

## **PRODUCTIVITY ANALYSIS OF SELECTED PRIVATE SECTOR BANKS IN THE POST BANKING REFORM ERA**

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### **ABSTRACT**

The banking industry in India is mainly divided into three main sectors i.e. Public Sector Banks, Private Sector Banks and Foreign Sector Banks. The Private sector banks showed some better growth in some of the areas. So this study is based on measuring the productivity of Private sector Banks; a study of intra sector comparison of productivity with respect to performance parameters. The study will let us know the performance of private sector banks on various parameters. The five banks have been selected for the measurement of productivity in this study. The results of the study will let us know the impact of computerization in financial sector in India. It will show the advantages and disadvantages of the adoption of the Computerization by banking sector. The adoption of IT- Information Technology led to revolutionize the world and the impact of which can also be seen in banking sector in India. The results of the study can provide some facts to the policy makers to know the opportunities and the lacking points to tackle the global rivalry. The second reform suggested by government in the banking industry in the late 1990s led to the transformation of financial sector and revolutionized the operational efficiency by increase of productivity in various forms. This study is based to analyze the impact on private sector banks.

**KEYWORDS:** Average, Information Technology (IT), Private Sector Banks, Productivity, Standard Deviation (SD)

### **INTRODUCTION**

The global competition is increasing constantly and it's getting tough to retain your position in market. Customer is more and more demanding in this competitive world. One should be updated with time for this purpose. Technology is the key point for this issue. The computerization was adopted widely in India banking sector in the year 2000. So what changes it brought in the banks is the focus of study. The productivity will be measured on the basis of the parameters stated in this study. The productivity is defined as the output with respect to the per unit input. Time period of fourteen (14) years i.e. 2000 to 2014 is taken for the Productivity measurement of Private Sector Banks under study. During the last two decades all over the world banking witnessed changes which are not only confined to developed countries but also to the developing countries like India. The second reform in the banking sector was recommended by Narasimhan Committee in 1998. It was said to be the second reform after the successful implementation of the first in the history of banking industry.

### **OBJECTIVE OF THE STUDY**

- To identify and examine the Intra-sector differentials of selected Private Banks under study.

### **RESEARCH METHODOLOGY**

The study is based on measurement of Productivity on the basis of some Parameters. By review of literature

seventeen (17) parameters have been selected to measure the productivity of Private sector banks under study. All the parameters have been shown in the table number 2. Statistical Methods like Mean, standard deviation (SD) and F- Test is used to measure the significant variations.

## SELECTION OF BANKS

The list of selected banks has been shown in the following the table number 1 and Five numbers of banks from Private Sector Banks are randomly selected for the study.

**Table 1: List of Private Sector Banks under Study**

Bank Group	Sr. No.	Name of the Bank
Private Sector Banks	1	Axis Bank
	2	ICICI Bank
	3	HDFC Bank
	4	Kotak Mahindra Bank
	5	IndusInd Bank

## INTRA SECTOR COMPARISON OF PRODUCTIVITY RATIOS IN DIFFERENT PRIVATE SECTOR BANKS

### Deposits per Employee

Information given in Table 2 showed the inter sector comparison of productivity ratio in various private sector banks. Average deposits per employee were highest of the order of Rs. 4.94 crore in Indusind Bank, followed by Rs. 4.52 crore in AXIS Bank and Rs. 3.89 crore in ICICI Bank. Whereas the average deposits per employee was lowest of the order of Rs. 1.68 crore in Kotak Mahindra Bank followed by Rs.2.80 crore in HDFC Bank. The analysis further showed that there was a significant difference in deposits per employee of all the Private sector banks as shown by the F-ratio of 9.95.

### Advances per Employee

Average advances per employee came to be Rs. 3.06 crore in AXIS Bank, Rs. 3.67 crore in ICICI Bank, Rs. 1.92 crore in HDFC Bank, Rs. 1.63 crore in Kotak Mahindra Bank and Rs.3.46 crore in IndusInd Bank. The results showed that all the private sector banks under study differ significantly on advances per employee as revealed by the F-ratio of 5.84.

