

## Preface

Banks are the backbone of financial systems and play an important role in economic development of the countries. Banks are the highest financial intermediaries in our economy and therefore they always deserve careful study. Major changes took place in the functioning of Banks in India due to the economic reforms in India which was started in early nineties. It is a fact that reforms have changed the depth and width of financial system in India. The nature of the Indian banks are quickly changing due to financial deregulation, financial innovations, financial inclusion, advancement in technology, customers' demands etc. The high valuation in the capital markets and high growth rates in retail financing and product distribution have attracted a number of new players both global and domestic. The new entrants/players with redefined business model based on advanced technology are likely to shape the future of the financial services and banking. Foreign banks and private sector banks in India have progressed well in the areas of technology upgradation in operations, extending the business hours, introduction of new products and various services. PSBs with their vast client base and unparalleled treasury of trust are also evolving their own way to retain and attract new costumers. Indian banks are now facing competition from inside and outside the country from foreign entities and non-banking institution as well. In this highly competitive market, a question which strikes in the mind of regulators, managers, stakeholders, customers, and researchers like me is which banks and what types of banks will survive and dominate the Indian banking sector. Customers expect quality services with reasonable price, stakeholders expect assurance of reasonable returns, and managers want to know whether their banks can maintain market share and regulators desire smooth and efficient functioning of the banks for the development of the economy of the country. Only the efficient banks are able to

fulfill their expectation i.e. the success of banks for meeting these expectations largely depends on how efficiently they utilize their resources in delivering services. Efficiency, therefore, has become pivotal for banks' survival and growth. It has been empirically found that banks having high efficiency scores are much more likely to survive than banks which have relatively low scores. Against this backdrop, the present study intends to measure and examine the relative technical efficiency of the Indian banks using non-parametric frontier methodology- Data Envelopment Analysis (DEA). Though in our country some works have already been done in this area but there exists a lot of scope to undertake research work in this area which still remains under explored.

There is a vast literature on bank efficiency using DEA technique particularly in United States and other developed countries. But, the studies analyzing the efficiency of banks using this approach in India are fewer. As a result there has been a serious gap in this respect in India. Moreover, the attempts on the efficiency analysis of banks in Indian context are not in a comprehensive manner. Many of them use data for a single time period. While some studies concentrate on the efficiency of only public sector banks. Main focus of other studies is to show the impact of reform measures on the efficiency only. Therefore, the present study will be able to throw further light on the existing banking literature in Indian by analyzing the relative technical efficiency of different measures in a very comprehensive manner during the recent period covering from 2004-05 to 2007-08.

In dealing with the benefits of the Indian banking sector, we try to categorise the banks from various angles. These categorizations help regulators to take various measures for improvement of efficiency of the Indian banking sector.

In dealing with the perception of the common people, stakeholders, managers, the study has developed a humble approach to provide strict rankings to the selected banks under study so that we can prepare a brief ranking of India's efficient banks: today and tomorrow.

The main dilemma we face is the selection of appropriate input output variables for efficiency measurement that enables to capture multi dimensional functions of the banks and all sort of differences among the banks under study. However, the present study is expected to provide a brief overview of the efficiency level and efficiency positions of the individual Indian banks. The findings and suggestions of this study will be helpful for the policy makers, bank managers, customers, researchers, academicians along with the general readers who are interested about our vibrant banking sector.

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