



**Implications of  
Union Budget on Banks**

**Strategic Approach for  
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**Cost and Revenue Efficiency of  
State Cooperative Banks in India:  
Evidence from North-East  
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**National Institute of Bank Management**

*Articles*

\* **Implications of Union Budget on Banks**

*✍ K Srinivasa Rao*

Union Budget 2015-16 contained a host of policy measures which will have far reaching ramifications. It cannot be considered as one year budgetary allocations but needs to be seen as a vision document that envisages systematic thrust on development of key sectors such as infrastructure, MSME, and agriculture. In a bank led economy, efficient financial intermediation is critical. Banks assume an important role in providing finance to core sectors of the economy. It therefore, calls for an accelerated role of banks to implement many of its measures. Keeping this criticality in view, strikingly important measures have been analyzed in the paper to provide a strategic view for banks. It can help in identifying clearly the areas where banks can revamp their strategies and forge an alliance with different stakeholders to help the various sectors of the economy to grow. It underlines the present state of the economy, potential state, the policies that can impact the economy, the various allocative resources, identifies the prospects of sectoral growth where banks can pitch in. The myriad proposals to step up investment in infrastructure, MSME, and rural economy can pump prime commercially productive activities where planned intervention of banks will be able to create the necessary momentum. With the economy now moving south in interest rate curve, and macroeconomic factors showing improving signs, the demand for credit is expected to pick up from Q1 of FY16 onwards. With the pro-growth policies enunciated in UB16, banks can forge an alliance with various interdependent agencies and coordinate with the industry to put the growth on a fast track.

\* **Strategic Approach for Reviving Indian MFIs**

*✍ M V S Kameshwar Rao & K Lubza Nihar*

The Andhra Pradesh (AP) Microfinance crisis has attracted the attention of researchers, academicians and policy makers for analyzing the reasons for its failure and also for suggesting suitable policy measures for its revival. The rapid expansion of lending in search of abnormal returns, loose regulation and unprecedented reactions of burdened customers, and the possible contagion to the financial sector has brought the RBI's intervention. This paper believes that short-term customer protection measures would not ameliorate the situation. Microfinance Industry, with its linkages to other constituents in the financial services sector, requires integrated, multi-dimensional, strategic initiatives for long-term sustainable growth and avoidance of future systemic shocks. Better governance for trust, market diversification to avoid concentration risk, collaborative competition to harness the value chain, and market nurturing for sustainability are suggested at strategic level. Streamlining operations with IT integration, improving productivity of manpower, and effective credit appraisal are suggestions at operational level.

\* **Cost and Revenue Efficiency of State Cooperative Banks in India: Evidence from North-East Using Data Envelopment Analysis**

*✍ Chinmoy Roy & Sujit Das*

In today's world dominated by globalization, technological and communication advances, expanding world trade, and investments, there seems to be a resurgence of the application of basic principles of resource utilization competency in all financial transactions, particularly in the banking sector. The State Cooperative Banks (SCBs) in India with a substantial asset base plays pivotal role in the intermediation process between savers and investors. The mobilization of resources at the lowest cost and deployment of funds, ensuring higher yield are the essential factors that underpin efficiency gain for economic growth and development.

This study adopts a new set of variables and applies Data Envelopment Analysis (DEA) and Mann-Whitney Test to assess the comparative cost efficiency and revenue efficiency of the SCBs before and after the Vaidyanathan Committee revamping package. It evaluates efficiency score of the SCBs operating in the North-Eastern Region based on their size, age, and periodic segments using static and dynamic panels and ranked them through the means for groups in homogeneous subsets by means of the Ryan-Einot-Gabriel-Welsch (R-E-G-W) Range Test. The results show that though the banks are not fully efficient in all respects, but they maintained productive capacity in the same order as the averages in all India SCBs and all are better at utilizing inputs more than generating optimal outputs. The analytical results validates and corroborates with the earliest and latest audit observations on overall audit classification on the financial performance of the State Cooperative Banks in India wherein Tripura State Cooperative Bank in a short period of time is upgraded as (A) from (C) and that the most competent banks are ranked by the magnitude of their average cost efficiency and revenue efficiency scores comprising the SCBs of Tripura, Meghalaya, and Sikkim.

\* **Building the Future of Indian Public Sector Banks**

*✍️ Deepa Mazumdar*

This contribution attempts to persuade the banking industry to recognize that good governance depends highly on effective leadership. It is imperative that bankers overcome the resistance to change, move from an internal focus to an external focus by encouraging individuals to perform and create leadership at every level in the organization. It suggests possible strategies to be adopted, laying special emphasis on the type of leadership skills and knowledge required to improve performance of the overall organization. While the skills specific to each management cadre are important for all the levels, they differ in the amount of focus put into the application. Today, leadership issues are highlighting more on changes relating to organizational culture and functional roles to meet the demands of talent management and career development of Gen Y disseminating the value system of the organization.