IJESRR
International Journal of Education and Science Research Review
P-ISSN 2349-1817
www.ijesrr.org Volume-4, Issue-3 June - 2017 Email- editor@ijesrr.org

AN ANALYTICAL STUDY OF OPERATIONAL EFFICIENCY OF STATE BANK OF INDIA WITH SPECIAL REFERENCE TO GORAKHPUR DISTRICT

Amit Kumar Singh
Research Scholar
MBA Department
DDU Gorakhpur University
Gorakhpur, Uttar Pradesh

ABSTRACT

Banking in India, in the modern sense, originated in the last decades of the 18th century. Among the first banks were the Bank of Hindustan, which was established in 1770 and liquidated in 1829-32, and the general bank of India, established in 1786 but failed in 1791.

The largest bank, and the oldest still in existence, is the State Bank of India. This was one of the three banks funded by a presidency government; the other two were the Bank of Bombay in 1840 and the Bank of Madras in 1843. The three banks were merged in 1921 to form the Imperial Bank of India, which upon India's independence, became the State Bank of India in 1955. In 1969 the Indian government nationalized 14 major private banks. In 1980, 6 more private banks were nationalized. These nationalized banks are the majority of lenders in the Indian economy.

The Indian banking sector is broadly classified into scheduled banks and non-scheduled banks. Both scheduled and non-scheduled commercial banks regulated under the Banking Regulation Act, 1949. This paper delineates the operational efficiency of state bank of India in comparison to other nationalized banks.

KEY WORDS: Operational Efficiency, Customer Needs, Efficiency Scores

INTRODUCTION

In this dynamic age, banking is also witnessing rapid changes. In the Indian Context, it has been happening most as ours is a developing socialistic economy in which all the major commercial banks are in the public sector. The process of development in each field of the economy, especially in the sphere of finance and banking, has to assimilate innovations in styles and techniques; whether imported or indigenous, to suit various needs of the society.

The structure of Indian banking as it exists today has evolved slowly and steadily. Initially the structure of Indian banking was very simple. It included only a few banks whose simple function was to accept deposits and lend money. By and by, banks of several types have come into existence. Now the structure has become a complex one as shown below:

ORGANIZED SECTOR OF BANKING:

In India it governs nearly 98 per cent of the total baking operations in the country. It remains sensitive and responsive of the Government's planned objectives, priorities and credit policies. The developmental activities in the economy are greatly influenced by the method of functioning of this sector. This organized sector include all the member bank of the RBI, all post offices engaged in operating post office saving bank account under the schemes of National Small Savings Corporation and all financial non-banking and non-financial-non-banking companies. Under the Companies (Acceptance of Deposits) Rules, 1975, non-financial companies are entitled to accept deposits from the public to 25 per cent of their net owned funds.

UNORGANIZED SECTOR OF BANKING:

It includes chit funds, Nidhis, hire purchase establishments and investment companies. It is a very small sector and has no conspicuous impact on the functioning of economy of the country. Yet the Government of India in constituents with the RBI has either tried to extinguish its various constituents or to regulate them in order to protect the interest of the general public involved with them through deposits.

The Reserve Bank of India: The Reserve Bank of India Act was passed in 1934, and the Reserve Bank of India was established in 1935.As back as in 1920, the International financial Conference held in Brussels, recommended setting up of a central bank in each country for ensuring the efficient functioning of banking system in the country. Since then there had been repeated demands in this country for the establishment of a central bank. In 1913, Lord Keynes was also in favor of a central bank for India. The Royal Commission on India Currency and finance, 1924, popularly known as 'Hilton Young Commission' also joined the same line of thinking.

The Reserve Bank of India was established as a 'central bank' with an initial capital of Rs.5 crores as shareholders' bank. It was nationalized in 1948.

Amongst the institution in the organized sector of the money market the commercial banks are the oldest institution. Join stock companies established as bank and accepting deposits from the public and providing credits to businessmen, small entrepreneurs, self-employed persons, artisans, handicapped persons and persons of economically weaker sections are termed as 'Commercial Bank' These banks also render a host of other services such as keeping safe custody of valuables, providing safe deposit lockers, remittance of funds, payment of rent, rates and insurance premium, as the standing instructions of customer, and so on. The number of scheduled commercial bank in India has been increasing steadily. According to Prof. Kenly, "A bank is an establishment which makes to individuals such advances of may be required and safely made, and to which individuals entrust money when not required by them for use," Commercial banks with its wide network of branches, commanding utmost public confidence and having the lion's share in the total banking operations. Initially, they were established as corporate bodies with shareholdings by private individuals, but subsequently there has a drift towards State ownership and control. Today 27 banks constitute the strong public sector in Indian commercial banking. Amongst these banks SBI Bank of India is one.

State bank of India was originally incorporated on 1 July 1955 and nationalized on 2 June 1956. Until 2008 60 percent stake of SBI was held by RBI, government of India took over this stake in the same year. State Bank of India is a banking behemoth and has 20% market share in deposits and loans among Indian Commercial Banks.

