A STUDY ON LABOUR PRODUCTIVITY OF TAMILNAD MERCANTILE BANK LIMITED

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"An individual shall approach his work with total commitment. He should focus on the details of the task, uncluttered by concerns of the ultimate results. This approach focuses on a stress free attitude supported by dynamic deeds and leads to sustained glory and success for the entity as well as the individual."

Bhagavat Gita (2.47)

INTRODUCTION

Every organization irrespective of its nature is made up of people. Utilizing employees' services, developing their skills, motivating them to reach higher level of performance and ensuring that they continue to maintain their commitment towards the organization are essential in attaining organizational objectives. Organizations which are able to acquire, develop, stimulate and retain outstanding employees are effective and efficient. Human resources thus play a vital role either in the success or failure of an organization.

Like many other organized sectors, banking requires a multi - layer manpower for its various requirements of professionals and support staff. The range may require reasonably educated security guards on the one end and a highly educated and trained professional as head of corporate finance at the other. With liberalization of activities within the banking sector, for example, more emphasis on consumer and house finance and personal loans, etc. banking has turned itself into a more market-based business where banks have expanded their reach more to customers' door steps in a big way making banking more practical. This has further highlighted the need for proper deployment of man-power to run banks efficiently.

STATEMENT OF THE PROBLEM

There is a wide spread apprehension that public sector banks when compared to private sectors banks are adopting well formulated HR practices which reflect in their labour productivity. Thus there is a need for a study on Labour productivity of a Private sector bank. The study was conducted on the Tamilnad Mercantile Bank Limited, a leading and oldest private sector bank in India to understand its labour productivity.

BANKING SECTOR REFORMS RELATED TO LABOUR PRODUCTIVITY

The banking sector reforms emphasized the need to improve productivity of the banks through appropriate rationalization measures so as to reduce the operating cost and improve the productivity. Narashimhan Committee which recommended fundamental reforms in banking and financial sector had provided strong arguments in its first report in 1991 for far-reaching reforms in the area of organization and methods, systems improvement and issues related to human resources, along with reforms related to other operational areas.

The second report of the committee in1998 laid renewed emphasis and necessity on parallel reforms in HR.A variety of initiatives were taken by the banks, thereof, such as abolition of bank service Recruitment Boards(BSRBs), implementation of voluntary Retirement Scheme(VRS) and other efforts referred to as the managerial Autonomy package based on the Narashimhan Committee reports. The salient feature of the autonomy measures are:

- Autonomy given to public sector Banks to function in new business areas and undertake business rationalization, i.e., opening of new landscapes in business, closing of unviable business units, setting facilities overseas in line with bank's overall business strategy. This was essentially a market centric step aimed at bringing greater organizational maturity to banks in handling issues of business management and corporate governance. It was also aimed to help them reposition their organizations in different market niches according to their core competencies.

- Banks could also formulate their own HR policies in recruitment, staffing policies, mobility, promotion, discipline etc., specifically to suit their organizational needs. Banks could also leverage on HR for business growth and design innovative policies for people development
- Strong banks were further given autonomy in deciding the number of general managers depending on their organizational requirements. The purpose was to establish a scientific design of the 'span of control' and create a right mix in the top management team
- Strong banks could also offer differential pay package within the overall grades as decided under the wages settlement at industry level to genuine high performers. The underlying reason was to instill a culture of performance-linked pay in order to motivate high achievers.
- Removal of the cap on staff welfare spends made by banks is yet another avenue which banks can explore in designing the right mix of the overall employee benefits package which can have a tremendous impact on employee motivation and retention.

These measures announced for Commercial Banks set a new road map for managing their HR function. An effort was made through HR initiatives to meet the challenges emerging as Indian banking entered into a new era of technology-enabled and customer-centric banking. In the post reform period, the productivity and profitability of the banks has increased considerably. This article tries to project the labour productivity of Tamilnad Mercantile Bank Limited.

