196940	3834110	4492826	5207969
a. Demand deposits	187837	225022	248028	364640	429731	524310	523085	645610	641705
b. Time deposits	1123924	1279394	1452171	1744409	2182203	2672630	3311025	3847216	4566264
Bank credit of Scbs in India (Rs.Crores)	746432	840785	1100428	1507077	1931190	2361913	2775549	3244788	3942082
Credit Deposit Ratio (%)	56.9	55.9	62.6	70.1	73.5	74.6	73.8	73.7	76.5
Investment Deposit Ratio(%)	41.3	45.0	47.3	40.0	35.3	35.5	35.7	36.4	34.1

Source- Report on trends and progress of banking in India (2006-11)

AGGREGATE DEPOSITS AND CREDIT OF SCHEDULED COMMERCIAL BANKS IN INDIA

The Aggregate deposits of scheduled commercial banks has increased to INR 52, 07,969 crores in 2011 from INR 1311761 crores in 2003.The growth of demand deposits has increased to INR 6,41,705 crores in 2011 from INR 187837 crores. In 2003 (242% growth).On the other hand time deposits has increased to INR 45,66,264 crores in 2011 from INR 11,23,924 crores in 2003 (306% growth). Figure 1 shows the growth rate of deposits of scheduled commercial banks from 2006-07 to 2010-11. The growth rate of deposits of scheduled commercial banks registered a decelerated growth for the 3 consecutive years since 2006--07.One of the factors responsible for decline in the deposit growth was the prevalence of lower interest rates. But 2010-11 registered a higher growth in deposits. This was mainly because of the accelerated deposit mobilisation of new private sector banks in 2010-11 over the previous year. . Shift of funds to term deposits is due to higher interest rates offered by banks on such deposits.

FIGURE I: GROWTH IN DEPOSITS OF SCHEDULED COMMERCIAL BANKS (%)



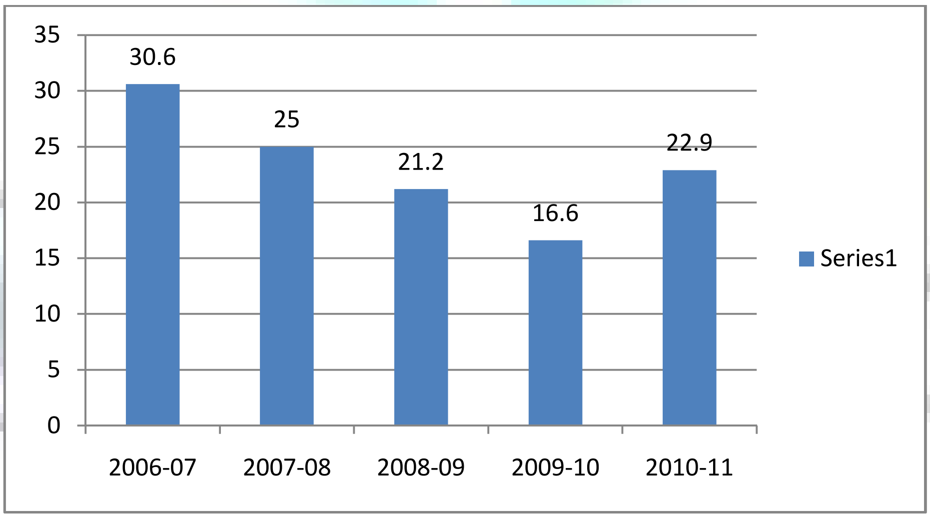
Composition of deposits

Source: Report on trends and progress of banking in India 2006-11

BANK CREDIT

As deposits are the most important source of funds for banks, a slowdown in the growth of deposits was expected to translate itself into a slowdown in bank credit .Figure II shows the trends in credit of commercial banks in India. The growth rate of loans and advances of SCBs, which was as high as 30.6per cent as at end-March 2007 has been witnessing a slowdown since then. In continuation of the trend, the growth rate of aggregate loans and advances of SCBs decelerated to 21.2 per cent as at end-March 2009 from 25.0 per cent in the previous year and , reaching a low of 16.6 per cent in 2009-10.Apart from cyclical factors which lead to slowdown in growth after a period of high credit growth, the deceleration was accentuated due to the overall slowdown in the economy in the aftermath of global financial turmoil .But the loans and advances of the banking sector recorded higher growth of 22.9 percent in2010-11 from 16.6 in the previous year. While the economic recovery from the recent financial turmoil increased the demand for credit; from the supply side, higher growth in deposits as well as growth in capital facilitated higher credit growth. In2010-11, new private sector banks recorded significantly higher growth in term loans as compared with the previous year, on the back of corresponding high growth in term deposits mobilisation..

