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Research Papers

Research Note

Measuring Efficiency of Public Sector Banks in India by using Data Envelopment Analysis : A Study

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An attempt has been made to measure the financial performance of all Public Sector Banks (PSBs) using Data Envelopment Analysis which is one of the latest efficiency measurement technique used in research. This paper analyzed the efficiency of 26 PSBs operating in India under the assumptions of variable returns to scale during 2010-11. The study measured the extent of technical, pure technical and scale efficiencies of PSBs. The empirical findings revealed that PSBs operate at 98.7 per cent level of overall technical efficiency. Four banks were found to be inefficient on the criteria of pure technical efficiency and seven banks were found to be inefficient on the basis of overall technical efficiency. The State Bank of India and Canara Bank were found to be the best and the worst performers among all the PSBs in India respectively.

Keywords : Data Envelopment Analysis (DEA), Public Sector Banks, Technical Efficiency, Pure Technical Efficiency, Scale Efficiency, Decision Making Units.

Introduction

A sound financial system is the creator of a healthy and vibrant economy. The banking sector is a major important element of the financial services industry. The performance of any economy depends up to a great extent on the performance of its banking sector. Banking infuses the required amount of funds to various segments of the economy, accelerates them and then leads towards the path of rapid economic development. Banks are the centers where surplus funds from different sources are collected first and then are channelized into the planned economic operation of a country and are the center of overall progress of an economy. Under the Indian Banking Regulation Act, (1949) Section 5(b)— "banking means accepting money for the purpose of lending and investment or deposits of money from the public, repayable on demand or otherwise and withdrawable by cheque, draft, order or otherwise".

Banking in India originated in the last decade of the 18th century and has had a varied evolutionary experience since

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A Hybrid Measure of Technical Efficiency : Evidence from Indian Life Insurance Industry

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In the last one decade, the life insurance companies operating in India have made significant progress in terms of business consolidation. In view of the same, it is of interest to make an enquiry about the operating performance of these companies. The present paper compares fifteen life insurance companies operating in India for the period 2005-06 to 2009-10 using the hybrid efficiency model (Tone, 2004). The hybrid model provides a unified framework for the estimation of technical efficiency integrating the radial and non-radial characterisation of inputs and outputs. The results indicate a secular rise in mean technical inefficiency scores for the period under observation and also show that the inefficiency is mainly due to output inefficiency as compared to input inefficiency.

Keywords : Hybrid Model, Technical Efficiency, Non-parametric Approach, DEA, Life Insurance Industry.

Introduction

Modern form of life insurance business in India emerged in 1818 when the British life insurer oriental life insurance company commenced business in India. When life insurance business was nationalised in 1956 under the wholly state-owned life insurance company of India there were around 238 institutions underwriting life insurance policies. However, the life insurance was deregulated in the end-1990s as an attempt to foster liberalization of financial services in India.

Economic reforms in India initiated in the early 1990s saw the liberalisation of insurance business become an integral part of the government's policy agenda. In 1993, the central government constituted a committee under the chairmanship of Shri.R.N.Malhotra to suggest the roadmap for insurance sector reform. The committee submitted its report in 1994 in which it favoured a gradual liberalisation of insurance business in India, seggregation of non-life and life business and the introduction of prudential solvency-based regulation of the insurance sector. In 1999, an Insurance Regulatory Authority Act was promulgated for creating the necessary regulatory framework. The new regulator, Insurance

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Impact of Total Cost Management on Financial Performance : An Empirical Study of Selected Public Sector Oil and Gas Companies in India

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Total Cost Management (TCM) is an integral part of management through which managers urge to control costs so that the objective of a firm can be achieved in an efficient and prudent manner. It is the effective application of professional and technical expertise to plan and control resources, costs, profitability and risk. This paper makes an attempt to assess the impact of TCM on financial performance of the selected oil & gas companies in India on the basis of available data collected from published annual reports of the companies over the period of 10 years (i.e., from 2000-01 to 2009-10).The available data have been analyzed by using important statistical tools viz., correlation and statistical test. Student's 't'-test has been applied to test the significance of the results of the empirical study.

Keywords : Total Cost Management, Financial Performance, CATA & RoCE.

