

**INTERNATIONAL JOURNAL OF ENGINEERING SCIENCES & MANAGEMENT****PERFORMANCE OF COMMERCIAL BANK IN ODISHA****Niranjan Rout**

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**ABSTRACT**

The main aim of this dissertation is to know the development performance of commercial bank in odisha. Orissa has typically been considered a backward state till some time back. Now it rules the

States with regards to the total investment s made. Political stability has resulted in creating a conducive environment for not only external investments but also streamlined handling of various government (Central and state) initiatives and schemes. One industry which demands

Investigation at this stage is banking because that is the clear reflection of the states' progress and the management of funds. This paper deals with an in-depth analysis of the various banking

Parameters in the state over the years. Most of the data that has been used i s for at least a span of 5 years; which the authors believe is sufficiently large to draw interpretations and inferences.

Macro aspects like total deposits and credit find place in the article besides micro analysis of various key aspects which have been deciphered further from the macro figures. For most of the figures, the comparative aspects for the nation is also provided the domestic scheduled commercial banks plan to open 2,361 brick and mortar branches in Odisha during 2013-15. As per Reserve Bank of India (RBI), the number of functioning branches of scheduled commercial banks in the state is 3,472."As reported by the State Level Bankers' Committee (SLBC), banks plan to open 2,361 of brick and mortar branches during 2013-15," informed Union Minister of State for Finance Namo Narain Meena. In a written reply to Rajya Sabha member from Odisha, Renubala Pradhan, Meena said, general permission has been granted to domestic scheduled commercial banks (other than regional rural banks) to open branches, in tier-2 to tier-6 centres (with population up to 99,999) which include rural centres and tribal areas, and rural, semi urban and urban centres of the north eastern states and Sikkim. The permission has also been granted to open mobile branches in tier-3 to tier-6 centres (with population up to 49,999) which include rural centres and rural, semi urban and urban centres of the north eastern states and Sikkim subject to reporting. Domestic scheduled commercial banks, while preparing their annual branch expansion plan (ABEP), should allocate at least 25 percent of total number of branches proposed to be opened during a year in un-banked rural (Tier 5 and Tier 6) centres, Meena said. Giving details of the bank branches in the state, he said, the highest number of 408 branches of different banks were functioning in Khurda district while Malkanagiri came at the bottom of the list with only 28 branches. In Ganjam district, 290 branches are functioning, while the figure for Cuttack district is 263, he said.

## Odisha

| Banks Category             | No. of Branches | %      | Total Deposit | %      | Advance Utilized in The State | %      |
|----------------------------|-----------------|--------|---------------|--------|-------------------------------|--------|
| Total Public Sector Banks  | 2200            | 60.06% | 107778.97     | 77.76% | 81854.58                      | 77.91% |
| Total Private Sector Banks | 234             | 6.39%  | 15911.61      | 11.48% | 11493.74                      | 10.94% |
| Total of RRBs              | 892             | 24.35% | 10009.05      | 7.22%  | 5892.78                       | 5.61%  |
| Total of Co-operative bank | 337             | 9.20%  | 4896.69       | 3.53%  | 5822.93                       | 5.54%  |

## **INTRODUCTION**

The banking industry is highly competitive, with banks not only competing among each other; but also with non-banks and other financial institutions (Kaynak and Kucukemiroglu, 1992; Hull, 2002). All the services and facilities provided by the commercial banks play a very important role for measuring the level of the banking service quality along with the banking performance. In this

Research, we tried to analyze the expectations and perceptions of the customers of State Bank of India, availing the services of commercial banks by using the service quality model. The whole study is carried out by using SERVQUAL on the basis of the five dimension i.e. Tangibility (physical facilities), reliability, responsiveness, assurance, and empathy. Major focus of the study is to identify the service quality gaps between consumer's expectations and perceptions for the commercial banks in Mayurbhanj district. The study found that what the consumers' expect is much more than their perception view A Commercial bank is a type of Bank / Financial Institution that provides services such as accepting deposits, making business loans, and offering basic investment products. "Commercial bank" can also refer to a bank, or a division of a large bank, which more specifically deals with deposit and loan services provided to corporations or large/middle-sized business - as opposed to individual members of the public/small business - Retail banking, or banks. One of the major areas of economy that have received renewed focus in recent times is banking. This sector has become the foundation of modern economic development and linchpin of Development strategy. Any economy can develop by channelizing economic resources towards Productive investment. Banks are special as they not only deploy large amounts of uncollateralized public funds in fiduciary capacity, but also leverage such funds through credit Creation. Banking system of India consists of the Central Bank (Reserve Bank of India), Commercial banks (Public Sector Banks, New Private Sector Banks, Old Private Sector Banks,

