

# Employees Productivity in Indian Banks: A Comparative Analysis

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## **Abstract**

Banking industry plays a pivotal role in the economic development of a country. It is the most intensely synchronized industry since it is highly dealing with others money. For centuries, Indian banks have delivered a significant role in shaping the financial system and thereby facilitates for economic growth. The productivity of employees is crucial for the overall efficiency of the banks. The role of employees is also of great significance as each and every activity of a bank is directly related to the attitude, motivation and work culture of the employees. Hence, employee productivity becomes an important factor while measuring overall efficiency and productivity of banks. Therefore, the study compares the employee productivity by the means of different parameters among five group of banks from 2008-09 to 2012-2013.

**Keywords:** Employees cost, Business per unit, Employees productivity, SBI

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## **Introduction**

Indian banks have delivered a significant role in shaping the financial system and thereby facilitates for economic growth. The social and economic development largely relies on the well-established banking industry in a nation. The operational efficiency and financial performance of banks always puts an impact on the comfort of the economy. Bank connects both inland and abroad economy; it may affect the domestic economy in a positive or negative way as per the reform policies of Government. The more efficient a banking system is in resource generation and in its allocation, the greater is its contribution to economic growth.

In present time, stiff competition is there in each and every sector of economy. To survive in the competitive environment, it is very important to focus on the productivity and efficiency of work. Higher productivity means getting more output by using less input and low productivity means getting less output by using more input. Generally most of the economic problems occurred because of low productivity. In India, if we will deeply concentrate to improve productivity, then it will increase national income, per capita income and improve overall living standard of public. Defining Productivity is construed as the

ability and willingness of an economic unit to produce maximum possible output with given inputs and technology. Higher the output per unit of input, higher is the productivity. (Kalirajan and Chand, 1994).

Productivity is defined as the goods and services produced per unit of labour, capital or both. In simple words, productivity is the output per unit of input employed. The basic definition of productivity is:

$$\text{Productivity} = \frac{\text{Total Output}}{\text{Total Input}}$$

Similarly, in banking industry productivity is defined as a comprehensive measure of how efficiently and effectively banks achieve their major objectives. It is the relationship between outputs and inputs during a given period (Lawlor, 1985; Murdick, Render & Russell, 1990; Sumanth, 1984).

To calculate productivity, it is necessary to identify first which outputs and which inputs are to be used. In banking context the outputs of a bank are the products and services provided to customers. These can have monetary values, like revenues, profits, total deposits, and total loan.

They can also have non-monetary values, like the total number of current and savings deposit accounts, loan accounts, and customers served. The inputs of a bank are the resources consumed in providing the products and services. Similar to the outputs, the inputs can have monetary values, like staff expenses, tangible asset value, and operating costs. They can also have non-monetary values, like the total number of labor hours paid, IT employees, and the total floor area of business premises.

By the virtue of this paper authors made a serious endeavor to analyze and compare the employee productivity of five group of banks.

## Literature Review

Oster and Antioch (1995) defined productivity as the performance of the sector as a whole and effectively combines changes in efficiency and technological advances in an average measure. Sarkar and Das (1998) compared public sector, private sector and foreign banks by using 15 indicators in their study based on major criteria representing efficiency viz. profitability, productivity and financial management. Pal and Goyal (2008) compare the productivity of public, private and foreign banks using ACGR and regression and concluded that public sector banks are growing with consistent pace and intra group variations are also less than other sector.

Jani and Raval (2012) have made attempt to analyze employee's productivity with the use of financial ratio of business per employee and profit per employee in selected

nationalized banks and give valuable suggestions and findings for productivity improvement. Yadav (2012) used sixteen key parameters under four categories such as staff productivity, cost effectiveness, profitability and financial management, to measure the productivity and efficiency of banking system in India. Gupta and Kaur (2013) in their study on 'productivity and performance of public sector banks in India' on the basis of Branch Productivity and Employee Productivity for the period of 1991-2010 suggested that banks need to improve their productivity apart to this improvements in profitability, maintain efficiency level and technology and exploring available cost-effective solutions.

Singh and Kamlesh (2013) made a study on Employee's productivity of private sector banks in India during the period 2002-2012. They observed that the performance of private sector banks has increased trend during 2004-05 to 2011-2012 and also observed that the performance of new private sector banks compete and better than new private sector banks.