Introduction

The goal of the rational customers is to make the most practical purchase of the available products that will perform their function timely and can be operated cost-effectively. This assumes that the buyers' perception of the value and benefits received from the product is driving the purchase. In a market-oriented economy, organizations are striving to offer customers maximum value at minimum possible price. Since they have more control over cost than price, the obvious option is to turn towards cost management to access the seemingly paradoxical situation of offering more value at lesser price and still maintaining the profitability. This call on cost management requires an integrated approach involving both strategic and operational areas, a system that pervaded through the organization, horizontally as well as vertically. Total Cost Management (TCM) is generally associated to this call. Cost management is the key to manage costs. Good practical in TCM involves accounting and applying cost information to provide relevant cost performance measurement with an objective of enabling organizations to deliver increased value to customers. Cost management also facilitates

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An Alternative Route towards Bank Profitability and Turnaround – How far Suitable for Commercial Banks of Different Sizes in India?

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Commercial banking system in India partly because of its diversification strategy and partly due to volatility reduction effort is gradually inclining towards 'other income' earning activities. Although this strategic shift is welcome in view of the global recessionary tendency, there is always a hidden danger in any diversification that it's overemphasis may lead to higher volatility in bank revenue and lower risk adjusted profits while the bank's main earning (interest income) may remain grossly neglected. Popular belief is that the small and medium-sized banks with limited resource base may be most hard hit unlike their bigger counterpart if not diversification in this route is taken judiciously since they have lesser shock absorption capacity. This paper takes a re-look into this aspect with empirical data for post liberalization period. For this purpose, the paper used panel-based dataset for different commercial bank groups and linear regression analysis was applied to find the diversity among the groups. The result thus obtained partly contradicted our popular belief that diversification may not be beneficial for all banks.

Keywords : Diversification, Profitability, Basel II, Panel Regression.

Introduction

After liberalization of the Indian financial sector, the quick business expansion of private and foreign banks initiated a more competitive environment in which both higher efficiency and comfortable profit margin surfaced as the basic business requirements of the banks. With deregulation and gradual financial sector development, various other financial organizations also made their existence felt in the liquidity market with their cutting edge technology, thereby posing a stiff challenge for commercial banks in general and smaller banks in particular. The commercial banks thus envisaged an attitudinal shift towards diversified sources of earning motivated to higher profit generation and possibly for a turnaround as well. This is expected to make the commercial banks more resilient to the upheavals of market economy, both domestic and foreign. Thus perception of commercial banking business also correspondingly changed.

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Trends in Corporate Social Responsibility among Public Sector Enterprises in Coastal Andhra Pradesh

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Being socially responsible by modern corporate entities is no longer an option; it is now a moral and business obligation. The consequences of not being so are serious for the entity concerned, its stakeholders and the environment it operates in. Today all leading public sector undertakings in India are involved in various Corporate Social Responsibility (CSR) programmes involving education, health and empowerment of women and weaker sections. This paper sourcing secondary data from presentations made by the public sector enterprises in a conference identifies the trends in CSR activities among the major public sector undertakings in coastal Andhra Pradesh and attempts to look at the gaps in the reach, targeting and relevance of issues considered for a CSR presence by these companies.

Keywords : Corporate Social Responsibility, Qualitative Approach, CPSEs, UNDP.

Introduction

Over the last few decades, Corporate Social Responsibility (CSR) has transited from the margins of the agenda of enterprises to the mainstream and advanced beyond philanthropy and compliance to social and environmental value creation. CSR is being increasingly understood as an obligation beyond a statutory requirement. Corporate initiatives beyond the factory gate are being considered a moral obligation towards the community and the environment. CSR is being increasingly motivated by stakeholder pressure, community forces, philanthropic requests, environmental concerns, natural and man-made disasters and above all as a method of gaining a strategic advantage. Also acknowledged in this regard are the guidelines issued by the Department of Public Enterprises (DPE) and the emphasis laid by the Committee on Public Undertakings (CoPU) on socially responsible reporting and fulfillment of social obligations by Central Public Sector Enterprises (CPSEs) subject to the financial health of the undertaking and in accordance with their Articles of Association. Enhanced shareholder value too seems to be an additional driver of CSR. An apparent transformation from charity oriented to stakeholder-oriented approach was visible in the treatment

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Electricity Pricing Reforms in Karnataka, India : An Appraisal

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This paper analyses electricity pricing reforms in Karnataka State, India. It analyses the trends in electricity tariffs in the state during the pre and post-electricity reform periods and other related issues such as electricity consumption and revenues and financial health of the state power sector. While nominal and real electricity tariffs for all consumer tariff categories registered a significant increase during the pre-electricity reform period, during the post-electricity reforms period, there was no significant increase. The variability in electricity tariffs across consumer tariff categories has declined steadily over the past two decades. Most perplexing to note is that those who consume electricity the most also contribute the least to the state electricity revenues. Unless the investment climate improves and there is political will to refrain from competitive politics to score over political rivals and announce cheap or free electricity, prospects for the state's power sector is bleak. The paper suggests that those political parties that promise cheap or free electricity should compensate the government for such losses arising from these policies.