## **OBJECTIVES OF THE STUDY**

The name bank derives from the Italian word banco "desk/bench", used during the Renaissance era by Florentine bankers, who used to carry out their transactions on a desk covered by a green tablecloth. However, traces of banking activity can be found even in ancient times. Some have suggested that the word "bank" traces its origins back to the Ancient Roman Empire, where moneylenders would set up their stalls in the middle of enclosed courtyards called macella, on long benches (each called a bancu), from which the words banco and bank are derived. As a moneychanger, the merchant at the bancu, did not so much invest money as merely convert the foreign currency into Imperial Mint, the only legal tender in Rome. In the United States the term "commercial bank" was often used to distinguish it from an investment bank due to differences in bank regulation. After the Great Depression, through the Glass-Steagall Act, the U.S. Congress required that commercial banks only engage in banking activities, whereas investment banks were limited to capital market activities. This separation was mostly repealed in 1999 by the Gramm-Leach-Bliley Act but was restored by the Volcker Rule, implemented in January 2014 as part of the Dodd-Frank Act of 2010.

## **LITERATURE REVIEW**

Literature Review section comprises the literature on performance of banks, dimensions of the performance of banks as; customer satisfaction, employee efficiency & satisfaction, corporate social responsibility and performance indicator for measuring the financial aspect, and the analytical hierarchy process (AHP) model. Survey research approach' is followed for the collection of primary data and a direct personal interview of the respondent is conducted by filling up a proper arranged questionnaire form for the communication purpose.

## **EMPLOYEE EFFICIENCY & SATISFACTION**

Banking sector is highly intellectually intensive, where the main asset of the banks is its human capital, as the expenses incurred on employees are the major operating expense in the banking Sector. The human capital is a key intellectual and strategic asset which increases the efficiency of banks. Performance of the banks depends upon the efficiency of its human resources. High Level of Human Capital Efficiency (HCE) leads to the high performance of the banks efficient employees is not a sufficient criterion to measure the performance of the banks. It should also be ensured that employees are efficient and satisfied both, because the dissatisfaction of employees may turn their efficiency into inefficiency at any time. Employee satisfaction is crucial in achieving quality and profitability in the service industry. Employee satisfaction leads to higher service quality and it influences customer satisfaction directly. Service quality and customer satisfaction eventually lead to financial gains.

## **ROLE OF COMMERCIAL BANKS**

The general role of commercial banks is to provide financial services to general public and business, ensuring economic and social stability and sustainable growth of the economy. In this respect, "credit creation" is the most significant function of commercial banks. While sanctioning a loan to a customer, they do not provide cash to the borrower. Instead, they open a deposit account from which the borrower can withdraw. In other words, while sanctioning a loan, they automatically create deposits, known as a "credit creation from commercial banks".

## **PRIMARY FUNCTIONS**

Commercial banks accept various types of deposits from public especially from its clients, including saving account deposits, recurring account deposits, and fixed deposits. These deposits are payable after a certain time period Commercial banks provide loans and advances of various forms, including an overdraft facility, cash credit, bill discounting, money at call etc. They also give demand and term loans to all types of clients against proper security.

## **CONCEPTUAL MODEL**

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### CONCEPTUAL MODEL

## Overall Performance



Supervision Bank

Central banks are oversee the commercial banking system of their respective countries

## RESERVES

Commercial banks, like any other type of bank, are subject to keep Bank reserves in their respective Central banks. Bank reserves or "central bank reserves" are banks' holdings of deposits in accounts with their central bank (for instance the European Central Bank or the Federal Reserve, in the latter case including federal funds), plus currency that is physically held in the bank's vault ("vault cash"). Some central banks set minimum reserve requirements, which require banks to hold deposits at the central bank equivalent to at least a specified percentage of their liabilities such as customer deposits. Even when there are no reserve requirements, banks often opt to hold some reserves —called desired reserves— against unexpected events such as unusually large net withdrawals by customers or bank runs.

