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## PROFITABILITY STATEMENT OF COMMERCIAL BANK IN ODISHA

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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 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 [Merchant 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"

- 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.

### INTRODUCTION

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%

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.

### OBJECTIVES OF THE STUDY

Commercial Bank During the workshop held with bankers to discuss the operational issues in implementation of interest subvention scheme, it transpired that 17 commercial banks and 2 RRBs have submitted claims to Nodal Bank (Canara Bank) over and above 7% interest to WSHGs. 12 commercial banks have submitted claims for 3% NRLM interest subvention for prompt payee WSHGs in category I districts. Concerned banks as well as other commercial

banks and both the RRBs were advised to submit 2% OLM interest subvention claims immediately to Nodal Bank (UCO Bank), Odisha Government, Secretariat Branch.

SL.NO	PARTICULARS	AS on 30th June ,2014
1	Total Deposit	170527.24
2	Total Advance utilized in the state	134626.77
2. (A)	Total Advance sanctioned and utilized in the state	89419.51
3	Total Business (Deposit + Advance)	305154.01
4	Credit Deposit (CD) Ratio (%) Benchmark -60%	78.95
5	Credit Deposit Ratio excluding advance sanctioned in other state and utilized in our state	52.92
	(I) CD Ratio of Rural Branches	63.54
	(II) CD Ratio of Semi Urban Branches	41.83
	(III) CD Ratio of Urban Branches	53.91
6	Total PS Advance	51534.03
7	% of PS Advance to Total Advance Bench Mark-40%	57.10
8	Agriculture Advance	27700.76
9	% of Agriculture Advance to Total Advance Bench Mark -18%	30.69
10	MSME Advance	19491.74
11	% of MSME Advance to total advance	21.80
12	Advance to Weaker Section	17556.84
13	% of Advance to weaker section to PS Adv. Bench Mark -25%	34.07
14	Total DRI Advance	151.55
15	% of DRI Advance to total advance Bench Mark -1%	0.17
16	Credit Investment to Deposit Ratio %	79.60
17	NPA in % (Average in the state)	8.26
17 (A)	Public Sector Banks	8.22
17 (B)	Private Sector Banks	2.03
17 (C)	RRBs	17.51
17 (D)	Cooperative Banks	9.20
18	Total No. of Branches	4338
19	Of which:	
	a) Rural Branches	2372(54.68 %)
	B) Semi Urban Branches	
	C)Urban Branches	

20	Education loan B/O	1845.42
21	Housing Loan B/o.	7562.75
22	Achievement under ACP 2014-15 under priority Sector in %.	
	a) Crop Loan	21.07
	b) Agriculture Term Loan.	10.09
	c) Agriculture Allied loan	16.89
	d) Total Agriculture	18.80
	e) MSE	28.80
	f) Education	4.05
	g) Housing	12.23
	h) Other Priority	13.25
23	Lead Districts :	30
	SBI	19
	UCO	7
	BOI	2
	ANDHRA BANK	2
24	RSETIs :	
	SBI	17
	UCO	7
	BOI	2
	CBI	2
	ANDHRA BANK	2
25	RUDSETI :Canara Bank	1
26	FLCS :	
	SBI	19
	UCO	7
	BOI	2
	Andhra Bank	2
	OSCB	41
	RRB	9

## Banking Developments in Odisha in KEY Parameters as of June 2014.

Interest Subvention Scheme	Budget	Utilization
Short Term Crop Loan	9000.00	2397.20
Agriculture Term Loan	2539.00	85.93
Short Term Fishery Loan	150.00	3.26
Long Term Fishery Loan	893.55	8.39
Short Term Dairy Loan	69.98	0.37
Long Term Dairy Loan	116.26	9.86
Subsidy Scheme -PDE	908	905.36

**Branch Network**

As at the end of June 2014, the total number of Bank Branches in Odisha increased to 4338. During the period 01.04.2014 to 30.06.2014, Banks has opened 43 new branches in the state. Out of 43 branches, Public Sector banks, Private Sector Banks and RRBs have opened 24, 18, and 1 numbers of branches respectively.

**Deposit Growth**

Deposits of the Banks in the state have increased from Rs.150031.62 Crores as of June 2013 to Rs.170527.24 Crores as of June, 2014, registering an increase of Rs. 20495.62 Crores. The year on year incremental deposit growth is 13.66%.

**Credit Expansion**

The total advances increased from Rs.128892.81 Crores as of June 2013 to Rs.134626.77 Crores as of June 2014, an increase of Rs.5733.96 Crores. The incremental growth is

4.45%. The credit utilization in the state as on 30.06.2014 has been reduced by Rs.10099.94 Over 31.03.2014.

**CD Ratio**

The Credit Deposit Ratio of all Banks in the state decreased from 85.98% as of June 2013 to 78.95% as of June 2014 due to decline of advance.

**Education Loan:**

All commercial banks have disbursed Rs.32.06 crore in 1846 accounts during 01.04.2014 to 30.06.2014. The balance outstanding as on 30.06.2014 is Rs. 1845.42 crores in 73407 accounts.

The outstanding balance as on 30.06.2014 of all private sector banks is only Rs. 2.36 crores in 107 Number of accounts.

No Education loan has been disbursed for the period 01.04.2014 to 30.06.2014 by the following Banks.

**DRI Advance**

Against the national goal of 1% of the previous year's Gross Bank Credit, only 0.17% of the total credit could be given under the DRI scheme in the state by Commercial Banks as at June 2014.

Total Commercial Banks Branch Net work in Odisha As on date 3995

**Major Key indicators (Commercial Banks)**

Parameter	30.06.2012	30.06.2013	30.06.2014	Variation of growth over June 2013	Variation of growth over June 2013 in %
No. of branches	3270	3501	3995	494	14.11
Deposit	127891.50	122592	164101.42	41509.42	33.05
Advances	96723.43	122592.08	127177.12	4585.04	3.74
CD Ratio	75.63	84.89	77.50	-7.39	*****
Investment	1192.69	1288.74	1119.79	-168.95	*****
Credit+ Investment to Deposit Ratio	76.56	82.23	78.18	-4.05	****
Priority Sector advances	36650.04	40283.46	44508.58	4225.12	10.48
Agril. advances	15874.10	18262.02	20572.19	2310.17	12.65
MSME advances	14171.53	17130.69	19322.06	2191.37	12.79
Advance to Weaker section	8107.05	10323.19	11498.39	1175.20	11.38

**Major ratios (commercial bank)**

Sl.No	Ratios in %	RBI stipulation	As 30.06.2012	As on 30.06.2013	As on 30.06.2014
1	CD Ratio	60	70.25	78.95	77.50
2	P.S. Advances	40	57.06	57.97	57.63
3	Agril. Advance	18	24.17	30.23	30.98
4	Weaker Section advance to P.S. Advance	25	22.88	32.87	34.06

**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.

**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.

**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.

## 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.

## 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

Commercial Bank in odisha has achieved all national parameters. The public sector Bank and privet sector bank having low CD ratios below 60% are given below. 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 imported 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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