

Employees Productivity Analysis (A Comparative Study of Punjab National Bank and Central Bank of India)

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Abstract

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. A deep understanding of customer's needs and delivery of world class service play a vital role in success of banks. With increasing demands and growing sophistication of customers, retention of customers has become the primary concern for every bank. In order to ensure customer loyalty, quality of interfacing with customers has to be improved remarkably because the scope of product, price and technology differentiation is very limited. 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. The paper evaluates the financial position of Punjab National Bank and Central Bank of India in terms of their employees. The analysis shows the efforts of the selected banks in increasing their viability in selected study period of ten years from 2002 to 2011.

1. Introduction

Globalization, deregulation and advances in information technology during past few years have brought about significant changes in the operating environment for banks. In Current scenario of decreasing customer loyalty beyond designing strategies to attract new customers, banks have gone all out to retain current customers and create long lasting relationships. 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. The quality of human resources indicates the ability to deliver the value to clients or customers. Therefore, it is necessary to evaluate profitability of banks in terms of its employee's productivity. The present study is an attempt to appraise the financial position of selected public sector banks on the basis of two ratios Business Per Employee and Profit Per Employee. It simply means the contribution of employees in increasing the efficiency of banks in terms of business and profit. The gap analysis has also been employed to determine the variance in the performance of the banks.

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Review of Literature

A number of studies were conducted to compare different types of banks operating in India based on different efficiency criteria from time to time. After nationalization of banks, there was a growing concern on the deteriorating of banking sector's efficiency in several spheres. The Reserve Bank of India constituted a number of committees, notably Tandon 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. Batra (2011) has given insight on human resource management by public sector banks. It also highlights the various initiatives taken to improve the productivity of public sector banks. Sreenivas (2011) also elaborated the importance of human resource management in public sector banks. Tandon (2011) details the organization behavior of public sector banks. Uppal (2010) has given insight of second generation banking sector reforms, cost-benefit and productivity analysis along with comparative efficiency of Indian banks.

Objectives of the Study

The Study included following broad objectives:

1. To examine and analyze the productivity of selected banks during selected time period.
2. To compare the gap in productivity of selected banks.
3. To draw meaningful conclusion and offer necessary suggestions to improve the productivity of both public sector banks.

Research Methodology

For the purpose of the study two leading public sector banks i.e. Punjab National Bank (PNB) and Central Bank of India (CBI) has been selected. The financial data of the bank has been taken for a period of ten years, i.e., from fiscal 2002 to fiscal 2011. The study has employed data on the selected variables such as Business per Employee and Profit per Employee for Punjab National Bank and Central Bank of India which has been presented in tabular forms. The gap indexes have been worked as the percentage of difference of the value of variables between Punjab National Bank (PNB) and Central Bank of India (CBI) as a ratio of their aggregate value. The purpose of Gap Index construction was to see whether or not the gap between selected banks is reduced after several initiatives taken to improve the productivity of employees during the period of 10 years i.e. from 2001-02 to 2010-11 under study.

Business per Employee

Business per employee ratio is related with the employee's productivity. It can be calculated by dividing the total business of the bank by number of employees. Higher the ratio, better it is.

$$\text{Business per Employee} = \frac{\text{Total Business}}{\text{Number of Employees}}$$

Total Business = Deposits + Advances

Profits per Employee

The profit per employee ratio is related with the profit-employee productivity. It reflects the profit or the earnings generated by per employee of the bank. It can be calculated by dividing the net profits of the bank by number of employees. Higher the ratio, more profitable is the bank

$$\text{Profit per Employee} = \frac{\text{Net Profit}}{\text{Number of Employees}}$$

The ratio of Business per Employee and Profit per Employee for PNB and CBI has been calculated as under and can be analyzed with the help of following table:

Table 1: Employee Productivity Ratios

Year*	(Rs.Lakhs)				
	Business per Employee		Profit per Employee		
	PNB	CBI	PNB	CBI	
	1	2	3	4	5
2002	167.76	148.77	0.97	0.4	
2003	195.65	167.85	1.43	0.77	
2004	228.22	181.51	1.88	1.58	
2005	276.87	206.89	2.42	0.93	
2006	330.92	240.46	2.48	0.68	
2007	407.41	303.85	2.68	1.35	
2008	504.52	400.99	3.66	1.56	
2009	654.92	560.28	5.64	1.71	
2010	807.95	711.76	7.31	3.3	
2011	1017.8	835.17	8.35	3.96	

*End of Financial Year



It can be observed from Table.1 that Business per Employee of both the banks is continuously improving in selected time period. Business per Employee of Punjab National Bank has increased 5.06 times (Rs.167.76 lakhs to 1017.8 lakhs) from 2002 to 2011. In case of Central Bank of India, Business per Employee has increased 4.61 times (Rs 148.77 lakhs to 835.17 lakhs) during the same period. The rising trend of Business per Employee of both the banks indicates the increasing productivity of both the

banks. However the increase is more significant in case of Punjab National Bank due to several initiatives taken to enhance the level of employee motivation, commitment and productivity.