LABOUR PRODUCTIVITY

The productivity of employee is crucial for the overall efficiency of the banks. The Reserve Bank of India constituted a lot of committees over several years, notably Tondon Committee (1975), Luther Committee (1977), Chakravarty Committee(1986) and Narsimham Committee (1991) which inter-alia examined various parameters of efficiency and given a number of suggestions to improve the efficiency of the banks in India. Most of the public Sector Banks have had their existence for more than a century with a number of legacy issues to tackle. Faced with the threat of competition from the foreign and new private sector banks (post-liberalization), public sector banks employed a number of measures to improve employee productivity and reduction of operating costs.

These included going for fully automated systems(Core banking solution based operations) preceded with Business Process Reengineering (BPR),offering VRS to its employees, training and retraining of staff, lateral recruitment of specialists, emphasis on marketing, advertising, customer relationship management and improving brand image, diversification of activities, introduction of offices and data centers, business process outsourcing and others. Some of the banks underwent restructuring exercise with the involvement of international consulting agencies to adopt best international practices and remove bottlenecks in their operations.

MEASUREMENT OF LABOUR PRODUCTIVITY-

Employee productivity can be measured in terms of Business per Employee and profit per Employee, while the employee cost to the organization can be measured in term of employee Cost to Operating Expenses, Employee Cost to Total Business, and Employee Cost to Total Assets. The public sector banks were the biggest beneficiaries of the rise in labor productivity. This is evident from various Employee productivity and Employee Cost Rations. Table.1 lays down the conceptual framework of these rations.

Table.1

S.No	Ratio	Definition of Ratio
A. Employee Productivity Ratios		
1.	Business per employee(Rs.Lakhs)	Total Business/Number of employees
2.	Profit per Employee (Rs.Lakhs)	Net profit/Number of Employees
B .Employee cost Ratios		
3.	Employee Cost of Operating Expenses	Payments to and provisions for employees as a percentage of Operating Expenses
4.	Employee cost to Total Business	Payments to and provisions for employees as a percentage of Total Business
5.	Employee cost to Total Assets	Payments to and provisions for employees as a percentage of Total Assets

The financial performance of TMB has been examined with the help of CASA, return on equity, return on assets, net interest margin, capital adequacy ratio, gross NPA and Net NPA. The above said indicators for the year of 2014-15, 2015-16 and 2011-12 have been computed and presented in Table-3(A)

TABLE – 3(A)
Financial Performance of TMB

Parameter	2015-16 %	2014-15 %	2013-14 %
CASA	23.80	24.52	21.44
Return on Equity	19.59	17.27	16.27
Return on Assets	1.74	1.54	1.51
Net Interest Margin	4.24	3.57	3.84
Capital Adequacy Ratio (Basel II)	15.13	15.5	16.0
Gross NPA	1.30	1.37	1.81
Net NPA	0.27	0.24	0.38

Source: www.tmb.com

The CASA has been increased from 21.44 per cent in 2013-14 to 24.52 per cent in 2014-15. The return on equity is increasing from 16.27 per cent to 19.59 per cent doing the same period whereas the return on assets is increasing from 1.51 per cent in 2013-14 to 1.74 per cent in 2015-16. The net interest margin is also increasing from 3.84 per cent to 4.24 per cent during the same period. The Gross Non-performing assets are decreasing from 1.81 per cent to 1.30 per cent during the same period whereas the net non performing assets are decreasing from 0.38 per cent to 0.27 per cent during the same period.

3.1.5 Performance of the Tamilnad Mercantile Bank

One of the important profiles of the banks is their performance. The performance indicators of the banks are several. The present study confines the performance indicators to Business per Employee, Profit per Employee, Employee Cost to Total Business, Employee Cost to Operating Expenses, Employee Cost to Assets, Income and Net Profit. The mean, co-efficient of variation, annual growth rate and compound growth rate of above said performance indicators are calculated. The annual and compound growth rate is computed by-

1. Annual Growth Rate

Y = a + bt (Chinnappa and Reddy, 1999)[1]

Whereas

Y – Performance Indicator
t – Time
b – Annual growth rate
a – Constant

2. Compound Growth Rate

Y – abt (Hiremath et al., 1998)[2]
log y – a + blog t
Y – a + bT

Compound growth rate = (Antilog of b-1) × 100

The results are given in Table-3(B)

TABLE - 3(B)
Performance Indicators of TMB during the Past 10 Years (2006–2016)