FIGURE II: TRENDS IN THE CREDIT OF SCHEDULED COMMERCIAL BANKS IN INDIA



Source- Report on trends and progress of banking in India 2007-11

CREDIT DEPOSIT RATIO

The incremental credit-deposit (C-D)ratio and investment-deposit (I-D) ratio of SCBs mirrored the banks' behaviour in respect of investments and credit. During the high credit growth phase(2002-03 to 2006-07) the two series drifted away from each other as C-D ratio rose sharply and as a consequence the I-D ratio declined, reflecting banks preference for lending over investment. Subsequently, however, as the cyclical factors lead to cooling off of the credit growth rate, the trend in incremental C-D ratio and I-D ratio reversed. . Thus the C-D ratio, which was 73.5per cent as at end March 2007 declined marginally to 73.6 per cent as at end March 2010, while the I-D ratio increased marginally from 35.5 per cent to 36.4per cent in the same period**.(Table-I)**

Table II: shows the financial performance of scheduled commercial banks during the period 2007-2011.

TABLE II: FINANCIAL PERFORMANCE OF SCHEDULED COMMERCIAL BANKS

Item/Year	2006-07	Variation (%)	2007-08	Variation (%)	2008-09	Variation (%)	2009-10	Variation (%)	2010-11	Variation (%)
Interest income	230675	24.96	308482	33.2	388816	25.9	415179	7.0	491667	18.42
Other income	43041	21.7	60391	40.3	75021	24.6	79268	4.4	79564	0.37
Total income	274716	24.5	368813	34.3	463837	25.7	494447	6.63	571231	15.53
Interest expended	142420	32.9	208001	46	263221	26.5	272084	3.4	298891	9.85
Operating expenses	66319	12.03	77283	16.5	89268	15.5	100028	11.4	123129	23.09
Net Interest income	89255	19.28	100481	12.57	125596	24.7	143095	14.7	192776	34.72
Provisions &contingencies	34775	16.65	40864	17.5	58578	43.3	65226	12.3	78878	20.93
Operating profit	65997	21.18	83590	26.7	111349	33.2	122335	10.4	149210	21.97
Net profit	31203	26.93	42726	36.9	52771	23.5	57109	8.3	70331	23.15

Source- statistical tables relating to banks in India-2007-11(Annual publication of RBI)

INCOME

The income of the bank consists of interest income and non interest income..Interest income is income from advances and investments and other income includes income earned in the form of commission, exchange and brokerage and income from profit on sale of investments etc.

Similar to the slowdown in the balance sheets of SCBs, there were signs of a considerable slowdown in the income of SCBs till 2009-10.The growth rate of income decelerated to 6.63 in 2009-10 from 24.4 in 2006-07. The slowdown in total income emanated from both interest and non-interest incomes of SCBs. The growth rate of interest income decelerated to 7%in 2009-10 from 33.2in 2007-08 reflecting the lower lending rates. The share of non-interest income in total income was increasing during the period 2002-2004 but declined in the subsequent period i.e. 2005-07.But during 2007-09 this share is again witnessing arise, with a corresponding decline in share of interest income The non-interest income witnessed acceleration at a higher pace as compared to growth rate of both interest and total income up to 07-08. But 2008-09 recorded deceleration which was sharper than the deceleration of the other two series. But 2010-11recorded increase in both total income as well as interest income owing to the prevailing higher interest rate environment**.**

EXPENDITURE

The components of expenditure include interest expended on deposits and borrowings , operating expenses and provisions and contingencies. Expenditure of SCBs decelerated to 6.39 per cent as at end March 2010 as compared with 33.9 per cent in2007-08. Among the major components of expenditure of SCBs, growth rate of interest expended decelerated sharply to 3.4 per cent as compared with 46.0per cent growth 2007-08. Non interest or operating expenses also decelerated to 11.4 percent in 2009-10while provisioning increased sharply to 43.3 in 2008-09from 17.5 in the previous year. The rate of provisions and contingencies witnessed higher growth in2009-10 and 2010-11 as compared with the previous year, mainly on account of increase in gross non-performing assets (GNPAs) (in absolute terms).

