

Analysis of Productivity of Indian Banks: A Comparative Study of Selected Public and Private Banks

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Abstract:-

Indian financial sector has traditionally been bank based. A sound financial system is indispensable for the growth of a healthy and vibrant economy. Performance of the banking sector is an effective measure and indicator to check the performance of any economy to a large extent. The present study is an attempt to appraise the financial position of selected public and private sector banks on the basis of two ratios Business per Employee and Profit per Employee. The study about the productivity of selected banks and groups of Indian banking sector during last 10 years from 2005-06 to 2014-15.

Introduction:-

Indian financial sector has traditionally been bank based. A sound financial system is indispensable for the growth of a healthy and vibrant economy. Performance of the banking sector is an effective measure and indicator to check the performance of any economy to a large extent. The stage of development of the banking industry is a good reflection of the development of the economy. Evaluation of the financial performance of the banking sector is an effective measure and indicator to check the soundness of economic activities of the country.¹

The fast moving competitive environment unleashed by government policy of liberalization and globalization has brought about significant changes in the working of Indian banking industry. To maintain viability in highly deregulated market banks are now focusing on customers. The role of employees in such environment is of great significance as each and every activity of a bank is directly related to the attitude, motivation and work culture of the employees. It is the ability of the bank employees that can deliver prompt and courteous service to the customers. Therefore, it is necessary to evaluate profitability of banks in terms of its employee's productivity.²

The present study is an attempt to appraise the financial position of selected public and private sector banks on the basis of two ratios Business per Employee and Profit per Employee.

Literature Review:-

The study by (V. Singla, 2013) studied of analysis of productivity of Indian banks. Research was for the period of five years from the year 2007-08 to 2011-12 for the three private sector banks, i.e., ICICI bank, HDFC bank and Axis bank. It was observed that though the per employee productivity of ICICI bank is far better than other selected private sector bank, but per branch productivity of ICICI bank is less than the other selected banks.

Study by (G.Gupta, A.Kaur, 2013) studied of the productivity performance of public sector banks in India on the basis of employee productivity and branch productivity. Based on findings the banks are divided into four categories i.e., excellent, good fair and poor for the period under study. In both the criteria BOB, corporation bank, and oriental bank of commerce got excellent index.

The study by (S.Rajan, et al, 2011) has revealed that public sector banks (PSB) i.e., the nationalized banks (NB) and state bank of India and its associates (SBI &A) are more efficient compared to domestic private banks and foreign banks. Rather surprisingly, foreign banks are considerably less efficient than PSBs possibly because of their relatively smaller scale. However, the foreign banks have higher efficiency compared to the domestic private banks, due to their specialized activities.

Study by (A.Chaturvedi, D.Sharma, 2012) attempted to appraise the financial position of selected public sector banks on the basis of two ratios business per employee and profit per employee. It is observed that the performance of Bank of Baroda is much superior than State Bank of India. State bank of India needs to take necessary steps to control their non performing assets.

Objectives of the Study:-

- To study about the productivity of selected banks and groups of Indian banking sector during last 10 years.

Hypothesis:-

On the basis of objectives of the study following hypothesis has been formulated.

- **Null Hypothesis:** There was no difference in productivity among the selected banks of Indian banking sector,
- **Alternative Hypothesis:** There was a significant difference in productivity among the selected banks of Indian banking sector.

Research Design & Period of the Study:-

The design of the present study was descriptive and analytical in nature and covers the period of 10 years, from 2005-06 to 2014-15.

Sample Selection:-

Sample size refers to the number of items to be selected from the universe to constitute a sample. 16 banks out of total 37 public and private sector banks in India were selected for research which are registered in Bombay stock exchange, Mumbai. These banks have been divided in three categories (I) 9 banks have been selected from Public Sector Banks (II) 4 banks have been selected from Old Public Sector Banks (III) 3 banks have been selected from New Private Sector Banks. On the basis of their deposit and advances selected banks arranged in sub category, large, medium, and small.

Data Collection Method:-

This study includes mainly secondary source of data which has been taken from published information and through internet. The data on banking companies is collected from, RBI (Reserve Bank of India), moneycontrol.com website and individual websites of selected banking companies.