Sl.No.	Performance indicators	Mean	Co-efficient of variation (in per cent)	Annual Growth Rate (AGR)	Compound Growth Rate (CGR) in percent
1.	Business per employees	208.43	29.08	0.3042*	20.22
2.	Profit per employee	2.47	21.78	0.2454*	17.33
3.	Employee cost to total business	0.77	24.36	–0.2865*	–
4.	Employee cost to operating expenses	54.93	19.11	–0.1997*	–
5.	Employee cost to Assets (in per cent)	0.79	18.04	–0.2174*	–
6.	Income (in lakhs)	6042.06	12.68	0.4083*	27.89
7.	Net profit (in lakhs)	8921.5	14.97	0.3411*	33.04

Source.www.indiastat.com *Significant at five per cent level.

The mean of Business per Employee during the past 10 years of TMB is ₹ 208.43 lakhs and the Profit per Employee is ₹ 2.47 lakhs whereas its co-efficient of variations are 29.03 and 21.78 percent respectively. The mean of Income and Net profit during the past ten years are ₹ 604206 lakhs and ₹ 8921.50 lakhs respectively whereas its co-efficient of variations are 18.04, 12.68 and 14.97 per cent respectively. The annual growth rate of Business per Employee, Profit per Employee, Income and Net profit are positive and significant at five per cent level. It reveals that there is a significant increase in the above said performance indicators during the study period.

The mean Employee cost to total business, Employee cost to operating expenses and Employee cost to asset are 0.77, 54.93 and 0.79 per cent respectively with the co-efficient of variation of 24.36, 19.11 and 18.04 per cent respectively. There is a significant decrease in the Employee cost to operating expenses, Employee cost to total business and Employee cost to total assets since their annual growth rates are negative and significant at five per cent level.

The compound growth rate of Total income, Net profit, Business per Employee and Profit per Employee are 27.89, 33.04, 20.22 and 17.33 per cent respectively. It also highlights the overall growth of the financial performance indicators of the bank.

1. Chinnappa, B. and Keshava Reddy, T.R., (1999), "An Empirical Analysis of Growth and Instability in Sugar Industry", **Agricultural Banker**, 23 (2), pp.2-7.
2. Hiremath, G.M.,K.N.R. Sastry, A.D., Naik, and G.K. Hiremath (1998), "Deteriorating Potentiality of Bank Irrigation in Karnataka", **Agricultural Banker**, 22 (4), p.37.

SUGGESTIONS TO IMPROVE LABOUR PRODUCTIVITY

1. TMB may approach and make use of the external training agencies to train their employees on utilization of computers, language abilities, work culture of similar banks and so on.
2. TMB can make use of Open house discussions, employee-management meets, suggestion boxes and ideas capture tools such as Critical Incidents diaries that can help the management to identify and develop talent of the employees.
3. TMB can plan for the implementation of the Goal sharing process in their bank for the purpose of ensuring employee motivation and satisfaction.
4. HR department of Tamilnad Mercantile Banks is advised to get awareness about the changing age and social profile of their employees and tailor their policies accordingly. The "one size fits all" approach will not succeed in future.
5. The bank can recreate a congenial working atmosphere that can serve as an implicit compensation for the employees and can act as a potent retaining force.
6. The bank may conceptualize and nurture its brand value as an employer so as to attract the best people to work for them.
7. The bank can evaluate the HR function itself by setting specific targets and goals and measuring achievements against them.

CONCLUSION

Today banking services are vital for the people. It is the bank employees who help the customers in procuring quality banking services at a faster rate and enable the productivity and profitability of the banks. Their importance is a major factor which decides the success of the banks. By the research work, an old private sector bank- Tamilnad Mercantile Bank Limited was studied for its labour productivity and the results were found to be favourable to the bank regarding its practices. These types of researches in public sector banks, new private sector banks, foreign banks and other financial sector will surely give reliable information for policy implementations by Reserve Bank of India and the labour productivity of banks will grow to a great extent.

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[3] Field, H.S. and Holley, W.H., (1982), "The relationship of performance appraisal systems characteristics to verdicts in selected discrimination cases", **Academy of Management Journal**, 25 (2).