NET INTEREST MARGIN

Net interest income is the difference between the interest income and interest expenses (spread) .While maintaining profitability is a *sine qua non* for the financial soundness of the banking sector, efficient financial intermediation is important from the point of view of economic growth. NIM indicates the margin taken by the banking sector while doing banking business. While a higher NIM contributes to profitability, it also implies higher cost of financial intermediation in the economy, which is considered as a sign of inefficiency. Thus, there is a need to bring down NIM to improve the efficiency of financial intermediation along with increasing the noninterest income to maintain profitability.NIM of SCBs decreased from 19.28 in 2007 .to 14.7 during the crisis year. But, it rosed sharply in 2010—11 to 34.72 due to higher growth of credit and higher interest rate environment. The Net Profit of the banking system increased during 2006-08.But it fell down to 8.3% in 2009-10.However it recovered its position during 2010-11by raising the ratio to 23.15 which shows the increasing efficiency of banks.

SECTION II- A COMPARATIVE ANALYSIS OF SOME IMPORTANT INDICATORS OF PROFITABILITY AND FINANCIAL SOUNDNESS OF FIVE GROUPS OF BANKS FROM 2006-07 TO2010-11 IS MADE IN THIS SECTION

COMPOSITION OF DEPOSITS

The first important parameter of profitability is deposit mix comprising of Demand & saving deposits (CASA) and term deposits. According to a study of CRISIL growth of term deposits is due to the sensitivities of interest rates while other deposits such as demand and saving deposits shows no sensitivities to interest rate movements. The share of CASA deposits in the total deposits has got a great role in reducing the cost of funds of a bank. The bank wise analysis shows foreign banks has the highest share of less expensive CASA in total deposit throughout the study period followed by new private sector banks.

TABLE-III: TRENDS IN CASA GROWTH OF BANKS (In Percentage)

Group of banks	2007	2008	2009	2010	2011
PSBs	37.80	35.82	32.66	37.90	34.14
OPVTBs	28.74	28.49	26.18	28.34	27.97
NPVTBs	30.20	34.24	35.17	43.12	42.54
FBs	45.1	44.7	41.7	43.86	45.0
All SCBs	36.6	35.7	33.2	35.37	35.41

Source- Report on trends and progress of banking in India (2007-11)

CREDIT DEPOSIT RATIO

CD Ratio shows the risk appetite of the banks. Resources for bank lending come from deposits, borrowings, and capital. Idle funds do not contribute to profitability of banks and so lending is important. But meticulous planning is necessary for balanced CD ratio. The higher the CD ratio the better is the potential for yield on advances. Among the bank groups new generation private sector banks recorded the highest credit-deposit ratio followed by foreign banks in 2010-11Since the size of business of PSBs is high, the CD ratio of SCBs is close to PSBs. The new generation banks have the highest lending appetite to raise the CD ratio to 82.98%against the industry level of 76.54.

TABLE IV: TRENDS IN THE CD RATIO OF BANKS (in Percentage)

Group of banks	2006-07	2007-08	2008-09	2009-10-	2010-11
SCBs	73.46	74.61	73.86	73.83	76.54
PSBs	72.22	73.25	72.61	74.21	75.59
OPVTBS	67.20	67.43	64.49	67.02	69.90
NPVTBS	77.80	79.83	83.19	80.68	82.98
FBs	83.78	84.29	77.27	72.29	81.24

Source- Report on trends and progress of banking in India (2007-11)

NET INTEREST MARGIN (NIM)

NIM is considered as another important parameter of profitability.. Bank group wise analysis reveals that NIM of all groups of banks have been increased during 2006-09.But during the crisis year there was a fall in the ratio among all groups except new generation private sector banks. During 2010-11 it has improved to 4.16 percent recording a rise of 126 basis points(2006-11) whereas all other groups have shown a marginal improvement. In a highly competitive environment, protecting NIM is a formidable challenge. It may require the balancing of risk in overall exposure in canvassing business by way of advances, investment and maintenance of quality assets.

TABLE –V: TRENDS IN NET INTEREST MARGIN OF BANKS (in Percentage)

Group of banks	2006-07	2007-08	2008-09	2009-10	2010-11
SCBs	3.20	3.00	3.40	3.29	3.69
PSBs	3.10	2.70	3.07	2.99	3.52
OPVTBS	3.20	2.90	3.34	3.10	3.48
NPVTBS	2.90	3.20	3.77	3.99	4.16
FBs	4.70	4.80	6.10	5.47	5.00

Source- Report on trends and progress of banking in India 2007-11

RETURN ON ASSETS

Return on assets (RoA) is an indicator of efficiency with which banks deploy their assets. The return on assets (ROA) is defined as net profits as percentage of average total assets. The higher the ratio, the better the profitability. Basel II norms had prescribed that ROA should be more than 1%.

