EPRA International Journal of Environmental Economics, Commerce and Educational Management
Journal DOI: 10.36713/epra0414 |ISI I.F Value: 0.815|SJIF Impact Factor (2021): 7.743 ISSN: 2348 – 814X
Volume: 9 | Issue: 1 | January 2022

AN EVALUATION OF THE FINANCIAL AND ADMINISTRATIVE EFFICIENCY OF THE RAJASTHAN STATE COOPERATIVE BANK LTD. JAIPUR AND THE BIKANER CENTRAL COOPERATIVE BANK LTD BIKANER- A COMPARATIVE STUDY

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ABSTRACT

Both the banks viz. Rajasthan State Cooperative Bank Ltd. Jaipur and The Bikaner Central Cooperative Bank Ltd. Bikaner as financial intermediaries play a significant role in the economic development of a country, by facilitating the flow of funds from surplus economic units to deficit income units. The efficiency of the intermediation function carried out by these institutions aims at ensuring stability of the financial system, and guarantee economic development. The dependent variable of this study was financial performance, measured by the return on assets and return on Equity. The predictor variables were financial management efficiency, inferred from capital adequacy, liquidity, financial leverage and market capitalization.Bank specific, industry specific and macroeconomic factors influence banks' intermediation efficiency, thus affecting bank efficiency and performance. This study adopted the descriptive research design, which involved collection and analysis of both primary and secondary data to infer the relationship among the variables under investigation. Statistical analysis was done with the aid of Statistical Package for Social Sciences (SPSS) software. The results showed that there is a strong and positive relationship between financial and administrative performance of both banks proxied by return on assets (ROA) and return on equity (ROE). The study rejects the null hypothesis that there is no significant relationship between financial management efficiency and financial performance alongwith administrative efficiency of both these banks. We recommend that these banks in India should adopt efficient financial management mechanisms and administrative mechanisms to improve their performance. Specifically, banks should comply with capital requirements, maintain adequate and optimal liquidity, and leverage on the existing opportunities offered by technology to ensure efficiency. The results of this study are of great benefit to various stakeholders including but not limited to bankers, researchers, regulatory authorities and academicians.

KEYWORDS: ***financial, administrative, efficiency, Rajasthan State Cooperative Bank Ltd. Jaipur, The Bikaner Central Cooperative Bank Ltd. Bikaner***

INTRODUCTION

Indian banking system remain the largest financial sector intermediary in India with adoption of new innovation to lower transaction cost which facilitate immediate and faultless payment and enhancing customer service. A modern bank provides important service to a country. To achieve development there should be a developed financial system to sustain not only the economic but also for the society. Commercial banks have paying attention to their situation and beginning different measures such as strengthening the selection process of the management, setting up a stresses assets funds, legislating a bankruptcy code and recovery tribunal etc. Bank are necessary for increasing their structural reform in market , particularly land and labour. In this environment different levels of government need to act jointly for the preeminent result. The land acquirement processes are the decisive factor determining the pace of investment. Labour regulations are frequent cited to be a important obstacle to the growth, mainly with consider to medium and large scale manufacturing firms.[1,2]

Both these banks viz. Rajasthan State Cooperative Bank Ltd. Jaipur and The Bikaner Central Cooperative Bank Ltd. Bikaner play a vital role in the development of the industry and trade. They are performing not only the curator of the country but also resource of country. The present study aims at identify Management Efficiency and Profitability, financial efficiency and administrative efficiency of these two banks in comparison. The collected data has analyzed using various financial ratios and statistical tools like Geometric Mean Standard deviation and Compounded Annual Growth Rate have been accomplished. Indian banking will brace for new challenges for entry of new types of lenders intensifies competition while high bad loan.

Increased competition, new technology, and bank consolidation are reinforcing the need for banks to operate efficiently. Moreover, recent research on banking efficiency shows that there is much room for reducing expenses and making better use of bank resources. This article compares the financial characteristics, as well as the management and ownership structure, Rajasthan State Cooperative Bank Ltd. Jaipur and The Bikaner Central Cooperative Bank Ltd. Bikaner ; Efficient banks control all aspects of costs, yet deliver bank services that are often more resource intensive than the services provided by less efficient banks. Stockholders at efficient banks are actively involved, play a major policymaking role, or make other contributions through the board of directors. A bank is more likely to be efficient if its manager either has a strong financial stake in the bank, or is closely monitored by stockholders and given appropriate incentives. The data further suggest that both these banks are not achieving their efficiency by expending fewer resources on credit analysis and other forms of risk control. In sum, efficient bank operations can be obtained under a variety of circumstances, but two essential keys to success are properly motivated managers and active participation by bank owners.[3,4]