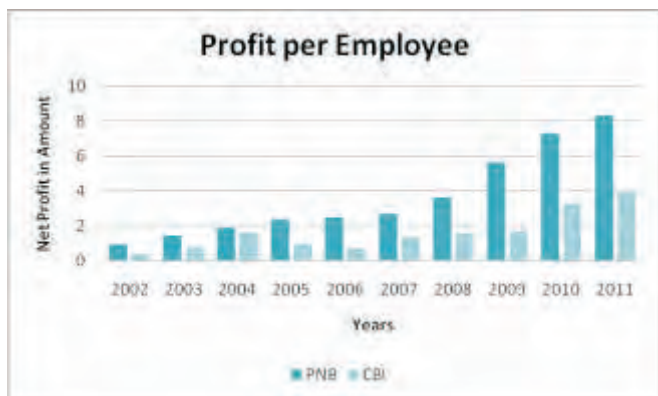


Table.1 also reveals that Profit per Employee has increased for both the banks. Punjab National Bank has shown increase of 7.60 times (Rs 0.97 lakhs to 8.35 lakhs). Central Bank of India has shown a rise of 3.16times (0.4 lakhs to 3.96 lakhs) during the period of 2002-11 under study. However in case of Central Bank of India, Profit per Employee has shown decline from 2005 to 2008 due to increasing operating expenses. While Punjab National Bank has shown increasing trend throughout the study period as the bank has high CASA ratio owing to extensive branch network.

Gap Index Analysis

Gap Analysis is the process of comparing two organisations in order to determine the difference or “gap” that exists between them. Once the gap is understood, the steps required to bridge the gap can be determined. The Gap Index can be calculated as the percentage of difference of the value of variables as a ratio of their aggregate value. The Gap Index of Business per Employee (BPE) and Profit per Employee (PPE) can be worked out as:

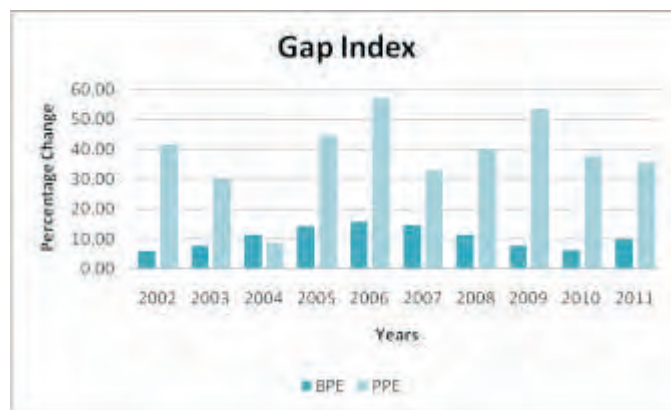
$$\text{Gap Index of Business per Employee (BPE)} = \frac{\text{BPE(PNB)} - \text{BPE(CBI)}}{\text{BPE(PNB)} + \text{BPE(CBI)}} \times 100$$

$$\text{Gap Index of Profit per Employee (PPE)} = \frac{\text{PPE (PNB)} - \text{PPE (CBI)}}{\text{PPE (PNB)} + \text{PPE (CBI)}} \times 100$$

Table 2: Gap Index

Year	Business per employee	Profit per Employee
2002	6.00	41.61
2003	7.65	30.00
2004	11.40	8.67
2005	14.47	44.48
2006	15.83	56.96
2007	14.56	33.00
2008	11.43	40.23
2009	7.79	53.47
2010	6.33	37.79
2011	9.86	35.66
Percent Change from 2002 to 2011	64.30%	14.29%

It can be analyzed from the table.2 that in terms of Business per Employee the gap between Punjab National Bank and Central Bank of India has shown increase from 6.0 in 2002 to 9.86 in 2011 (64.3 per cent). The gap in respect of Profit per Employee has also shown a decrease from 41.61 in 2002 to 35.66 in 2011 (14.29 per cent). The increasing gap in case of Business per Employee is indicating the difference in business generated by both banks. The decreasing gap in Profit per Employee of both the banks is signaling the convergence of practices adopted by both banks to increase their profits. Thus Central bank of India has to take necessary steps to improve their operating efficiency.



Conclusion & Suggestions

While comparing the 10 year’s data from 2002 to 2011 on productivity factors such as 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. The gap between the performance of State Bank of India and Bank of Baroda on two variables has shown an increasing trend during the period of 2002-11 under study. State Bank of India needs to take necessary steps to control their non performing assets. Improved operational efficiency along with lower provisioning can be welcome step for improving the performance of the bank. The bank also required to keep a check on their increasing labour cost.

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