TABLE –VI- TRENDS IN THE RETURN ON ASSETS OF BANKS (In Percentage)

Group of banks	2006-07	2007-08	2008-09	2009-10	2010-11
SCBs	1.05	1.12	1.13	1.05	1.10
PSBs	0.92	1.00	1.02	0.97	0.96
OPVTBs	0.78	1.14	1.15	0.95	1.12
NPVTBs	1.09	1.13	1.12	1.26	1.74
FBs	2.28	2.09	1.99	1.26	1.74

Source- Report on trends and progress of banking in India (2007-11)

Table-VI- reflects the movement of ROA of different group of banks during 2007-11. ROA increased among all groups of banks during the period 2005-06 to 2008-09. The increase is more pronounced in case of old private sector banks.ROA posted a fall in 2009-10 among all groups except new private sector banks which reflects the significant slowdown in profits of banks in 2009-10.During 2010-11 ROA of new generation private sector banks increased substantially by 65 bps and 34 bps(2006-11)for old private sector banks .Such a hefty rise in ROA indicates that the strategic initiatives for better quality of assets, yields and earnings were moe effective in these banks as compared to other banks. The targeting of high end customers, aggressive marketing, improving the responsiveness etc could have put these banks ahead in profitability.

CAPITAL TO RISK WEIGHTED ASSETS RATIO (CRAR)

A sound and efficient banking system is sine qua non for maintaining financial stability. Therefore, considerable emphasis has been placed on strengthening the capital requirements. Commercial banks in India have started implementing Basel -II norms with effect from march 2008.Capital adequacy and asset quality are the defined indicators of financial soundness Higher the capital adequacy ratio ,the greater the capacity of the bank to to absorb the unexpected losses because it provides a cushion for potential losses.

TABLE –VII: CAPITAL ADEQUACY RATIO OF BANKS (In Percentage)

Group of banks	2006-07	2007-08	2008-09	2009-10	2010-11
SCBs	12.3	13.0	13.2	13.6	13.0
PSBs	12.4	12.5	12.3	12.1	11.8
OPVTBs	12.1	14.1	14.3	13.8	13.3
NPVTBs	12.0	14.4	15.1	17.3	15.5
FBs	12.4	13.1	15.1	18.1	17.7

Source- Report on trends and progress of banking in India (2007-11)

The Capital to Risk-weighted Assets Ratio (CRAR) of SCBs of Indian banks under Basel I had been on a steady rise since2006 to 2008..It improved further to 13.2 percent during the crisis year2008-09 from 13.0 per cent at end-March 2008.At end-March 2009 the aftermath of the crisis, initiatives have been taken to strengthen the prudential regulatory framework across countries under the enhanced Basel II.It can be seen from the table that the CRAR of all groups of banks under Basel I and II remained well above the required stipulated norm during the study period. Among the bank groups, foreign banks registered the highest CRAR, followed by private sector banks and PSBs during and after the crisis. Indian banking system withstood the pressures of the global financial crisis and a factor that facilitated the normal functioning of the banking system even in the face of one of the largest global financial crisis was its robust capital adequacy. This implies that, in the short to medium term, SCBs are not constrained by capital in extending credit.

NON PERFORMING ASSETS

The measure of non performing asset (NPA) explains the efficiency in allocation of resources made by banks to productive sectors. The problem of NPA arises either due to bad management by banks or due to change in business cycle. Lower the ratio reflects higher the efficiency of productive assets, hence profitability.

TABLE –VIII: TRENDS IN THE GROSS NPAS OF BANKS (in Percentage)

Group of banks	2006-07	2007-08	2008-09	2009-10	2010-11
SCBs	1.5	1.3	2.25	2.39	2.25
PSBs	1.6	1.3	1.97	2.19	2.23
OPVTBs	1.8	1.3	2.36	2.32	1.97
NPVTBs	1.1	1.4	3.05	2.87	2.33
FBs	0.80	0.8	3.80	3.61	2.54

Source- Report on trends and progress of banking in India (2007-11)

The gross NPA has reduced among all groups of banks except new private sector banks during 2006-07 to 2007-08.During the crisis year the asset quality of public sector banks improved better than private and foreign banks. This is evident in the reduced gross and net NPA ratio of public sector banks. But 2009-11 improvement in asset quality can be seen in both private sector banks and foreign banks. Public sector banks, however, witnessed deterioration in asset quality This was mainly due to deterioration in asset quality of the SBI group. Among the bank groups, SBI group reported the highest GNPA The decline in the the gross and net NPA in 2009-11 has been brought out by taking numerous measures such as cleaning balance sheet, compromise settlement, corporate debt restructuring, setting up special debt recovery tribunals(DRTs)and enforcement of security interest for realization of dues without the involvement of judiciary,ie SARFAESI Act.2002.