DISCUSSION

In the current challenging interest-rate environment, banking CEOs face the dual challenge of reducing people costs and simultaneously energizing employees. They have to do this while addressing the pressing need to embrace new technologies. And they must do all this in a social setting which demands banks think through the reskilling implications of their actions. A complex mission, but one which we see many banks successfully navigate—creating leaner, less hierarchical structures and cultures. We see winning banks deploy a number of proven levers in a way that not only reduces costs but also empowers employees, simplifying structures and increasing the speed of decision-making. Efficiency and effectiveness can both pull in the same direction.Efficiency-challenged banks are a familiar story. Middle management roles expand, with organizations having more layers and managers smaller "spans of control." This slows decision-making, creates unnecessary work, and distances top executives from customers and the front line. As the pace of data and technology progress accelerates, no successful organization can afford this.[5,6]

The path to address the "spans and layers" challenge is also well-worn: a simplistic benchmark-based exercise that focuses on "boxes and lines." This approach can yield significant reductions in the number of managers and generate substantial near-term cost savings. But without changing ways of working and decision-making, the savings do not stick. Time is invested in identifying best practices from others, but only 15 percent of companies say they significantly learned from, or adopted elements of, other organizations' designs. The costs invariably creep back as the fundamental ways of working have not changed. Others flounder when trying to achieve change with insufficient buy-in from stakeholders, and can ultimately destroy more value than they create.[7,8]

We observe winning banks taking a different approach. These banks seek agreement on the starting point, and obtain clear buy-in from stakeholders. They go after the spans and layers opportunity, reducing the number of layers of hierarchy and creating flat hierarchies with broader spans of control. But they rightly spend most of the exercise concentrating on "rewiring the organization" to run with a smaller managerial workforce. This means understanding the root causes that initially led to imbalances and correcting those as well as the way work gets done. This is crucial so that costs don't just creep back. Reducing managers' spans to reflect the work done improves efficiency and delayering. This empowers employees, and facilitates faster decision-making. Banks have found significant and sustainable managerial headcount savings of 10 to 25 percent through this approach.[9,10]

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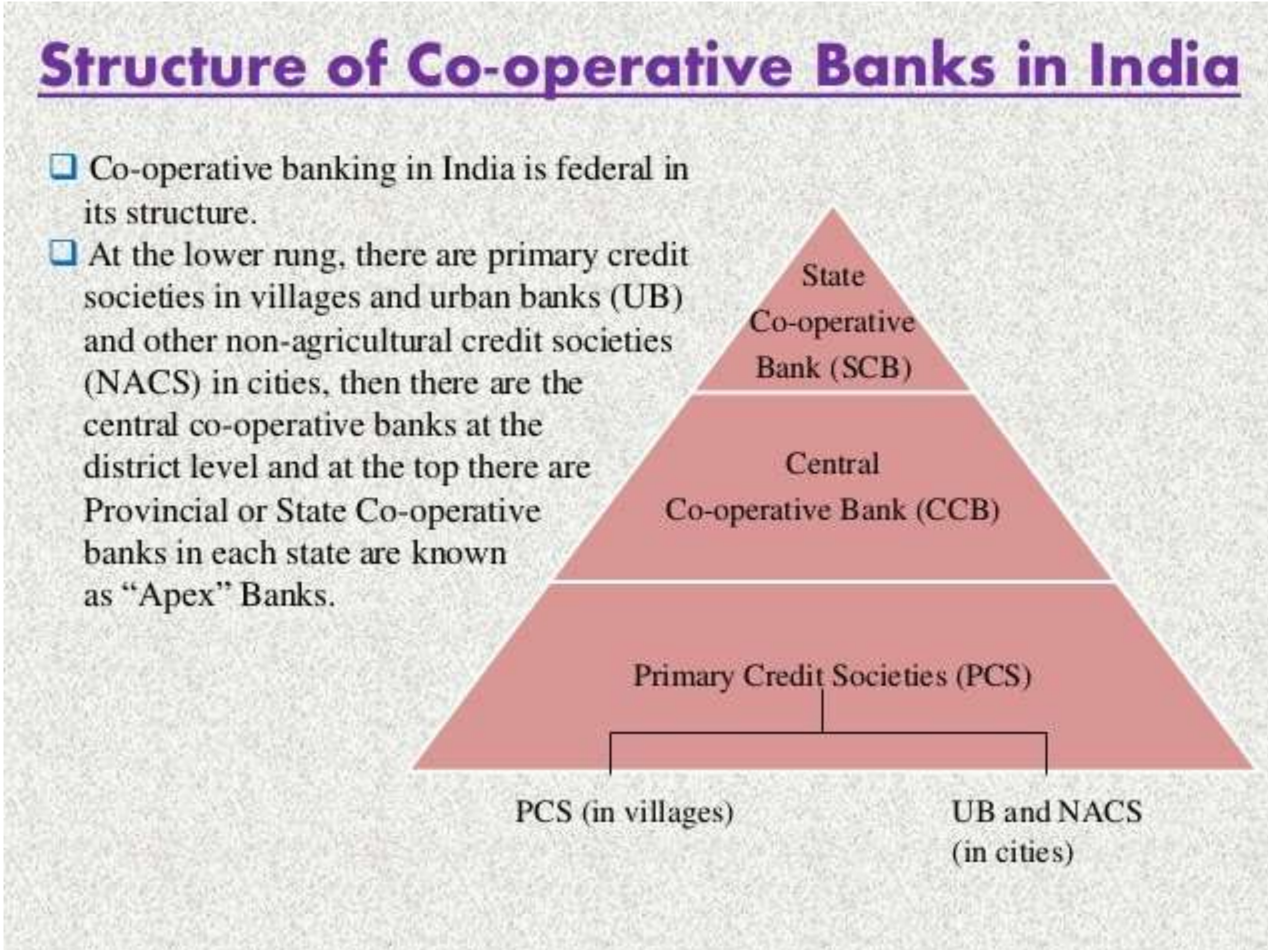
Technology can help in running such efforts efficiently and effectively. Through our work with more than fifteen global banks on their delayering efforts, we developed a web-based platform for organizational diagnostics and design that used existing HR data, matched them against granular benchmarks, and enabled interactive, real-time redesign. At one bank, detailed analysis revealed a 22 percent reduction opportunity in managerial headcount. This opportunity was addressed through distributed design teams that worked on the "rewiring" in each business unit and function. In parallel, the teams identified and started addressing underlying root causes (for example insufficient performance and consequence management) to ensure cost reductions were sustainable. Over five to six months the majority of the initial opportunities were realized.[11]