## SERVICES BY PRODUCT

### Core products and services

- Accepting money on various types of Deposit accounts
- Lending money in the form of Cash: by overdraft, instalment loan etc.
- Lending money in Documentary form: Letters of Credit, Guarantees, Performance bonds, securities, underwriting commitments and other forms of off-balance sheet exposure.
- Inter- Financial Institutions relationship
- Cash management
- Treasury management
- Private Equity financing
- Issuing Bank drafts and Bank cheques
- Processing payments via telegraphic transfer, EFTPOS, internet banking, or other

Traditionally, large commercial banks also underwrite bonds, and make markets in currency, interest rates, and credit-related securities, but today large commercial banks usually have an investment bank arm that is involved in the aforementioned activities.

## OTHER FUNCTIONS

Along with core products and services, commercial banks perform several secondary functions. The secondary functions of commercial banks can be divided into agency functions and utility functions.

Agency functions include:

- ❖ To collect and clear cheques, dividends and interest warrant.
- ❖ To make payments of rent, insurance premium, etc.
- ❖ To deal in foreign exchange transactions.
- ❖ To purchase and sell securities.
- ❖ To act as trustee, attorney, correspondent and executor.
- ❖ To accept tax proceeds and tax returns.

Utility functions include:

- ❖ To provide safety locker facility to customers.
- ❖ To provide money transfer facility.
- ❖ To issue traveller's cheque.
- ❖ To act as referees.
- ❖ To accept various bills for payment: phone bills, gas bills, water bills, etc.
- ❖ To provide merchant banking facility.
- ❖ To provide various cards: credit cards, debit cards, smart cards, etc.

### Loan types by security

All the loans in the Commercial banking, irrespective of the particular type of bank product, are subject to be "secured" or "unsecured".

## SECURED LOANS

A secured loan is a loan in which the borrower pledges some asset (e.g., a car or property) as collateral for the loan, which then becomes a secured debt owed to the creditor who gives the loan. The debt is thus secured against the collateral — in the event that the borrower defaults, the creditor takes possession of the asset used as collateral and may sell it to regain some or all of the amount originally lent to the borrower, for example, foreclosed a portion of the bundle of rights to specified property. If the sale of the collateral does not raise enough money to pay off the debt, the

creditor can often obtain a deficiency judgment against the borrower for the remaining amount. The opposite of secured debt/loan is unsecured debt, which is not connected to any specific piece of property and instead the creditor may only satisfy the debt against the borrower rather than the borrower's collateral and the borrower.

#### **Unsecured loan**

Unsecured loans are monetary loans that are not secured against the borrower's assets (no collateral is involved). There are small business unsecured loans such as credit cards and credit lines to large corporate credit lines. These may be available from financial institutions under many different guises or marketing packages such as:

- Bank overdrafts
- Corporate bonds
- Credit card debt
- Credit facilities or lines of credit

### **DISCUSSION**

It is clear from the respondents regarding the overall satisfaction or dissatisfaction with the SBI banking services quality, that most of the customers i.e. About more than 75% are not satisfied with the banking service quality provided by the bank, while very less nearly 30% customers

Are satisfied only. Important is that, customers who were dissatisfied consider the responsiveness and empathy to be more important than any other service quality dimensions. Next to responsiveness they are considering empathy as one of the important factor also for the banking

Performance. However, on over all basis of the services quality the banking performance is not so much good as observed from the survey.

### **CONCLUSION**

The dissatisfied customers find responsiveness and empathy dimension as the twin concept that is lacked by the bank. so far as the satisfied customer are concerned there are exist a long gap between the expected service quality provided by the bank while very less nearly 30% customers are satisfied consider the responsibility and empathy to be more important is that customers who were dissatisfied consider the responsiveness and empathy to be more important factor also for the banking performance. However on over all basic of the service quality the banking performance is not so much good as observed from the survey.

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