“AN ANALYTICAL STUDY OF PRODUCTIVITY AMONG NATIONALIZED BANKS IN INDIA”

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INTRODUCTION

The world has become a global market. The impact of globalization, privatization and liberalization has totally changed the style of banking sector in India. Banks are essential instruments of accelerated growth in a developing economy. The health of the economy is closely related to the soundness of its banking is now an essential part of our economic system. Although banks create no new wealth but their borrowing, lending and related activities facilitate the process of production, distribution, exchange and consumption of wealth. Modern trade and commerce would almost be impossible without the availability of suitable banking services.

EVOULATION OF THE INDIAN BANKING SECTOR

- In1921 State- owned Imperial Bank of India was the only bank existing and 1935 RBI was established as the central bank of country.
- 1936 to 55 Imperial Bank Expanded its network to 480 branches and Imperial Bank converted into State Bank of India.
- 1956 to 2000 Nationalisation of 14 large commercial banks in 1969 & 6 more banks in 1980, Entry of private sector banks such as ICICI and Gradual technology up gradation in public sector banks
- 2000(On Wards) In 2003, Kotak Mahindra Finance Ltd. Received a banking license from RBI and became the first NBFC to be converted into a bank
- In 2009, the govt. removed the banking cash transaction tax which had been introduced in 2005
- First round of bank nationalization was done in 1969 so, In year of 2019 Golden anniversary (50 year) of the bank nationalization.

- For the calculation of productivity of selected nationalized banks following ratios are calculated :

  • Profitability Ratio
    1. Interest Earned Ratio
    2. Interest Paid Ratio
    3. Non- Interest Income Ratio
4. Other Operating Expenses Ratio
5. Spread Ratio
6. Burden Ratio
7. Profitability Ratio

- **Labour Productivity Ratios**
  1. Deposit Per Employee Ratio
  2. Advances Per Employee Ratio
  3. Total Business Per Employee Ratio

- **Capital Productivity Ratios**
  1. Interest Earned Per Unit of Capital Ratio
  2. Interest Expenses Per Unit of Capital Ratio
  3. Business Per Unit of Capital Ratio
  4. Net Profit Per Unit of Capital Ratio
  5. Spread Per Unit of Capital Ratio

**REVIEW OF LITERATURE:**

**Rajagopalang A. V. (1993)** in his paper has given an overall view on productivity in banks. He concluded that profitability and productivity depend on various factors like reduction of costs, recovery work reorganization, computerization etc. He opined that establishments expenses play a key role in determine the level of profit. He suggested that attention should be given on staffing pattern.

**Hundekar S. G. (1995)** studied the productivity aspects of the regional rural banks. He examines growth and working of regional rural banks. He studied operational efficiency, profitability and productivity in rural oriented Bijapur gramin bank. He concluded that Bijapur gramin banks operating profitability has been very poor over the study period because of its ineffectiveness in controlling the burden.

**Padamasai T. (2000)** studied that productivity and profitability of five big banks increased throughout the post-reforms period in terms of selected ratios of each parameter, but on account of efficiency, the performance of the top five banks is very dismissal as inefficiency has increased during the study period. He suggested that if the government sells its share in the profit making banks, it would be able to bail out the weak banks.

**Ganeshan P. (2001)** reveals by an empirical establishment of profit function that interest income, deposits per branch, credit to total assets, proportion of priority sector advances & interest income loss are significant determinants of the profits & profitability of Indian public sector banks.

**B. Janki (2002)** analyzed that how technology is affecting the employee's productivity. There is no doubt; in India particularly public sector banks will need to use technology to improve operating efficiency and customer services. The focus on technology will increase like never before to add value to customer services, develop new products, strengthen risk management etc. the study concluded that technology is the only tool to achieve their goals.

**Das A. (2002)** analyzed the level of risk and productivity of public sector banks and observed interrelationship of the fact that the productivity, capital base and risk taking attitude to be jointly determined and reinforced.

**Aarora U. and Verma R. (2005)** studied the performance evaluation of public sector banks in the post reforms period on the basis of four parameters that are financial parameters, operational parameters,
profitability parameters and productivity parameters and during this period the performance of public sector banks is quite satisfactory.

Singla A. & Arora R. S. (2005) Studied the comparative performance of Canara Bank and Indian Bank that both the banks have improved their financial performance during the study period where Canara Bank has an upper hand in growth of deposit, advances and average working funds. In case of productivity it is rising in both the banks but remained much higher in Canara Bank.

