



PROBLEMS AND PROSPECTS OF E- AGE BANKS IN INDIA

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ABSTRACT

In 1975, Regional Rural Banks were designed to develop and serve the credit needs of the rural poor of India to fill up the regional and functional gap in the credit available to rural people. But since 1990-91, with the LPG process, these banks are proving worse in performing their functions and are not able to compete with the other commercial banks. Some of them are showing negative performance in different parameters. Public sector banks, especially in the rural areas are facing much competition from new private sector banks, even they are trying to perform well to their best efforts, but still lagging behind and especially their poor performance in rural areas. In the recent years, new private sector banks like ICICI & HDFC are coming in this potential sector with the hope of capturing the whole rural market in coming two years. This will create a situation of new competition and the survival of the public sector banks in these areas will become difficult.

The present paper analyzes the structure of branches and trends in operational efficiency at each bank group level. The paper concludes on the basis of different parameters of operational efficiency that new private sector banks are rapidly penetrating in the rural sector and their efficiency is much better than the public sector banks. The co-efficient of correlation is negative between the rural branches and operational efficiency of public sector banks but it is positive in case of new private sector banks. At the end, paper suggests some future strategies for the survival of public sector banks in the rural areas.