

Productivity Analysis of Selected Public Sector Banks in India

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ABSTRACT

The efficiency analysis of banks is highly affected by the government regulations, industry competitions and environmental factors enhancing/impairing this trend. These environmental variables have a significant impact on bank productivity. Ratio analysis has historically been the standard technique used by regulators, industry analysts, and management to examine banking performance. An analysis of changes of various ratios over time reveals changes in bank policies and strategies and/or in its business environment. The researcher tried to do Ratio analysis of selected public sector banks (viz. SBI, SBM, SBT, SBB&J, BoB, BoI, Canara Bank and PNB). BoB is doing excellent in terms of productivity where as BoI and SBI performing equally in terms of productivity. Thereafter Canara Bank and SBBJ performing at par in terms of high productivity. SBT, SBM and PNB have to improve their efficiency in terms of productivity.

Key Words: India, Productivity, Public sector banks, Ratio analysis

Introduction

Banking System is the lifeline of each country's economy. It facilitates business activities by providing money and certain services that help in exchange of goods and services. In this process, the performance of Public Sector Bank inefficient allocation of capital to the productive sectors of the economy is conditioned on its own financial performance. Therefore, it is quite obvious to study the productivity of the banking sector.

Productivity is the parameters of the efficiency of the bank. It can be measured by way of per employee business, per employee profit and business per branch. Low productivity is great concern for the bank as it is directly related to the profit of the bank. Hence, financial performance of bank can also be measured by productivity ratio analysis. So it has become very mandatory to study and to make productivity analysis of Public Sector Banks.

Literature Review

Dr. D. Mahila Vasanthi Thangam and Ms. Thoushifa. T, (2016) concluded that number of branches and number of employees of are highly influenced the Productivity of banks. The large banks with high number of branches have the lowest Productivity and vice versa. Singla Vivek (May 2013) analyzed the published five-year data from 2007-08 to 2011-12 for the three private sector banks. This study uses Ratio analysis to compare Productivity and Profitability of the Indian Private Banks. This Study concludes that though the per employee, productivity of ICICI bank is better than other selected private sector bank, but per branch productivity of ICICI Bank is less than the other selected banks.

Sharma, Deepak (2005) conducted studies on "The critical evaluation of Indian Banking Sector" with reference to Private Sector Banks and Public Sector Banks for the period of 1998-99 to 2002-03. The main objective of the study was to examine tend of financial performance and to examine the overall productivity and profitability of selected banks. The study recommended that the bank needs to improve their product portfolio and must strive to be a one stop shop for the financial needs of middle and upper class income and high net worth individuals.

Research Methodology

The Primary objective is to examine and analyze the Productivity of selected Public Sector Banks in India. With the help of this study, researcher tries to recommend the policy to the management of Banks to improve the financial performance.

Universe of the Study

It consisted of all SBI Group of Banks (6) and Public Sector Banks (19) working in India.

Selection of banks

The researcher has considered selected eight public sector banks (viz. SBI, SBM, SBT, SBB&J, BoB, BoI, Canara Bank and PNB), which have an average market capitalization of 5 billion rupees or more during the last six months (prior to FY: 2011-12)

Financial Techniques and Statistical Tests

The researcher has used Productivity Ratios to justify the objectives of the study. The Productivity ratios used in the study are, Per Employee Business, Per Employee- Net Profit, Net Total Income per Employee, Business per Branch and Net Profit per Branch.

Further the hypotheses were developed and were proven with the help of one way ANOVA analysis. The study tries to prove whether there is a significant difference in the performance of the banks as depicted by the Productivity ratios for the period of 2011-12 to 2015-16.

Data Analysis and Interpretation

1. Business per Employee

Table 1.1: Business Per Employee (%)

	SBI	SBBJ	SBT	SBM	PNB	BOB	BOI	CANB
2011-12	8.87	8.61	10.07	8.78	10.84	15.94	12.76	13.24
2012-13	9.85	10.1	12.52	9.45	11.06	18.61	15.93	14
2013-14	11.73	10.33	10.95	10.24	12.22	21.99	19.63	14.79
2014-15	13.49	11.62	11.6	11.59	12.91	21.18	20.69	14.89
2015-16	15.38	12.34	11.19	11.69	13.64	18.41	17.96	14.9
Average	11.864	10.6	11.266	10.35	12.134	19.226	17.394	14.364

The average of Business per Employee ratio of BOB is highest followed by BOI, Canara Bank and PNB in order.

H0: There is no significant difference in Ratio of Business per Employee (%) of different banks.

H1: There is a significant difference in Ratio of Business per Employee (%) of different banks.

Table 1: ANOVA Statistics with respect to Business per Employee

ANOVA					
Source	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	382.411	7	54.630	14.918	.000
Within Groups	117.184	32	3.662		
Total	499.595	39			

At the 5 % level of significance and (7, 32) df. the calculated value of F-Statistic is 14.918 which is highly significant. Thus the null hypothesis is to be rejected. Thus, it can be interpreted that **there is a significant difference between Businesses per Employee (%) of different banks.**

2. Net Profit per Employee

Table 2.1: Net Profit Per Employee (%)

	SBI	SBBJ	SBT	SBM	PNB	BOB	BOI	CANB
2011-12	0.054	0.05	0.04	0.036	0.078	0.118	0.06	0.077
2012-13	0.062	0.056	0.05	0.038	0.075	0.103	0.064	0.067
2013-14	0.049	0.054	0.021	0.025	0.05	0.098	0.063	0.049
2014-15	0.061	0.058	0.024	0.04	0.044	0.068	0.037	0.05
2015-16	0.047	0.062	0.022	0.033	-0.056	-0.103	-0.122	-0.052
Average	0.0546	0.056	0.0314	0.0344	0.0382	0.0568	0.0204	0.0382

The average of Net Profit per Employee ratio of BOB is highest followed by SBBJ, SBI, PNB and Canara Bank in order.