Mittal R. K. and S. Dhingra (2007) observed that private sector banks which took more information technology initiative were more efficient in terms of the productivity and profitability parameters than their counter parts under public ownership.

Sharad Kumar and M. Sreeramulu (2007) observed that the performance of the modern banks (Foreign and New Private Sector Banks) was much superior to the traditional banks (Public Sector and Old Private Sector Banks). However, the gap between the performance of modern and traditional banks on all the five variables has shown a decreasing trend, which has significantly reduced during the period 12 years (1997 to 2008) under study.

Anup Kumar Bhandari (2010) Suggested that public sector banks are on and average, better adjusting themselves to the changing environment and improving their performance relative to their counter parts under private and foreign ownership.

Dr. R. K. Uppal (2011) Concluded that although most of the banks have succeeded to bring down their non-performing assets and costs, but still they are facing deterioration in their profitability. Most of the public sector banks even with the highest share in assets, rural branches, priority sector advances and investments of all scheduled commercial banks, still have to face competition in terms of new challenges from new private sector banks and foreign banks as their costs is the highest along with continuous deterioration in profits and spread. Therefore, there is a need to make some practical strategies for the public sector banks and old private sector banks to make them as much competitive as new private sector banks.

OBJECTIVES OF THE STUDY:

• To understand the financial situation among Nationalized banks in India.

• To evaluate the Profitability of selected Nationalized Banks during the study period.

• To evaluate the Labour Productivity of selected Nationalized Banks during the study period.

• To evaluate the Capital Productivity of selected Nationalized Banks during the study period.

METHODOLOGY:

The present study adopts an analytical and descriptive research design. The data of the selected Nationalized Banks has been collected from the annual reports and the balance sheet published by the Banks. Web sources in the area of banking have been referred as the source of secondary data collection.

SAMPLE OF THE STUDY:

Sizes of the samples are 5 Nationalized Banks of India.
DATA COLLECTION:
This research study is mainly based on secondary data obtained from Annual Reports of State Bank of India, Bank of India, Bank of Baroda, Punjab National Bank, Indian Bank during the study period. It is the main source of the data.

TIME PERIOD OF THE STUDY:
• The period of the study is 2012-13 to 2018-19 for seven years.

TOOLS USED FOR ANALYSIS:
The researcher uses statistical tools and techniques for financial analysis of selected banks. The researcher pick-up the Simple statistical techniques, such as mean, standard deviation, Coefficient of variation. The data are presented through simple classification and with the help of percentage, average and the hypothesis are tested at 5% level of significance by employing F– test.

HYPOTHESIS OF THE STUDY:

Null Hypothesis

• H₀: There is no significant difference in the Profitability Ratio of selected Nationalized Banks over the period of seven years.
• H₀: There is no significant difference in the Labour Ratio of selected Nationalized Banks over the period of seven years.
• H₀: There is no significant difference in the Capital Ratio of selected Nationalized Banks over the period of seven years.

Alternative Hypothesis

• H₁: There is significant difference in the Profitability Ratio of selected Nationalized Banks over the period of seven years.
• H₁: There is significant difference in the Labour Ratio of selected Nationalized Banks over the period of seven years.
• H₁: There is significant difference in the Capital Ratio of selected Nationalized Banks over the period of seven years.

LIMITATIONS OF THE STUDY:

• The study is based on secondary data and only the period of 7 years is taken for analysis.
• This study was limited only to the Five Nationalized Banks of India. So the research area is very limited.
• Analytical tools, which are used in the study, may have their own limitations, which may apply to this study too. Limitation of the ratio analysis is the one of the constrains of the study.

ANALYSIS:

• Analysis of Profitability of Bank:
• To analysis the profitability of selected Nationalized Banks we have considered profitability ratios [Interest earned ratio, Interest paid ratio, Non-Interest Income ratio, Other operating expenses ratio, Spread ratio, Burden ratio and Profitability ratio] during the period of 2012-’13 to 2018-’19.
• **Average Profitability Ratios:**
  The profitability is the most important indicator of overall financial performance. The level of efficiency, productivity, and cost effectiveness is reflected through the bank’s profit figure. A high ratio indicates better profitability of banks and low ratio indicates lower profitability of banks.