SBI provides a range of banking products through its network of branches in India and overseas. SBI has 18,354 branches in India, in the financial year 2012-2013, its revenue was ₹2.005 trillion, out of which domestic operations contributed to 95.35% of revenue. As of 2014-2015, the bank had 191 overseas offices spread over 36 countries. The bank is actively involved since 1973 in non-profit activity called Community Services Banking. All the branches and administrative offices of SBI throughout the country sponsor and participate in large number of welfare activities and social causes.

SERVICES:

State bank of India offers a wide range of services in the Personal Banking Segment which includes- eZ-trade@sbi, ATM services, Gift Cheques, Internet Banking, Foreign Inward Remittance, Locker, Cards, Green Remit Card, sbiNTOUCH, SBI No Queue App FAQ, SBI Video Statement. State Bank of India has 48 branches in Gorakhpur Districts catering to different needs of customers.

STATEMENT OF THE PROBLEM:

Banks are answering towards the commercial issues in a different way. The efficiency of banks be contingent upon the functioning level due to the changes in business operations and make profits more or less with respective of total income received and total expended of paid for various activities with effective utilization of bank resources do play a key role in the maximizing the banking efficiency.

OBJECTIVES

1. To know the efficiency of public and private banks operating in India.
2. To know the bank efficiency in terms of bank sizes and causes for inefficiency with a given level of variables.

DATA AND METHODOLOGY:

We apply non-parametric operation research based Data envelopment Analysis to assess the efficiency of banks. Efficiency scores are obtained by using DEA model. The data collected from scheduled commercial banks operating in India for the period of 2008-2013 is applied to assess efficiency of banks. Therefore our sample size is public sector State bank of India and Andhra Bank. The data obtained from the various published reports of RBI and Capitalize financial database.DEA model is more appropriate for practical scenario (sufian, 2009; Casu et al, 2003; Sathye et al., 2003; Gupta et al., 2008)

Output Variables	Input Variables
1. Interest Income to Total asset	Interest Expenditure to Total asset ratio
2. Total Income to Total asset	Total Expenditure to Total asset ratio

STATE BANK OF INDIA:

Average of Interest earned to total assets ratio is 7.48 percent and Total Income to total asset ratio is 8.83 percent as a output and Interest expended to total asset ratio is 4.78 percent, average of Total expenditure to total asset ratio is 8 percent, here the output one is greater than the input one and output two is greater than the input two and the average efficiency of banks are 97.54 percent.

ANDHRA BANK:

Average of interest earned to total asset ratio is 8.12 percent as an output 1 and Average Total Income to total asset ratio is 9.48 percent as an output 2 and Average of interest expended to Total asset ratio is 5.32 percent as a input 1 and Total expenditure to total asset ratio is 8.93 percent and average efficiency of bank is 99.56 percent for the study period 2000-2013.

This indicates that Andhra bank has 99.56 percent more efficiency in terms of generating the output with controlling of input variables. State Bank of India has average efficiency is 97.54 percent indicating less efficiency in terms of generating output with given level of controlling the input variables.

REFERENCES

1. Dr. Anil K. Sharma, Dipasha Sharma Dr. Mukesh K.Barua. “Efficiency and Productivity of Indian Banks: An Application of Data Envelopment Analysis and Tobit Regression. National Conference on Emerging challenges for sustainable Business 2012.
2. Vinod R.R. Assessing the efficiency of old private sector banks in Kerala, IJRMBSS ISSN No.:2319-6998 I Vol. 1 I Issue 2 I July 2013.
3. Angadi, V.B. (1983). Measurement of Efficiency in banking industry. Reserve Bank of India Occasional Papers, 4(1): 110-117.
4. Burger. Andreas and Moormann. Juergen. (2008), “Productivity in banks: myths & truths of the Cost Income Ratio” Banks and Banks System, Volume3, Isuue 4. Pp 2-3.
5. Bergen, A.N. De Young R., 1997. Problem loans and cost efficiency in commercial banking. Journal of Banking and Finance 21,849-870.
6. Cooper, W.W., L.M. Seiford, J.Zhu. Data Envelopment Analysis: History, Models and Interpretations. In: W.W. Cooper, L.M. Seiford, J. Zhu (Eds.): Hand book on Data envelopment Analysis // Bosten: Kluwer Academic, 2004.-pp1-39.

7. Chakrabarthi Rajesh., Chawla. Gaurav. (2005) “Bank Efficiency in India since the Reforms An Assessment “Money and Finance, ICRA Bulletin.
8. Coelli T.(1995): “Recent developments in frontier modeling and efficiency measurement, Agricultural Economics, Vol 39, pp:219- 245.
9. Dwivedi Amit. Kumar, Charyulu Kumara (2011) “Efficiency of Indian Banking Industry in the Post - Reform Era” W P No. 2011- 03-01. Indian Institute of Management, Ahmedabad.
10. Financial statements (online (URL.http://www .capitaline .com))
11. ndian Banking Industry () online) [URL http://www.emergingmarketsdirect.com/asia/india/india-banking-industry-2h12/]
12. Indian Banking Industry (online)[URLhttp//www.isesec.com/Admin/Research/1659808644_Indian%20Banking%20Industry]
13. Indian Banking Industry-NCFM (online)[URL-http://www. Newindia.com/content/ncfm/ncfm_CBBM_workbook.pdf] Jackson, P.M., and Fethi M.D., (2000).