Table IX –shows the trends in net NPA of banks. The Net NPA of of all banks reduced except new generation banks and foreign banks during 2006-08.But during and after the crisis year PSBs have the highest net NPA of 1.09 percent whereas The private banks and foreign banks are able to contain at half percent.

TABLE IX: TRENDS IN NET NPAS OF BANKS (In Percentage)

Group of banks	2006-07	2007-08	2008-09	2009-10	2010-11
SCBs	1.02	1.00	1.05	1.12	0.97
PSBs	1.06	0.90	0.94	1.10	1.09
OPVTBs	0.96	0.66	0.90	0.82	0.53
NPVTBs	0.97	1.21	1.40	1.09	0.56
FBs	0.73	0.77	1.81	1.82	0.67

Source- Report on trends and progress of banking in India (2007-11)

Levels of net NPA is a function of overall asset quality. It is necessary for banks to build up an ability to absorb the provisions without unduly reducing the profit.

FINDINGS AND SUGGESTIONS

- The growth in deposits and credit of scheduled commercial banks declined for two years since 2008.Due to te higher interest rate environment and aggressive deposit mobilization by the new private sector banks ,2010-11 recorded higher growth in deposits especially term deposits..
- A rise in the percentage of current and saving deposits (CASA)in 2009-10 was an important development with regard to bank deposits. .But in 2010-11, the percentage has declined. Banks should focus on mobilizing low cost CASA deposits to cut their cost of funds. Moreover ,banks should take advantage of the present market conditions in which due to depressed capital markets ,investors are shying away from mutual funds and looking at banks for safe keeping of their savings.
- The profitability indicators ie.RoA and net interest margin showed a declining trend in 2009-10.The year 2010-11 witnessed a better RoA and NIM. In India, during the last one decade, NIM was in the range 2.5per cent to 3.1 per cent. The NIM, which witnessed a declining trend during the period 2004 to 2010, improved during 2010-11. The NIM of the Indian banking sector continues to be higher than some of the emerging market economies of the world. The decomposition of NIM into NIM from core banking business, (*i.e.,* calculated as the difference between interest income from loans and advances minus interest expenses on deposits as a per cent of average total assets), and NIM from others (*i.e*., mainly the difference between all other interest income and interest expenses) showed that NIM from core banking business witnessed substantial increase during the last one decade. In contrast, NIM from others witnessed a decline, The increase in the NIM from core banking business indicates that the cost of financial intermediation increased in the economy during the last one decade. Thus, there is a need to bring down NIM from core banking business to bring the overall NIM down. Thus, it may be important for the Indian banking sector to improve ‘other income’ along with a reduction in NIM from core banking business to maintain profitability and to improve efficiency of financial intermediation.
- The CRAR of scheduled commercial banks remained well above the required under Basel I and Basel II. Even with the proposed Basel III framework, which will become operational from January 1, 2013 in a phased manner, Indian banks will not have any problem in adjusting to the new capital rules both in terms of quantum and quality.
- A challenging task in the midst of regular policy rate hikes is the management of the quality of assets. Though the GNPA ratio witnessed improvement in 2010-11 over the previous year, certain concerns with regard to asset quality of the banking sector continued to loom large Banks should emphasis on quality of assets rather than on volume of business. The comparatively less served segments of the economy should be carefully granted loans and advances. Banks should follow in a more rigorous manner the Know Your Customer (KYC) guidelines.

CONCLUSION

Indian banking sector policy with regard to financial liberalization and innovation has always been calibrated, cautious, and yet consistent. The fact that the Indian banking system was not adversely affected during the recent crisis is a proof of the success of this policy.

The Indian banking sector, which is the edifice of the Indian financial sector, though weathered the worst consequences of the global financial turmoil to a large extent, had to traverse through a challenging macro economic environment during the post crisis period. Followed by the financial turmoil, the global financial sector was generally turbulent mainly because of the European sovereign debt crisis, and sluggish growth recovery in the Euro zone as also in the US. In contrast, the banking sectors in the emerging market economies displayed better performance. Despite the fragility of the global macro financial environment, the macro economic fundamentals for India have remained robust. Stress tests suggest that the banking sector remains fairly well capitalized and resilient to asset quality shocks and other plausible adverse changes in macroeconomic scenario. The banking sector needs to focus on growth through inclusion,, innovation and diversification while complying with domestic regulations and internalizing international best practices.

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