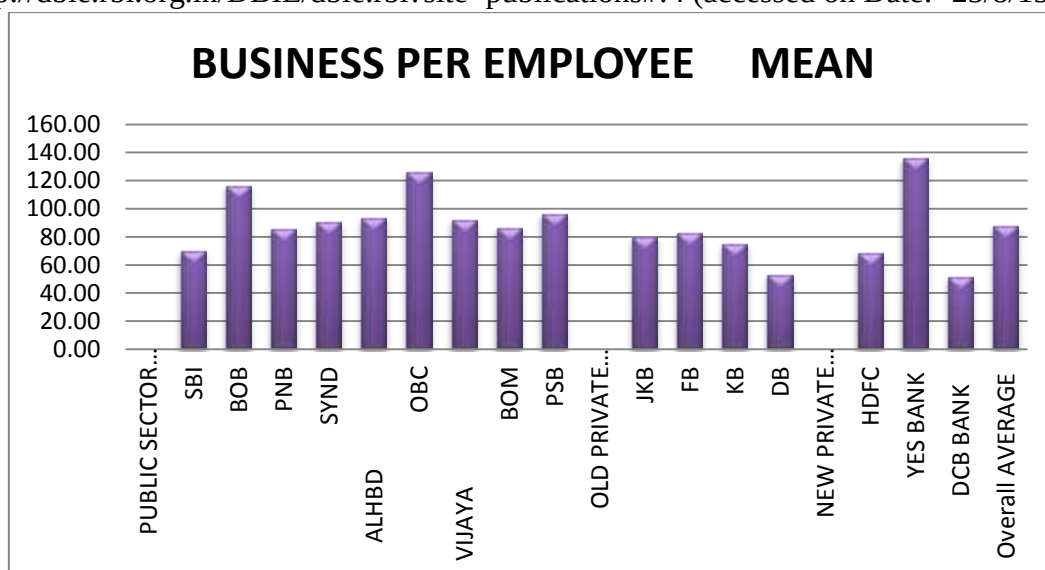
Data Analysis and Interpretation:

- With the help of the data ratio will be calculated to understand of financial performance of the selected banking groups.
- Statistical techniques mean, standard deviation, variance, and F test for testing hypotheses will be use to support the findings and conclusions and interbank comparison.

Table No:- 1
BUSINESS PER EMPLOYEE

NO	BANKS NAME	RESEARCH PERIOD = 10 YEARS						(Amount In ` Million)				MEAN
		2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	
1	2	3	4	5	6	7	8	9	10	11	12	13
	PUBLIC SECTOR BANKS											
1	SBI	29.92	35.70	45.60	55.60	63.60	70.47	79.84	94.39	106.38	123.40	70.49
2	BOB	39.60	55.50	71.00	91.40	98.10	122.90	146.60	168.90	186.50	188.90	116.94
3	PNB	33.09	40.74	50.45	65.49	80.80	101.78	113.20	116.51	128.33	131.90	86.23
4	SYND	34.86	48.92	58.60	75.07	74.68	87.54	107.41	125.70	143.00	153.90	90.97
5	ALHBD	33.60	49.50	60.40	70.60	84.50	106.30	121.70	137.30	135.00	143.00	94.19
6	OBC	57.03	74.26	92.44	114.24	133.12	141.80	146.22	162.03	170.97	174.25	126.64
7	VIJAYA	36.93	45.52	61.27	75.60	83.60	92.80	112.80	124.00	138.20	149.60	92.03
8	BOM	30.62	40.49	51.57	63.60	76.20	82.50	96.70	125.60	143.50	156.00	86.68
9	PSB	27.72	32.86	46.69	65.60	96.30	119.00	130.20	137.00	153.10	159.50	96.80
	OLD PRIVATE SECTOR BANKS											
1	JKB	51.60	58.50	59.60	50.00	73.10	85.60	88.60	104.90	117.40	114.30	80.36
2	FB	43.10	54.40	65.50	75.00	81.30	92.30	101.10	107.50	99.70	111.50	83.14
3	KB	47.83	52.40	58.90	64.90	72.70	77.10	85.90	96.60	95.90	105.20	75.74
4	DB	31.17	36.67	40.91	37.90	36.96	58.92	59.29	67.47	77.43	89.97	53.67
	NEW PRIVATE SECTOR BANKS											
1	HDFC	75.80	60.70	50.60	44.60	59.00	65.30	65.40	75.00	89.00	101.00	68.64
2	YES	84.81	53.05	68.31	98.84	162.38	222.03	174.77	177.42	155.81	168.60	136.60
3	DCB	39.00	39.10	45.40	37.90	51.50	49.10	51.40	67.40	68.90	69.60	51.93

Source:- <http://dbie.rbi.org.in/DBIE/dbie.rbi?site=publications#!4> (accessed on Date:- 25/8/15)



Advances and deposits of a branch together reflect the overall banking system and its productivity. It is this ratio which in fact compares the productive efficiency of two banks. Higher the ratio, better and more productive the bank. Business per employee was

increasing continuously in most of all selected banks under research period. It was found that mean of business per employee ratio is reported higher by Oriental bank of commerce (126.64) where as SBI bank (70.49) show lower ratio among the selected public sector banks during research period. Federal bank (83.14) show higher where as Dhanlaxmi bank (53.67) show lower ratio in old private sector banks during research period. In new private sector banks Yes bank has (136.60) which was the highest whereas DCB bank (51.93) shows the lowest ratio among the all selected banks during research period.

Table No:- 2

BUSINESS PER EMPLOYEE

Anova: Single Factor

<i>Groups</i>	<i>Count</i>	<i>Sum</i>	<i>Average</i>	<i>Variance</i>	
PUBLIC SECTOR BANKS	10	956.62	95.66	1702.62	
OLD PRIVATE SECTOR BANKS	10	732.28	73.23	467.18	
NEW PRIVATE SECTOR BANKS	10	857.24	85.72	618.91	
<i>Source of Variation</i>	<i>SS</i>	<i>df</i>	<i>MS</i>	<i>F</i>	<i>F crit</i>
Between Groups	2527.3	2	1263.65	1.36	3.35
Within Groups	25098.33	27	929.57		
Total	27625.63	29			

It was observed that mean of public sector banks (95.66%) have highest business per employee among three groups in banking sector in India. Highest fluctuating trend in mean in business per employee has been observed among the selected public sector banks during research period. The result was surprisingly that public sector banks were more productive in business compared to new and old private sector banks.

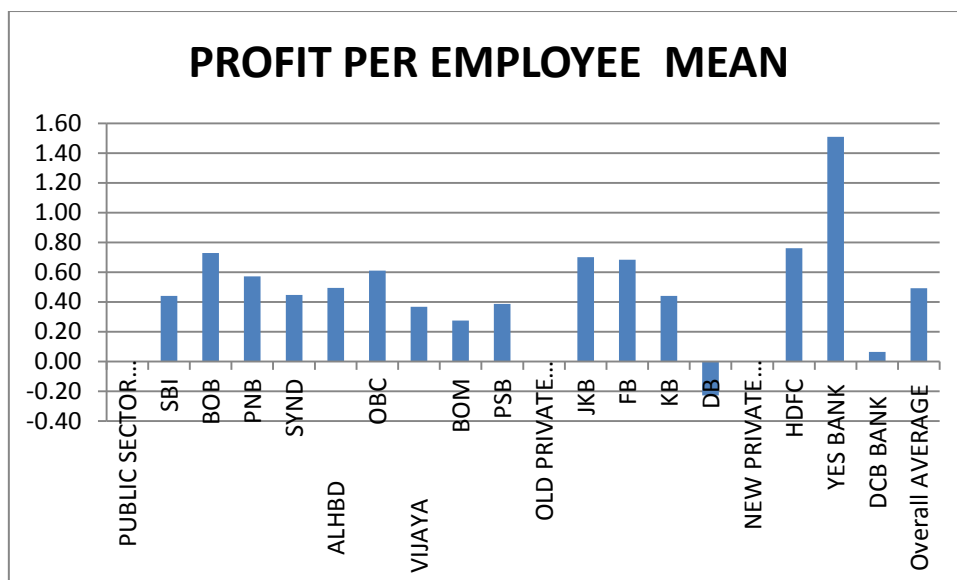
Calculated value of F was 1.36 which was lower than table value of F 3.35, so null hypothesis was accepted and alternative hypothesis was rejected. So it can be concluded that there was no significant difference in business per employee in selected banking sector in India.

Table No:- 3
PROFIT PER EMPLOYEE

(Amount In ` Million)

N O	BANKS NAME	RESEARCH PERIOD = 10 YEARS										MEAN
		2005 -06	2006 -07	2007 -08	2008 -09	2009 -10	2010 -11	2011 -12	2012 -13	2013 -14	2014 -15	
1	2	3	4	5	6	7	8	9	10	11	12	13
	PUBLIC SECTOR BANKS											
1	SBI	0.22	0.24	0.37	0.47	0.45	0.39	0.53	0.65	0.49	0.60	0.44
2	BOB	0.21	0.27	0.39	0.60	0.80	1.10	1.20	1.00	1.00	0.70	0.73
3	PNB	0.25	0.27	0.37	0.56	0.73	0.84	0.84	0.81	0.55	0.50	0.57
4	SYND	0.21	0.28	0.32	0.36	0.32	0.40	0.53	0.81	0.68	0.56	0.45
5	ALHBD	0.37	0.37	0.49	0.38	0.58	0.67	0.84	0.53	0.48	0.26	0.49
6	OBC	0.54	0.56	0.58	0.62	0.74	0.90	0.62	0.70	0.58	0.25	0.61
7	VIJAYA	0.12	0.30	0.33	0.23	0.45	0.63	0.50	0.50	0.30	0.30	0.37
8	BOM	0.04	0.20	0.24	0.28	0.32	0.24	0.31	0.56	0.27	0.30	0.27
9	PSB	0.11	0.23	0.42	0.50	0.60	0.60	0.60	0.40	0.30	0.10	0.39
	OLD PRIVATE SECTOR BANKS											
1	JKB	0.30	0.40	0.50	0.50	0.70	0.80	0.90	1.10	1.30	0.50	0.70
2	FB	0.35	0.44	0.54	0.69	0.60	0.70	0.90	0.90	0.80	0.90	0.68
3	KB	0.41	0.40	0.50	0.50	0.30	0.40	0.40	0.50	0.40	0.60	0.44
4	DB	0.07	0.12	0.20	-0.40	0.07	0.07	-0.33	0.01	-1.04	-1.06	-0.23
	NEW PRIVATE SECTOR BANKS											
1	HDFC	0.74	0.61	0.50	0.42	0.60	0.74	0.80	1.00	1.20	1.00	0.76
2	YES	0.88	0.39	0.64	1.14	1.68	2.09	2.04	2.10	2.05	2.10	1.51
3	DCB	-0.70	0.04	0.20	-0.40	-0.50	0.10	0.20	0.50	0.60	0.60	0.06
	Overall AVERAGE	0.26	0.32	0.41	0.40	0.53	0.67	0.68	0.75	0.38	0.51	0.49

Source:- <http://dbie.rbi.org.in/DBIE/dbie.rbi?site=publications#14> (accessed on Date:- 25/8/15)



This ratio gives the indication as to how much profit a firm is able to generate as per employee. Again higher the ratio, higher is the profitability. It was found that mean of profit per employee was reported higher by bank of baroda (0.73) where as bank of maharashtra (0.27) show the lower ratio among the selected public sector banks during research period. Jammu and kashmir bank (0.70) show the higher in old private sector banks where as Dhanlaxmi bank (-0.23) show negative and the lowest ratio among the all selected banks during research period. In new private sector banks Yes bank has (1.51) which was the highest among the all selected banks whereas DCB bank (0.06) show lower ratio during research period.

Table No:- 4

Profit per Employee

Anova: Single Factor

Groups	Count	Sum	Average	Variance		
PUBLIC SECTOR BANKS	10	4.79	0.48	0.02		
OLD PRIVATE SECTOR BANKS	10	3.99	0.40	0.01		
NEW PRIVATE SECTOR BANKS	10	7.78	0.78	0.16		
Source of Variation	SS	df	MS	F	P-value	F crit
Between Groups	0.80	2	0.40	6.08	0.01	3.35
Within Groups	1.77	27	0.07			
Total	2.57	29				

It was observed that mean of new private sector banks (0.78) have highest profit per employee among three groups in banking sector in India. Highest fluctuating trend in

mean in profit per employee has been observed among the selected new private sector banks during research period.

Calculated value of F was 6.08 which was higher than table value of F 3.35, so null hypothesis was rejected and alternative hypothesis was accepted. So it can be concluded that there was significant difference in net profit ratio in selected banking sector in India.

Conclusion

Since the process of globalization, privatization and liberalization and reform of the financial in the financial sector were introduced in 1991 and 1998, banking sector has undergone major transformation. The underlying objectives of the reform were to make the banking system more competitive, productive and profitable. As per the IBA report “Banking Industry Vision 2010” there would be greater presence of international players in the Indian Financial system and some of the Indian banks would become international players in the coming years.

The key success of GPL and financial reform is increased productivity. This research has analyzed the productivity of selected banks in India during 2005-06 to 2014-15.

This study concludes that though the business per employee and profitability per employee Yes bank is far better than other selected banks. Public sector banks were good in business per employee, whereas new private sector banks were good in profit per employee.

Limitations of the Study:-

- This study will be based on secondary data which has been taken from published annual report and financial literature of the baking companies in India under study and from published journals and magazines and therefore its findings depend entirely on the accuracy of such data.

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