H0: There is no significant difference in Ratio of Net Profit per Employee (%) of different banks.

H1: There is a significant difference in Ratio of Net Profit per Employee (%) of different banks.

Table 2.2: ANOVA Statistics with respect to Net profit per Employee

ANOVA					
Source	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	.006	7	.001	.341	.929
Within Groups	.083	32	.003		
Total	.089	39			

At the 5 % level of significance and (7 and 32) df. the calculated value of F-Statistic is 0.341 which is not significant. Thus the null hypothesis is to be accepted. Thus, it can be interpreted that **there is no significance difference between Net Profit per Employee (%) of different banks.**

3. Net Total Income per Employee

Table 3.1: Net Total Income Per Employee (%)

	SBI	SBBJ	SBT	SBM	PNB	BOB	BOI	CANB
2011-12	0.56	0.535	0.593	0.545	0.653	0.784	0.715	0.799
2012-13	0.594	0.641	0.764	0.608	0.728	0.9	0.846	0.872
2013-14	0.697	0.677	0.728	0.635	0.729	0.943	0.978	0.891
2014-15	0.821	0.75	0.768	0.756	0.764	0.959	1.052	0.894
2015-16	0.923	0.787	0.722	0.745	0.766	0.943	0.935	0.905
Average	0.719	0.678	0.715	0.6578	0.728	0.9058	0.9052	0.8722

The average of Net Total Income per Employee ratio of BOB is highest followed by BOI, Canara Bank and PNB in order.

H0: There is no significant difference in Ratio of Net Total Income per Employee (%) of different banks.

H1: There is a significant difference in Ratio of Net Total Income per Employee (%) of different banks.

Table 3.2: ANOVA Statistics with respect to Net Total Income per Employee

ANOVA					
Source	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	.378	7	.054	5.974	.000
Within Groups	.289	32	.009		
Total	.667	39			

At the 5 % level of significance and (7, 32) df. the calculated value of F-Statistic is 5.974 which is highly significant. Thus the null hypothesis is to be rejected. Thus, it can be interpreted that **there is a significant difference between Net Total Income per Employee (%) of different banks.**

4. Business per Branch

Table 4.1: Business Per Branch (%)

	SBI	SBBJ	SBT	SBM	PNB	BOB	BOI	CANB
2011-12	133.93	116.65	144.27	122.15	118.65	169.8	141.76	155.43
2012-13	149.87	125.02	150.16	130.64	119.22	184.97	156.38	160.41
2013-14	162.16	120.25	142.11	117.63	129.12	195.76	182.3	151.79
2014-15	176.14	121.96	138.11	116.34	134.44	197.51	190.91	141.48
2015-16	190.32	126.85	141.53	120.07	142.81	176.19	171.79	137.55
Average	162.484	122.146	143.236	121.366	128.848	184.846	168.628	149.332

The average of Business per Branch ratio of BOB is highest followed by BOI, SBI and Canara Bank in order.

H0: There is no significant difference in Ratio of Business per Branch (%) of different banks.

H1: There is a significant difference in Ratio of Business per Branch (%) of different banks.

Table 4.2 : ANOVA Statistics with respect to Business per Branch

ANOVA					
Source	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	18803.923	7	2686.275	16.715	.000
Within Groups	5142.613	32	160.707		
Total	23946.535	39			

At the 5 % level of significance and (7, 32) df. the calculated value of F-Statistic is 16.715 which is highly significant. Thus the null hypothesis is to be rejected. Thus, it can be interpreted that **there is a significant difference between Businesses per Branch (%) of different banks.**

5. Net Profit per Branch

Table 5.1: Net Profit Per Branch (%)

	SBI	SBBJ	SBT	SBM	PNB	BOB	BOI	CANB
2011-12	0.82	0.686	0.581	0.501	0.861	1.264	0.669	0.911
2012-13	0.94	0.704	0.607	0.533	0.808	1.033	0.641	0.771
2013-14	0.678	0.637	0.272	0.291	0.539	0.92	0.586	0.512
2014-15	0.802	0.616	0.289	0.402	0.466	0.641	0.349	0.475
2015-16	0.592	0.646	0.286	0.345	-0.587	-0.992	-1.199	-0.481
Average	0.7664	0.6578	0.407	0.4144	0.4174	0.5732	0.2092	0.4376

The average of Net Profit per Branch ratio of SBI is highest followed by SBBJ, BOB and Canara Bank order.

H0: There is no significant difference in Ratio of Net Profit per Branch (%) of different banks.

H1: There is a significant difference in Ratio of Net Profit per Branch (%) of different banks.

Table 5.2: ANOVA Statistics with respect to Net profit per Branch

ANOVA					
Source	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	1.054	7	.151	.560	.782
Within Groups	8.604	32	.269		
Total	9.658	39			

At the 5 % level of significance and (32, 7) df. the calculated value of F-Statistic is 0.56 which is not significant. Thus the null hypothesis is to be accepted. Thus, it can be interpreted that **there is no significance difference between Net Profit per Branch (%) of different banks.**

Conclusions

Bank of Baroda is very good in business per employee, whereas State Bank of Mysore has to improve their business. Bank of Baroda has performed excellent in net profit per employee, whereas Bank of India has to improve the efficiency of their employee. Bank of Baroda's employees is very efficient to maintain their net income, whereas, State Bank of Mysore has to improve the efficiency of their employee. Bank of Baroda is really very good at productivity in case of business per branch, whereas, State Bank of Mysore has to improve productivity. State Bank of India is performing well in Branch productivity in matter of profit, whereas, Bank of India has improved their Branch performance to improve net profit.

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