## Research Methodology

### Objectives of the Study

This study will seek to analyze the employee productivity in the Indian banking sector. In order to analyze the employee productivity a comparative analysis of five group of banks using different parameters has been carried out. The objective of the study is to analyze and compare the employees' productivity by using five parameters among different bank groups which are as follows:

- i. Business per Employee
- ii. Profit per Employee
- iii. Employee Cost to Operating Expenses
- iv. Business per Unit of Employee Cost and
- v. Profit per Unit of Employee Cost

### Period of the Study

The present study is carried out for a period of five financial years from 2008-09 to 2012-13.

### Data Collection

Data had been collected through secondary sources. The major sources of data were published Annual Reports of Reserve Bank of India, Journals Published by Indian Bank's Association, Reserve Bank of India websites .

### Sample Size

The universe of the study includes all the banks working in India. But for the purpose of the study, authors had selected five group of banks from 2008-09 to 2012-13.

### Tools and Techniques of Analysis

Trend analysis and percentage method had been executed to

compare and analyze the employee productivity among five group of banks.

### Analysis and Interpretation

The parameters viz. “Business per Employee” and “Profit per Employee” are employed by banks to check and improve profitability. The employees' productivity in relation to these two parameters for the 5 years period under study in respect of five group of banks is presented in Table 1, 2 & 3, and Figures 1 & 2.

The parameters viz. Employee Cost to Operating Expenses”, “Employee Cost to Total Profit” “Employee Cost to Total Profit”, help banks in maintaining an adequate level of employee cost to avoid imbalance that leads to either lowering of profit margin due to over employee cost or bringing dissatisfaction amongst employees due to under employee cost. The employees' cost in relation to these parameters for the 5 years period under study in respect of five group of banks is presented in Table 4, 5 & 6, and Figures 3, 4 & 5.

**Business Per Employee:** The Employees' Productivity is

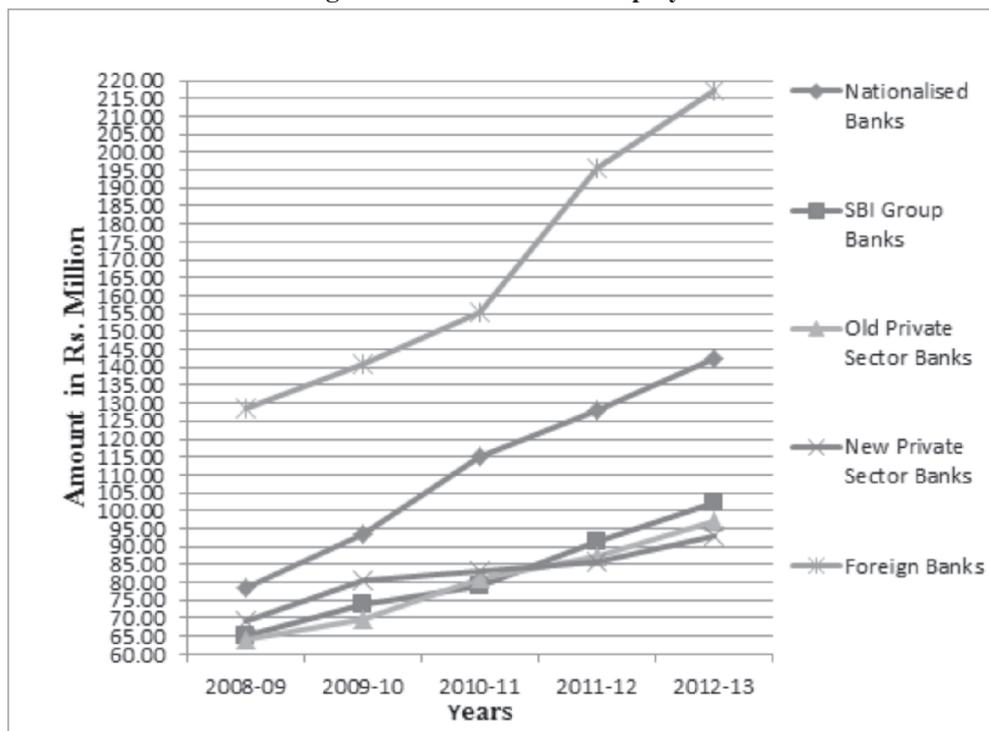
measured in terms of 'business per employee' for the five year time period(2008-2013) in respect of five group of banks are presented in Table 1 and Figure 1 below. It may be observed from the Table 1 and Figure 1 that the business per employee for all Scheduled Commercial banks is continuously improving during the period of 5 years under study. It has increased 64 percent (Rs.73.98 million to Rs121.33 million) from 2008-09 to 2012-13. Similarly a continuous improving trend is observed for all the other five group of banks during 5 year time period from 2008-09 to 2012-13. The percentage increased for Nationalized Banks (81.60 %), SBI Group Banks (56.83%), Old Private Sector Banks (52.32%), New Private Sector Banks (34.48%) and Foreign Banks (69.43 %). Business per employee of Rs.217.33 mn is highest in case of foreign banks followed by Nationalized Banks (Rs.142.23 mn), SBI Group Banks (101.97 mn), Old Private Sector Banks (Rs.97.24 mn) and New Private Sector Banks (Rs.93.03 mn). However highest growth rate for business per employee is observed in case of nationalized banks.