**Table 2: Intra Sector Comparison of Productivity Ratios in Private Sector Banks**

Ratio	Axis Bank		ICICI Bank		HDFC Bank		Kotak Mahindra Bank		Indusind Bank		F-Ratio
	Mean	SD	Mean	SD	Mean	SD	Mean	SD	Mean	SD	
Deposits/Employee	4	2.19	3.89	2.11	2.80	1.14	1.68	1.38	4.94	0.92	9.95**
Advances/Employee	3.06	1.90	3.67	1.97	1.92	1.14	1.63	1.28	3.46	0.67	5.84**
Business/Employee	7.58	4.07	7.56	4.06	4.72	2.28	3.31	2.66	8.40	1.51	7.52**
Total Expenditure/Employee	0.43	0.23	0.55	0.32	0.29	0.14	0.26	0.20	0.54	0.09	6.46**
Total Earnings/Employee	0.50	0.27	0.56	0.33	0.34	0.17	0.30	0.23	0.59	0.10	4.74**
Spread	6.12	3.14	4.94	2.44	7.13	1.76	6.69	2.27	5.66	1.63	2.07
Establishment expenditure/ employee	0.12	0.07	0.15	0.10	0.10	0.05	0.10	0.06	0.13	0.04	1.50
Deposits/branch	97.14	15.99	114.36	55.55	79.33	11.99	57.18	37.28	114.75	36.21	7.32**
Advances/branch	62.12	22.33	107.17	52.34	51.84	18.58	57.66	27.81	78.61	17.95	7.97**
Business/branch	159.26	37.56	221.53	106.68	131.18	29.91	114.84	63.67	193.36	52.89	7.02**
Total Expenditure/branch	9.34	2.54	15.66	7.54	7.97	2.08	9.62	3.84	12.65	4.23	7.15**
Total Earnings/branch	10.77	3.11	16.63	8.98	9.55	2.33	11.38	4.37	13.83	4.37	4.45**
Establishment expenditure/ branch	2.43	0.89	4.34	2.60	2.80	0.83	3.84	1.06	2.81	0.95	4.74**
Profit as % of	20.04	11.27	19.57	11.39	30.85	6.04	44.89	19.42	14.03	9.68	14.73**

Earnings											
Establishment expenditure as % of total expenditure	26.12	7.75	26.15	6.14	35.32	7.30	42.00	7.83	23.56	7.26	17.09**
Establishment expenditure as % of Business	1.50	0.39	1.86	0.65	2.12	0.38	6.69	9.26	1.52	0.49	4.28**
Total expenditure as % of Business	5.89	1.01	7.13	1.83	6.09	0.84	14.78	18.18	6.49	0.81	3.18*

**Source:** calculated & sourced from the Performance Highlights publications of IBA Mumbai from years 2000-2014.

### Business per Employee

Average business per employee was highest of the order of Rs. 8.40 crore in IndusInd Bank, followed by Rs. 7.58 crore in AXIS Bank and Rs. 7.56 crore in ICICI Bank. The average business per employee was lowest of the order of Rs. 3.31 crore in Kotak Mahindra Bank followed by Rs. 4.72 crore in HDFC Bank. The analysis further revealed there was a significant difference among all the private sector banks on business per employee as shown by the F-ratio of 7.52.

### Total Expenditure per Employee

Average expenditure per employee came to be Rs. 0.43 crore in AXIS bank, Rs. 0.55 crore in ICICI bank, Rs. 0.29 crore in HDFC Bank, Rs. 0.26 crore in Kotak Mahindra Bank and 0.54 crore in Indusind Bank. The results showed that all the private sector banks differ significantly on total expenditure per employee as shown by the F-ratio of 6.46.

### Total Earning per Employee

Average earning per employee was highest of the order of Rs. 0.59 crore in Indus Ind Bank followed by Rs.0.56 crore in ICICI Bank and Rs. 0.50 crore in AXIS bank. Average earning per employee was lowest of the order of Rs. 0.30 crore in Kotak Mahindra bank and Rs. 0.34 crore in HDFC Bank. The analysis showed that there was a significant variation among all the private sector banks as shown by the F-ratio of 4.74.

### Spread

Average spread in AXIS bank came to be 6.12 percent, 4.94 percent in ICICI Bank, 7.13 percent in HDFC Bank, 6.69 percent in Kotak Mahindra Bank and 5.66 percent in Indus Ind Bank. There was no significant difference in spread of all the private sector banks as revealed by the F-ratio of 2.07.

### Establishment Expenses per Employees

Average establishment expenses per employee came to be highest of the order of Rs. 0.15 crore in ICICI Bank, followed by Rs. 0.13 crore in Indus ind Bank and Rs. 0.12 crore in AXIS Bank. Average establishment was lowest of the order of Rs. 0.10 crore in both HDFC and Kotak Mahindra Bank. The analysis showed that average establishment expenditure per employee was at par in all the private sector banks as shown by the F-ratio of 1.50.

### Deposits per Branch

Average deposits per branch were highest of the order of Rs. 114.75 crore in Indus Ind Bank, followed by Rs. 114.36 crore in ICICI Bank and Rs. 97.14 crore in AXIS Bank, while the average deposits per branch were lowest of the order of Rs. 57.18 crore in Kotak Mahindra Bank, followed by Rs. 79.33 crore in Kotak Mohindra Bank. F-ratio of 7.32 showed that all the private sector banks differ significantly on deposits per employee.

### **Advances per Branch**

Average advances per branch came to be highest of the order of Rs. 107.17 crore in ICICI Bank, followed by Rs. 78.61 crore in Indus Ind Bank and Rs. 62.12 crore in AXIS Bank, while the average deposits per branch were lowest of the order of Rs. 51.84 crore in HDFC Bank followed by Rs. 57.66 crore in Kotak Mohindra Bank. There was a significant difference on the advances per branch in all the private sector banks as shown by the F-ratio of 7.97.

### **Business per Branch**

Average business per branch was highest of the order of Rs. 221.53 crore in ICICI bank, followed by Rs. 193.36 crore in Indus Ind Bank, and Rs. 159.26 crore in AXIS Bank. The average business per branch was lowest of the order of Rs. 114.84 crore in Kotak Mohindra Bank followed by Rs. 131.18 crore in HDFC Bank. The analysis further revealed that business per branch differs significantly in all the private sector banks as shown by the F-ratio of 7.02.

### **Total Expenditure per Branch**

Average expenditure per branch came to be Rs. 9.34 crore in AXIS Bank, Rs. 15.66 crore in ICICI Bank, Rs. 7.97 crore in HDFC Bank, Rs. 9.62 crore in Kotak Mohindra Bank and Rs. 12.65 crore in Indus Ind Bank. The results showed that there was a significant difference among all the private sector banks on the expenditure per branch as revealed by the F-ratio of 7.15.

### **Total Earning per Branch**

Average earning per employee was highest of the order of Rs. 16.63 crore in ICICI Bank followed by Rs.13.83 crore in Indus ind Bank and Rs. 11.38 crore in Kotak Mohindra Bank. Average earning per employee was lowest of the order of Rs. 9.55 crore in HDFC Bank, followed by Rs. 10.77 crore in AXIS Bank. F-ratio of 4.45 showed that total expenditure per branch differs significantly in all the private sector bank.

### **Establishment Expenses per Branch**

Average establishment expenses per Branch came to be highest of the order of Rs. 4.34 crore in ICICI Bank, followed by Rs. 3.84 crore in Kotak Mohindra Bank and 2.81 crore in Indus Ind Bank. The average establishment expenses came to be lowest of the order of Rs. 2.80 crore in HDFC Bank and Rs. 2.45 crore in AXIS Bank. The analysis showed that average establishment expenditure per Branch differs significantly in all the private sector banks as shown by the F-ratio of 4.74.

### **Profit as Percentage of Earnings**

Average profit to earnings ratio came to be highest of the order of 44.89 percent in Kotak Mohindra Bank, followed by 30.85 percent in HDFC Bank and 20.04 percent in AXIS Bank. Average profit to earnings came to be lowest of the order of 14.03 percent in Indus Ind Bank followed by 19.57 percent in ICICI Bank. The analysis further revealed that there was a significant difference in profit to earnings ratio of all the private sector banks as shown by the F-ratio of 14.73.

### **Establishment Expenses as Percentage of Total Expenses**

Average establishment expenses to total expenses ratio came to be 26.12 percent in AXIS Bank, 26.15 percent in ICICI Bank, 35.32 percent in HDFC Bank, 42.00 percent in Kotak Mohindra Bank and 23.56 percent in Indus Ind Bank.

The F-ratio of 17.09 revealed that there was a significant difference in the establishment expenses to total expenses ratio in all the private sector banks.

### **Establishment Expenses as Percentage of Business**

Average establishment expenses to business ratio came to be 1.50 percent in Axis Bank, 1.86 percent in ICICI Bank, 2.12 percent in HDFC Bank, 6.69 percent in Kotak mohindra Bank and 1.52 percent in Indus Ind Bank. The results showed that all the private sector banks under study differ significantly on establishment expenses to business ratio as shown by the F-ratio of 4.28.

### **Total Expenses as Percentage of Business**

Average total expenses to business expenses ratio came to be highest of the order of 14.78percent in Kotak Mohindra Bank, followed by 7.13 percent in ICICI Bank and 6.49 percent in Indus Ind Bank. A total expense to business ratio was lowest of the order of 5.89 percent in AXIS Bank followed by 6.09 percent in HDFC Bank. The F-ratio of 3.18 revealed that there was a significant difference in the total expenses to business ratio in all the private sector banks.

## **FINDINGS OF THE STUDY**

- Average deposits per employee were highest of the order of Rs. 4.94 crore in IndusInd Bank and lowest of the order of Rs. 1.68 crore in Kotak Mahindra Bank. There was a significant difference in deposits per employee of all the Private sector banks.
- Average advances per employee came to be Rs. 3.06 crore in AXIS Bank, Rs. 3.67 crore in ICICI Bank, Rs. 1.92 crore in HDFC Bank, Rs. 1.63 crore in Kotak Mahindra Bank and Rs.3.46 crore in IndusInd Bank. All the private sector banks under study differ significantly on advances per employee.
- Average business per employee was highest of the order of Rs. 8.40 crore in IndusInd Bank and lowest of the order of Rs. 3.31crore in Kotak Mahindra Bank. There was a significant difference among all the private sector banks in business per employee.
- Average expenditure per employee came to be Rs. 0.43 crore in AXIS bank, Rs. 0.55 crore in ICICI bank, Rs. 0.29 crore in HDFC Bank, Rs. 0.26 crore in Kotak Mahindra Bank and 0.54 crore in Indusind Bank. All the private sector banks differ significantly on total expenditure per employee.
- Average earning per employee was highest of the order of Rs. 0.59 crore in Indus Ind Bank and lowest of the order of Rs. 0.30 crore in Kotak Mahindra bankThere was a significant variation among all the private sector banks.
- Average spread in AXIS bank came to be 6.12 percent, 4.94 percent in ICICI Bank, 7.13 percent in HDFC Bank , 6.69 percent in Kotak Mahindra Bank and 5.66 percent in IndusInd Bank. There was no significant difference in spread of all the private sector banks.
- Average establishment expenses per employee came to be highest of the order of Rs. 0.15 crore in ICICI Bank and lowest of the order of Rs. 0.10 crore in both HDFC and Kotak Mahindra Bank. Average establishment expenditure per employee was at par in all the private sector banks.

- Average deposits per branch were highest of the order of Rs. 114.75 crore in Indus Ind Bank and lowest of the order of Rs. 57.18 crore in Kotak Mahindra Bank. All the private sector banks differ significantly on deposits per employee.
- Average advances per branch came to be highest of the order of Rs. 107.17 crore in ICICI Bank and lowest of the order of Rs. 51.84 crore in HDFC Bank. There was a significant difference in the advances per branch in all the private sector banks.
- Average business per branch was highest of the order of Rs. 221.53 crore in ICICI bank and lowest of the order of Rs. 114.84 crore in Kotak Mohindra Bank. Business per branch differs significantly in all the private sector banks.
- Average expenditure per branch came to be Rs. 9.34 crore in AXIS Bank, Rs. 15.66 crore in ICICI Bank, Rs. 7.97 crore in HDFC Bank, Rs. 9.62 crore in Kotak Mohindra Banka and Rs. 12.65 crore in Indus Ind Bank. There was a significant difference among all the private sector banks on the expenditure per branch.
- Average earning per employee was highest of the order of Rs. 16.63 crore in ICICI Bank and lowest of the order of Rs. 9.55 crore in HDFC Bank. Total expenditure per branch differs significantly in all the private sector banks.
- Average establishment expenses per Branch came to be highest of the order of Rs. 4.34 crore in ICICI Bank and lowest of the order of Rs. 2.80 crore in HDFC Bank. Average establishment expenditure per Branch differs significantly in all the private sector banks.
- Average profit to earnings ratio came to be highest of the order of 44.89 percent in Kotak Mohindra Bank and lowest of the order of 14.03 percent in Indus Ind Bank. There was a significant difference in profit to earnings ratio of all the private sector banks.
- Average establishment expenses to total expenses ratio came to be 26.12 percent in AXIS Bank, 26.15 percent in ICICI Bank, 35.32 percent in HDFC Bank, 42.00 percent in Kotak Mohindra Bank and 23.56 percent in Indus Ind Bank. There was a significant difference in the establishment expenses to total expenses ratio in all the private sector banks.
- Average establishment expenses to business ratio came to be 1.50 percent in Axis Bank, 1.86 percent in ICICI Bank, 2.12 percent in HDFC Bank, 6.69 percent in Kotak mohindra Bank and 1.52 percent in Indus Ind Bank. All the private sector banks under study differ significantly on establishment expenses to business ratio.
- Average total expenses to business expenses ratio came to be highest of the order of 14.78 percent in Kotak Mohindra Bank and lowest of the order of 5.89 percent in AXIS Bank. There was a significant difference in the total expenses to business ratio in all the private sector banks.

## CONCLUSIONS

Among private sector banks, Axis Bank and Indus Ind Bank performed better than ICICI Bank, HDFC Bank and Kotak Mahindra Bank in case of deposits per employee, business per employee, total earnings per employee, deposits per branch and business per branch. As far as expenditure ratios were concerned, HDFC and Kotak Mahindra Bank performed better than other private sector banks. This study will help the policy makers for the up gradation of the financial sector.

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