

VOLUME - VI, ISSUE - I, Part - VII  
AUGUST - 2017 to JANUARY - 2018

# GENIUS

Peer Reviewed and Referred  
UGC Listed Journal

Journal No. 47100

AN INTERNATIONAL MULTI DISCIPLINARY HALF  
YEARLY RESEARCH JOURNAL

GENIUS ISSN - 2279-0489

IMPACT FACTOR 4.248 ([www.sjifactor.com](http://www.sjifactor.com))

  
**Ajanta Prakashan**  
Aurangabad. (M.S.)



**A. E. Kalsekar College of Arts & Management**  
Hattasopara (V), Tal. Waran, Dist. Palghar - 401 203.

## Effects of Banking Structure on Indian Financial System

Miss. Elakshi G. Tawade

Assit. Prof., Dept. of Self Finance, A. E. Kaslekar College of Commerce & Management, Nallasopara (W).

### Abstract

Considerable competition has been introduced in the banking sector through new private sector banks but public sectors banks continue have a dominant share in the market. Efficiency and profitability of the banking sector in India has assumed primal importance due to intense competition, greater customer demands and changing banking reforms. This study attempts to measure the relative performance of Indian banks.

For this study, we have used public sector banks, old private sector banks, new private sector banks and foreign sector banks. We know that in the service sector, it is difficult to quantify the output because it is intangible. Hence different proxy indicators are used for measuring productivity of banking sector. Segmentation of the banking sector in India was done along the following basis: number of banks, offices, number of employees, business per employees, deposits per employee, advances per employee, bank assets size, non-performing assets etc. Overall, the analysis supports the conclusion that foreign owned banks are on average most efficient and that new banks are more efficient than old ones. The public sector banks are not as profitable as other sectors are. In terms of size, the smaller banks are globally efficient, but large banks are locally efficient. The key to increase profitability is increase productivity. For this we have recommended some suggestions to tackle the challenges faced by the banks particularly public sector banks.

**Keywords:** Financial Sector Reforms, Profitability, Public sector Banks.

### Introduction

The existing banking structure in India, evolved over several decades, is elaborate and has been serving the credit and banking services needs of the economy. The banking sector reforms in India were stimulated by the report of the Committee on financial system, popularly known as Narasimham Committee. This committee, which submitted its report in 1991, suggested various measures to improve the efficiency and health of banking sector by making it more competitive and vibrant. Since 1991, the size of the Indian economy in terms of GDP at market prices has increased by almost fifteen times, whereas the household financial savings have expanded by sixteen times and the gross domestic savings by almost seventeen times during the same period. It affected the productivity, profitability and efficiency of the banks to a large extent. Now more