**Table – 1. Business Per Employee**

<b>Business Per Employee</b>	<b>(Amount in Rs. Million)</b>				
<b>Bank Group</b>	<b>2008-09</b>	<b>2009-10</b>	<b>2010-11</b>	<b>2011-12</b>	<b>2012-13</b>
Nationalised Banks	78.32	93.59	115.25	127.85	142.23
SBI Group Banks	65.02	73.74	79.05	91.38	101.97
<b>Public Sector Banks</b>	<b>73.44</b>	<b>86.43</b>	<b>101.67</b>	<b>114.68</b>	<b>127.47</b>
Old Private Sector Banks	63.84	69.75	81.04	87.23	97.24
New Private Sector Banks	69.18	80.38	83.13	85.89	93.03
<b>Private Sector Banks</b>	<b>67.76</b>	<b>77.27</b>	<b>82.60</b>	<b>86.23</b>	<b>94.06</b>
Foreign Banks	128.27	141.14	155.55	195.62	217.33
<b>All Scheduled Commercial Banks</b>	<b>73.98</b>	<b>86.23</b>	<b>99.03</b>	<b>109.95</b>	<b>121.33</b>

Source: A Profile of Banks, Reserve Bank of India.

Figure - 1: Business Per Employee



**Profit Per Employee:** The Employees' Productivity is measured in terms of Profit per employee for the five year time period(2008-09 to 2013-14) in respect of five group of banks are presented in Table 2 and Figure 2 below. It may be observed from the Table that the Profit per employee for all Scheduled Commercial banks is showing an increasing trend with an incessant improvement for the period of 5 years under study. It has increased 50.91 percent (Rs. 0.55 million to Rs 0.83 million) from 2008-09 to 2012-13. Similarly an incessant improving trend is observed for all