Keywords : Electricity Pricing Reforms, Electricity Tariffs, Pre and Post Electricity Reform Periods.

Introduction

Cross country evidences indicate a strong correlation between per capita income (or economic growth) and energy use or electricity consumption (Munasinghe & Warford, 1982). In fact, electricity is critical to sustaining economic growth and its slow growth can constrain economic growth and life. The Indian economy has recorded growth rates of around or above 8 per cent in recent years but this cannot be sustained for long without commensurate increase in power or electricity infrastructure. The National Electricity Policy (NEP) (2005) acknowledges that electricity is a basic human need and a critical engine of economic growth. The level of per capita energy consumption is a good indicator of the level of economic development.

The expert group on Integrated Energy Policy constituted by the Planning Commission, Government of India (GoI)

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Note : This paper is a revised version and drawn from a larger study entitled : *Electricity Pricing in Karnataka : An Analysis,* completed at the Institute for Social and Economic Change. Thanks are due to participants of a seminar at ISEC and an anonymous referee for comments on the larger study.

State Level Initiatives of Power Sector Reforms in India

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This paper takes stock of pre-reform situation in the Indian power sector and identifies key concerns that led to the initiation of the process of reform. The paper discusses major policy and regulatory changes undertaken since the early 1990s. We also discuss some of the major provisions of the recently enacted Electricity Act, (2003) that aims to replace the prevailing Acts which govern the functioning of the power sector in the country. This paper reviews the performance of the Indian power sector in the last decade (1991-2001), while undergoing the restructuring process. The study also examines how far the restructuring process has been taken by the Indian states and whether they have been effective in realizing their set objectives and benefited the social development of the nation.

Keywords : Electricity Sector Reform, Bulk Power Market, Regulation Power Sector Reform, Sustainability, Power Sector Restructuring, Performance Evaluation.

Introduction

India has been flirting with the idea of power sector reform for more than a decade. However, despite the enactment of a comprehensive legal framework for governing the electricity industry, limited progress has been made in terms of achieving widespread sector liberalization and privatization. Political instability and opportunistic behaviour of political parties in India have reduced the acceptability of reforms, while the poor financial performance of utilities and subsidy burden show little signs of improvement. Reform has not succeeded in rationalizing tariffs or balancing supply and demand. Electricity market reform has not increased access levels and the rise of captive power generation is likely to have an adverse impact upon the natural environment. Power sector reforms in India were initiated at a juncture when the sector was plagued with commercial losses and burgeoning subsidy burden. Investment in the sector was not able to keep pace with the growing demand for electricity.

Indian Government wants to energize its economy and provide adequate service to industry and its nearly one billion people, but the long-term need for fundamental reform remains largely at the state level. Power sector reforms are the most important item on the government's agenda, which often leads

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An Analysis of Operational and Financial Performance of Kerala Minerals and Metals Ltd.

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Public Sector Undertakings (PSUs) have performed exceptionally well in wealth creation for the country. Public enterprises have become the temples of modern India. This is the vision of Pandit Jawaharlal Nehru who laid the foundation for modern India. With his sincere efforts and initiatives, India now has the basic and strategic industries like coal, steel, minerals, petroleum, heavy engineering, chemicals, fertilizers, pharmaceuticals and has emerged as the major industrial base of the world. There are a number of PSUs under the aegis of Government of Kerala which regularly provide employment opportunities in various sectors. Among them the Kerala Minerals and Metals Ltd., (KMML) is the state's second largest profit-making PSU and the world's leading manufacturer of titanium dioxide. The main highlights of the paper are to analyze the financial and operational performance of the operations of KMML, gauge the capacity utilization of its products and analyze the components of cost of products.

Keywords : KMML, Financial Performance, Operational Performance, Capacity Utilization, Cost Structure, Quality Control.

Introduction

The government-owned corporations are termed as Public Sector Undertakings (PSUs) in India. In a PSU, majority (51 per cent or more) of the paid up share capital is held by the central government or by any state government or partly by the central governments and partly by one or more state governments. PSUs have laid a strong foundation for the industrial development of the country. The public sector is less concerned with making profits. Hence, they play a key role in the nation building activities, which take the economy in the right direction. PSUs provide leverage to the government (their controlling shareholder) to intervene in the economy directly or indirectly to achieve the desired socio-economic objectives and maximize long-term goals. Central and state PSUs play a prominent role in India's industrialization and economic development. Public Sector Enterprises (PSEs) have become the temples of modern India. This is the vision of

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