• **Labour Productivity:**
  In our study, we have used Deposit per employee, Advances per employee, Business per employee, to measure the labour productivity ratio of selected nationalized banks.

• **Average Productivity per Employee:**
  This ratio is an indicator of degree of employee’s productivity of banks. A high ratio indicates better productivity of employees in banks and low ratio indicates lower productivity.

• **Capital Productivity:**
  To analysis the capital productivity among selected nationalized banks we have considered, Interest Income per unit Capital, Interest Expenses to per unit Capital, Business per unit of Capital, Net Profit to per unit of Capital and Spread Ratio during the period of 2012-’13 to 2018-’19.

• **Average Capital Productivity to per unit of Capital:**
  This ratio is an indicator of degree of capital’s productivity of banks. A high ratio indicates better productivity in banks and low ratio indicates lower productivity.

**FINDINGS**:

<table>
<thead>
<tr>
<th>Sr. No</th>
<th>Ratio</th>
<th>Overall Avg. Of Ind.</th>
<th>cal. value F test (two way ANOVA)</th>
<th>tab. value</th>
<th>Result</th>
<th>Acceptance of hypothesis</th>
<th>Remarks</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Interest Earned Ratio</td>
<td>4.89</td>
<td>11.85</td>
<td>2.77</td>
<td>Significant Cal.&gt;Tab</td>
<td>Alternate (H1)</td>
<td>Above avg. : SBI,PNB,IB Below avg. : BOI,BOB</td>
</tr>
<tr>
<td>2</td>
<td>Interest Paid Ratio</td>
<td>3.28</td>
<td>10.02</td>
<td>2.77</td>
<td>Significant Cal.&gt;Tab</td>
<td>Alternate (H1)</td>
<td>Above avg. : SBI,PNB,IB Below avg. : BOI,BOB</td>
</tr>
<tr>
<td>3</td>
<td>Non-Interest</td>
<td>0.76</td>
<td>112.79</td>
<td>2.77</td>
<td>Significant Cal.&gt;Tab</td>
<td>Alternate (H1)</td>
<td>Above avg. : SBI</td>
</tr>
</tbody>
</table>
Income Ratio

<table>
<thead>
<tr>
<th>Sr. No.</th>
<th>Ratio Description</th>
<th>Overall Avg. of Ind.</th>
<th>cal. value F test (two way ANOVA)</th>
<th>tab. value</th>
<th>Result</th>
<th>Hypothesis accepted: Significant difference</th>
<th>Remarks</th>
</tr>
</thead>
<tbody>
<tr>
<td>4</td>
<td>Other Operating Expenses Ratio</td>
<td>2.29</td>
<td>31.03</td>
<td>2.77</td>
<td>Significant Cal. &gt; Tab</td>
<td>Alternate (H1) Hypothesis accepted: Significant difference</td>
<td>Below avg.: BOI, BOB, PNB, IB</td>
</tr>
<tr>
<td>5</td>
<td>Spread Ratio</td>
<td>1.61</td>
<td>2.05</td>
<td>2.77</td>
<td>Insignificant Cal. &gt; Tab</td>
<td>Null (H0) Hypothesis accepted: No Significant difference</td>
<td>Above avg.: SBI, PNB, IB Below avg.: BOI, BOB</td>
</tr>
<tr>
<td>6</td>
<td>Burden Ratio</td>
<td>1.52</td>
<td>6.27</td>
<td>2.77</td>
<td>Significant Cal. &gt; Tab</td>
<td>Alternate (H1) Hypothesis accepted: Significant difference</td>
<td>Above avg.: SBI, PNB, IB Below avg.: BOI, BOB</td>
</tr>
<tr>
<td>7</td>
<td>Profitability Ratio</td>
<td>0.09</td>
<td>5.11</td>
<td>2.77</td>
<td>Significant Cal. &gt; Tab</td>
<td>Alternate (H1) Hypothesis accepted: Significant difference</td>
<td>Above avg.: SBI, BOB, IB Below avg.: BOI, PNB</td>
</tr>
</tbody>
</table>