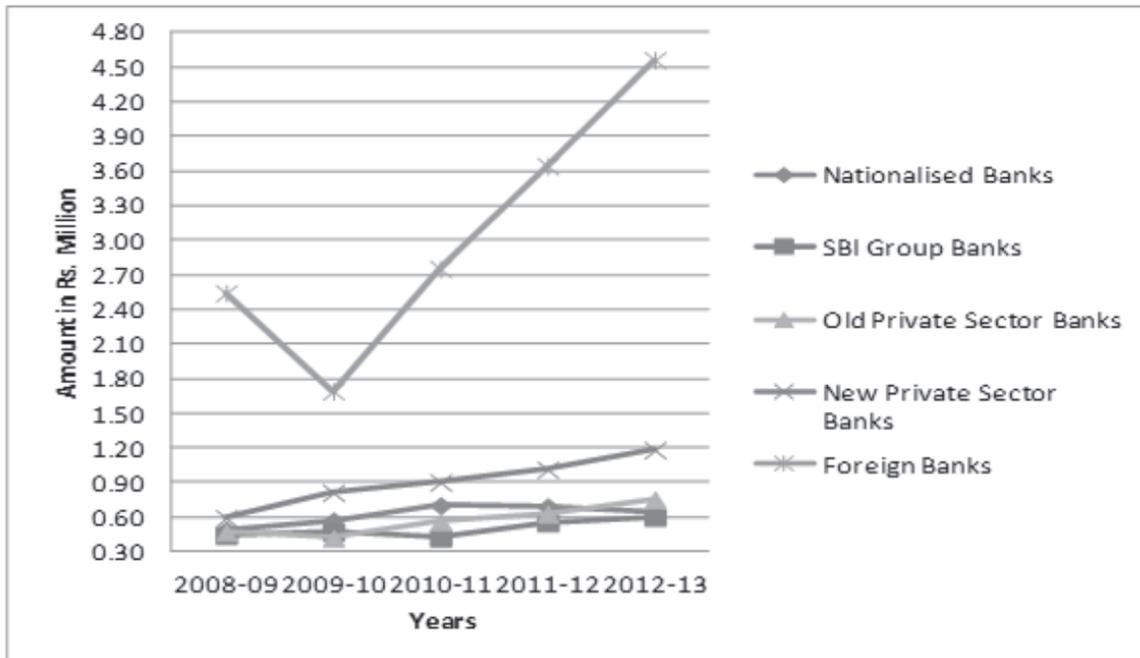
the other five group of banks during 5 year time period from 2008-09 to 2012-13. The percentage increased for New Private Sector Banks (100.00%), Foreign Banks (79.53 %), Old Private Sector Banks (59.57%), SBI Group Banks (36.36 %) and Nationalized Banks (32.65%). Profit per employee of Rs.4.56 mn is highest in case of Foreign Banks, whereas highest growth rate for Profit per employee is observed in case of New Private Sector Banks.

Table 2.Profit Per Employee

Profit Per Employee	(Amount in Rs. Million)				
	2008-09	2009-10	2010-11	2011-12	2012-13
<b>Bank Group</b>					
Nationalised Banks	0.49	0.57	0.70	0.69	0.65
SBI Group Banks	0.44	0.47	0.42	0.55	0.60
<b>Public Sector Banks</b>	<b>0.47</b>	<b>0.53</b>	<b>0.59</b>	<b>0.64</b>	<b>0.63</b>
Old Private Sector Banks	0.47	0.42	0.56	0.63	0.75
New Private Sector Banks	0.59	0.81	0.90	1.01	1.18
<b>Private Sector Banks</b>	<b>0.56</b>	<b>0.70</b>	<b>0.81</b>	<b>0.92</b>	<b>1.07</b>
Foreign Banks	2.54	1.69	2.75	3.64	4.56
<b>All Scheduled Commercial Banks</b>	<b>0.55</b>	<b>0.60</b>	<b>0.70</b>	<b>0.78</b>	<b>0.83</b>

Source: A Profile of Banks, Reserve Bank of India.

Figure – 2 Profit per Employee



**Number of Employees:** Table 3 presents the trend in Number of employee of scheduled commercial banks of different bank groups for the period 2008-09 to 2013-14. The table shows that in the year 2012-13 Nationalized Banks were at the first place on the list of total number of

employees, followed by SBI Group Banks, New Private Sector Banks, Old Private Sector Banks and Foreign Banks. In terms of growth rate for Number of employee, New Private Sector Banks shows the highest growth rate whereas Foreign Banks showed a negative trend.

Table 3. Number of Employees

Bank Group	2008-09	2009-10	2010-11	2011-12	2012-13
Nationalised Banks	462926	473041	471727	494520	507694
SBI Group Banks	268598	266605	283375	279809	293965
<b>Public Sector Banks</b>	<b>731524</b>	<b>739646</b>	<b>755102</b>	<b>774329</b>	<b>801659</b>
Old Private Sector Banks	51341	55052	55380	62589	66208
New Private Sector Banks	142237	133280	162573	185695	203733
<b>Private Sector Banks</b>	<b>193578</b>	<b>188332</b>	<b>217953</b>	<b>248284</b>	<b>269941</b>
Foreign Banks	29582	28012	28041	25907	25384
<b>All Scheduled Commercial Banks</b>	<b>954684</b>	<b>955990</b>	<b>1001096</b>	<b>1048520</b>	<b>1096984</b>

Source : A Profile of Banks, Reserve Bank of India

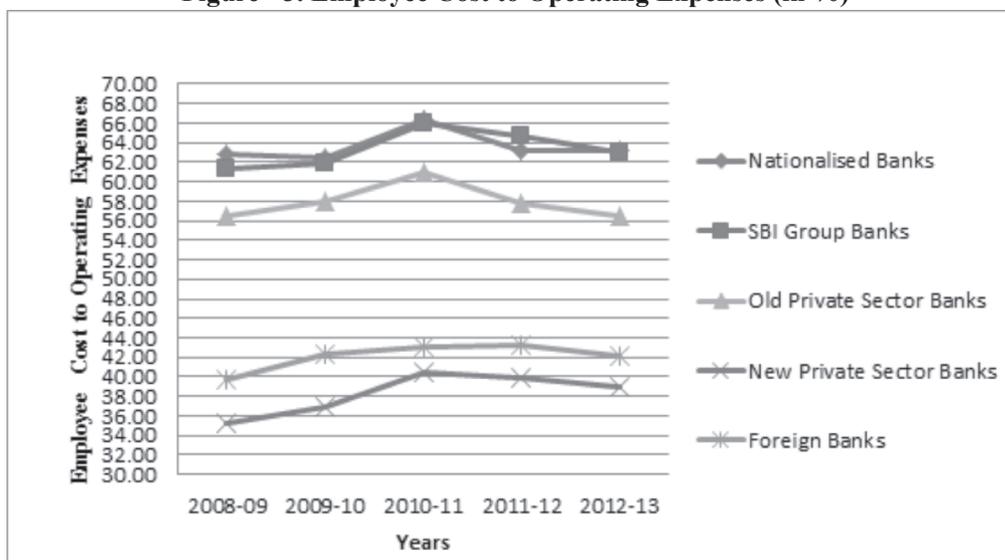
**Employee Cost to Operating Expenses:** From Table 4 and the Figure 3, it may be observed that the employee cost as a ratio of operating expenses in respect of All Scheduled Commercial Banks is fluctuating during the period under study.

Percentage of Employee Cost to Operating Expenses is highest in case of Nationalized Banks followed by SBI group banks, Old Private Sector Banks, Foreign Banks and New Private Sector Banks.

**Table 4. Employee Cost to Operating Expenses (in per cent)**

Bank Group	2008-09	2009-10	2010-11	2011-12	2012-13
Nationalized Banks	62.78	62.42	66.44	63.13	63.14
SBI Group Banks	61.39	61.91	65.90	64.74	62.94
<b>Public Sector Banks</b>	40.06	38.54	43.10	40.22	40.13
Old Private Sector Banks	56.48	58.05	60.94	57.73	56.49
New Private Sector Banks	35.32	36.89	40.45	39.95	38.99
<b>Private Sector Banks</b>	39.15	41.25	44.61	43.37	42.34
Foreign Banks	39.71	42.39	42.99	43.22	42.14
<b>All Scheduled Commercial Banks</b>	53.55	55.23	59.02	56.69	55.80

Source: A Profile of Banks, Reserve Bank of India

**Figure - 3. Employee Cost to Operating Expenses (in %)**

### Business per unit of Employee Cost

Business per unit of employee cost is an important tool to measure the employee productivity of commercial banks. It is because of the fact that it provides the information about how much business is generated by spending on per employee. Table 5 and Figure 4 depict the trends in the Business per unit of employee cost of different group of scheduled commercial banks for the period 2008-09 to 2013-14.

The analysis of the table reveals that Nationalized Banks occupy the leading position in generating Business per unit of employee cost followed by New Private Sector Banks

which occupy the second position. The Old Private Sector Banks operating in India occupy the third place while the SBI Group Banks and Foreign Banks are on the fourth and fifth rank, respectively. It is also obvious that in generating Business per unit of employee cost the nationalized banks and foreign banks improved their performance during the 5 years starting from 2008-09, whereas productivity of other group of banks (SBI Banks Group, New Private Sector Banks and Old Private Sector Banks) declined in the same period.

Table 5. Business per unit of Employee cost ( Amount in Rs. Million)

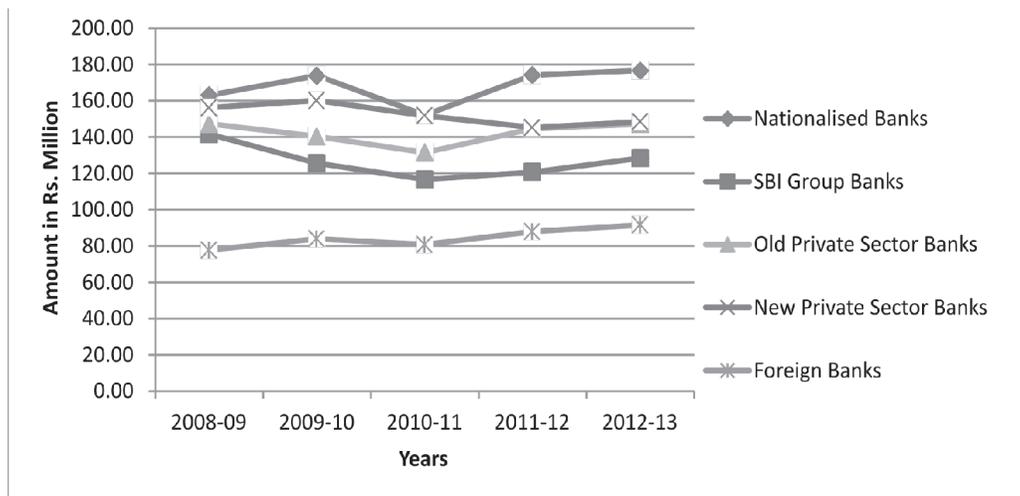
Bank Group	2008-09	2009-10	2010-11	2011-12	2012-13
Nationalized Banks	163.07	173.87	152.04	174.25	176.72
SBI Group Banks	141.63	125.60	116.63	120.67	128.40
<b>Public Sector Banks</b>	<b>241.64</b>	<b>251.06</b>	<b>214.70</b>	<b>244.73</b>	<b>250.08</b>
Old Private Sector Banks	147.31	140.28	131.51	144.59	147.13
New Private Sector Banks	156.17	160.14	151.82	145.22	148.47
<b>Private Sector Banks</b>	<b>153.85</b>	<b>154.37</b>	<b>146.19</b>	<b>145.06</b>	<b>148.12</b>
Foreign Banks	77.69	84.02	80.73	87.93	91.62
<b>All Scheduled Commercial Banks</b>	<b>147.22</b>	<b>149.21</b>	<b>136.40</b>	<b>147.81</b>	<b>152.34</b>

Source : A Profile of Banks, Reserve Bank of India

Above table also makes it clear that the financial year 2010-11 was a bad year for Indian banking system as the performance of all group of banks was in negative. Business per unit of employee cost of the Nationalized Banks came down to Rs. 152.04 mn in 2010-11 from Rs. 163.07 mn in 2008-09. Similarly,

in SBI Group Banks it slashed down to 116.63 mn from Rs. 141.63 mn, in Old Private Sector Banks to Rs. 131.51 mn from Rs. 147.31 mn, in New Private Sector Banks to Rs. 151.82 mn from Rs. 156.17 mn and in Foreign Banks to Rs. 80.73 mn from Rs. 77.69 mn during the same period of two financial years.

Figure – 4. Business per unit of Employee cost



**Profit per unit of Employee cost:** Profit per unit of employee cost is also an assisting tool to measure the employee productivity of commercial banks. It helps to know how much profit is earned by spending on each employee. The trends in the Profit per unit of

employee cost of different groups of scheduled commercial banks for the period 2008-09 to 2013-14 is shown in the Table 6 and depicted in Figure 5.

Table 6. Profit per unit of Employee cost( Amount in Rs. Million)

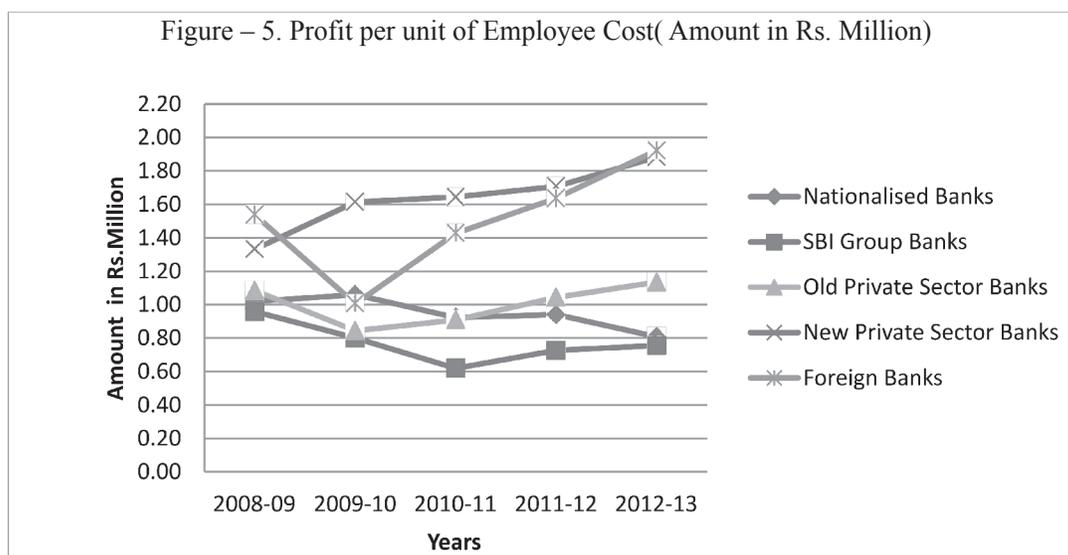
Bank Group	2008-09	2009-10	2010-11	2011-12	2012-13
Nationalised Banks	1.02	1.06	0.92	0.94	0.81
SBI Group Banks	0.96	0.80	0.62	0.73	0.76
<b>Public Sector Banks</b>	<b>1.55</b>	<b>1.54</b>	<b>1.25</b>	<b>1.37</b>	<b>1.24</b>
Old Private Sector Banks	1.08	0.84	0.91	1.04	1.13
New Private Sector Banks	1.33	1.61	1.64	1.71	1.88
<b>Private Sector Banks</b>	<b>1.27</b>	<b>1.40</b>	<b>1.43</b>	<b>1.55</b>	<b>1.69</b>
Foreign Banks	1.54	1.01	1.43	1.64	1.92
<b>All Scheduled Commercial Banks</b>	<b>1.09</b>	<b>1.04</b>	<b>0.96</b>	<b>1.05</b>	<b>1.04</b>

Source: A Profile of Banks, Reserve Bank of India

An analysis of the table reveals that Foreign Banks occupy the leading position with Rs. 1.92 mn in generating Profit per unit of employee cost followed by New Private Sector Banks which occupy the second position with Rs. 1.88 mn. The old private sector banks operating in India occupy the third place while the Nationalized banks (0.81 mn) and SBI Group Banks (0.76 mn) are on the fourth and fifth rank, respectively. But the performance of last

Scheduled Commercial Banks which is at Rs. 1.04 mn.

It is also obvious that in generating Profit per unit of employee cost the Foreign Banks, New Private Sector Banks and Old Private Sector Banks improved their performance during the 5 years starting from 2008-09, while it is not the same as for Nationalized banks and SBI banks group.



### Conclusion and Suggestions

While comparing the five year data for the period of 2008-09 to 2012-13 on productivity factors viz. Business per Employee and Profit per Employee and employee cost factors viz. Employee Cost to Operating Expenses, Business per unit of employee cost and Profit per unit of employee cost. It was observed that the performance of the Foreign Banks was much superior to all the other bank groups in terms of amount. Whereas in terms of growth New Private Sector Banks has shown superior performance amongst all the other bank groups.

The Percentage of Employee Cost to Operating Expenses is lowest in case of New Private Sector Banks, which may result into dissatisfaction amongst employees. New Private Sector Banks must resolve a number of legacy issues related to people and processes for improving the productivity.

However, the performance of the SBI Group Banks is extremely poor as compared to all the other bank groups for Business per unit of employee cost and Profit per unit of employee cost during the period under study. SBI Group Banks must organize training and development programmes more frequently to have more efficiency and better productivity. However, through this study it is difficult to come on firm conclusion regarding overall employee productivity for the five group of banks.

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