Transformations on this scale may also require bold thinking such as "zero-basing" your organization (ZBO). Too often banks plan incrementally on the previous year, allowing redundant activities to continue. Zero-basing uses a clean-sheet approach to design. It begins by asking "what is required to keep the lights on?"—the "survival minimum." In a second step, activities are added back in only if they have a compelling rationale based on return on investment (ROI), to achieve a strategic optimum of activity. Zero-basing leads to a leaner, more efficient organization, with clear roles and responsibilities. And the financial benefits can be massive: ZBO frequently reduces costs by 20 to 40 percent, especially in the middle and back office.[12]



Successful banks do four things. They start shifting the mix of capabilities that they have, so that tomorrow's work can be done more effectively. This means developing a clear, data-rich view of the new mix of skills and capabilities they will require as a first step, building a strategic workforce plan. This will almost certainly mean a combination of reskilling, upskilling, hiring, and renting of capabilities. Secondly, they improve the speed and quality of decision-making. This is perhaps the most important element in ensuring organizational effectiveness. Fast, high-quality decision-making matters—while 54 percent of executives say they spend more than a third of their time on decisions, 61 percent go on to say most of the time spent on decisions is ineffective. Eighty percent say their organizations do not excel at decision-making.[13,14]

RESULTS

Leading banks distinguish different types of decisions. Big bet decisions are infrequent, high-stakes decisions made by senior executives that affect the organization broadly. Examples are large acquisitions, large capital investments, and large allocations to research and development. Cross-cutting decisions are frequent, often a series of smaller decisions across a process, typically made by executives that involve multiple areas across the organization. Examples include budgeting, pricing, and operations planning. Delegated decisions are smaller, day-to-day decisions typically made by individuals (for example mid-level/frontline managers) or working teams within the organization. The journey to improved decision-making often begins with an immersive simulation to help executives pinpoint challenges and identify improvements.[15,16]

Some banks go further, concluding that the best way to pursue efficiency and effectiveness together is to move to a fully agile operating model. This means creating a series of high-performing, dynamic tribes and squads that “own” a particular mission or customer and business outcome, and have the end-to-end resources, capabilities, and accountability to deliver them. Our experience with more than 20 agile transformations in banking is that this improves customer focus, increases efficiency by 20 to 30 percent, improves pace of delivery by 2 to 5 times, creates more accountability at the front line, and increases workforce engagement.Thirdly, leading banks make sure that performance management helps rather than hinders performance. This means emphasizing conversations over documentation, making sure that individual goals are aligned to the bank’s priorities, and creating differentiated consequences for very high and low performance. We typically find that simplifying and focusing performance management in this way boosts both productivity and employee engagement.[17]

Finally, leading banks are increasingly improving their organization by simplifying grading and job families to support a new way of working. Focusing employees on development within bands, rather than upgrading, reduces a hierarchical culture. This also provides more flexibility to pay differently for different role types within broader bands, while remaining internally consistent, leading to more effective attraction and retention of top talent in manager and expert paths.Improved productivity and an engaging employee experience need not be competing aims. Banks that boldly pursue this transformation agenda can deliver a simpler, leaner, faster bank that delights customers, employees, and shareholders alike.[18]

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CONCLUSION

Great strides have been made in the theory of bank technology in terms of explaining banks' comparative advantage in producing informationally intensive assets and financial services and in diversifying or offsetting a variety of risks. Great strides have also been made in explaining sub-par managerial performance in terms of agency theory and in applying these theories to analyze the particular environment of banking. In recent years, the empirical modeling of bank technology and the measurement of bank performance have begun to incorporate these theoretical developments and yield interesting insights that reflect the unique nature and role of banking in modern economies. Using a variety of financial ratios that capture various aspects of performance, both the banks have almost similar nonstructural approach and performance considering the relationship to investment strategies and other factors such as characteristics of governance. [19,20]

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