**EMPLOYEE PRODUCTIVITY**

<table>
<thead>
<tr>
<th>Sr. No.</th>
<th>Ratio Description</th>
<th>Overall Avg. of Ind.</th>
<th>cal. value F test (two way ANOVA)</th>
<th>tab. value</th>
<th>Result</th>
<th>Hypothesis accepted: Significant difference</th>
<th>Remarks</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Deposit Per Employee Ratio</td>
<td>9.97</td>
<td>14.25</td>
<td>2.77</td>
<td>Significant Cal. &gt; Tab</td>
<td>Alternate (H1) Hypothesis accepted: Significant difference</td>
<td>Above avg.: SBI, BOI, BOB Below avg.: PNB, IB</td>
</tr>
<tr>
<td>2</td>
<td>Advances Per Employee Ratio</td>
<td>7.29</td>
<td>9.01</td>
<td>2.77</td>
<td>Significant Cal. &gt; Tab</td>
<td>Alternate (H1) Hypothesis accepted: Significant difference</td>
<td>Above avg.: SBI, BOI, BOB Below avg.: PNB, IB</td>
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</tbody>
</table>
### CAPITAL PRODUCTIVITY

<table>
<thead>
<tr>
<th>Sr. No.</th>
<th>Ratio</th>
<th>Overall Avg. Of Ind.</th>
<th>cal. value F test (two way ANOVA)</th>
<th>tab. value</th>
<th>Result</th>
<th>acceptance of hypothesis</th>
<th>Remarks</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Interest Income to Per Unit of Capital Ratio</td>
<td>7.01</td>
<td>14.32</td>
<td>2.77</td>
<td>Significant Cal.&gt;Tab</td>
<td>Alternate (H1) Hypothesis accepted : Significant difference</td>
<td>Above avg. : SBI,PNB, IB Below avg.: BOI,BOB</td>
</tr>
<tr>
<td>2</td>
<td>Interest Expense to Per Unit of Capital Ratio</td>
<td>4.70</td>
<td>15.12</td>
<td>2.77</td>
<td>Significant Cal.&gt;Tab</td>
<td>Alternate (H1) Hypothesis accepted : Significant difference</td>
<td>Above avg. : BOI,PNB, IB Below avg.: SBI,BOB</td>
</tr>
<tr>
<td>3</td>
<td>Business Per Unit of Capital Ratio</td>
<td>143.17</td>
<td>21.78</td>
<td>2.77</td>
<td>Significant Cal.&gt;Tab</td>
<td>Alternate (H1) Hypothesis accepted : Significant difference</td>
<td>Above avg. : BOI,PNB, IB Below avg.: SBI,BOB</td>
</tr>
<tr>
<td>4</td>
<td>Net Profit Per Unit of Capital Ratio</td>
<td>0.58</td>
<td>3.08</td>
<td>2.77</td>
<td>Significant Cal.&gt;Tab</td>
<td>Alternate (H1) Hypothesis accepted : Significant difference</td>
<td>Above avg. : BOI,IB Below avg.: SBI,BOB, PNB</td>
</tr>
<tr>
<td>5</td>
<td>Spread Per Unit of Capital Ratio</td>
<td>2.31</td>
<td>9.72</td>
<td>2.77</td>
<td>Significant Cal.&gt;Tab</td>
<td>Alternate (H1) Hypothesis accepted : Significant difference</td>
<td>Above avg.: SBI,PNB, IB Below avg.: BOI,BOB</td>
</tr>
</tbody>
</table>
SUGGESTIONS

- Deposits and credits are main components of every bank. Most of the portion of income and expenditure are depends upon these components. Therefore, Bank of India, Punjab National Bank should give more importance to enhance deposits.
- BOI, BOB, IB should try to reduce cost at the minimum possible level, but not at the cost of quality of service. Optimum use of technology, proper utilization of human resources can help the bank to cut down the cost.
- BOI, BOB, PNB, IB should work to increase other income, so that dependency on interest income can be reduced. Most of the operating expenses should be paid out of other income.
- Another area, which requires urgent attention, is improving employee’s productivity in Punjab national bank and Indian bank. It would be become impossible to survive without improving the efficiency of staffs.

CONCLUSION:

The efficiency and productivity of employee may influence the business and if the funds are used efficiently with the help of higher productivity of personnel then it will lead to higher profitability. In order to increase per employee business, Banks should train their personnel accordingly, motivate them, and make them customer oriented. The ability of banks to face competition will depend on their determined efforts at technological up gradation and improvement in operational and managerial efficiency, improvement in customer service, internal control, house-keeping and augmenting productivity and profitability. Indian Bank will have to make a careful study of the market and segment customers into various categories based on their expectations, the extent of competition, customer profitability etc.

REFERENCES:


