ISSN 2277–8012

Journal of Business and Management

A Bi-annual Publication

VOLUME : 6 NUMBER 1 DECEMBER 2011

DEPARTMENT OF BUSINESS ADMINISTRATION
UNIVERSITY OF RAJASTHAN
JAIPUR–302004 (INDIA)

Journal of
Business and Management

VOLUME : 6 NUMBER 1 DECEMBER 2011

Contents

Comparative Analysis of Employees Productivity in State Bank of India and Bank of Baroda

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Introduction

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 The present study is an attempt to analyze the productivity of selected public sector banks in terms of their employees.

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 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

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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 includes 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. State Bank of India (SBI) and Bank of Baroda (BOB) 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 State Bank of India and Bank of Baroda which has been presented in tabular forms. The gap indexes have been worked as the percentage of difference of the value of variables between State Bank of India (SBI) and Bank of Baroda (BOB) 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

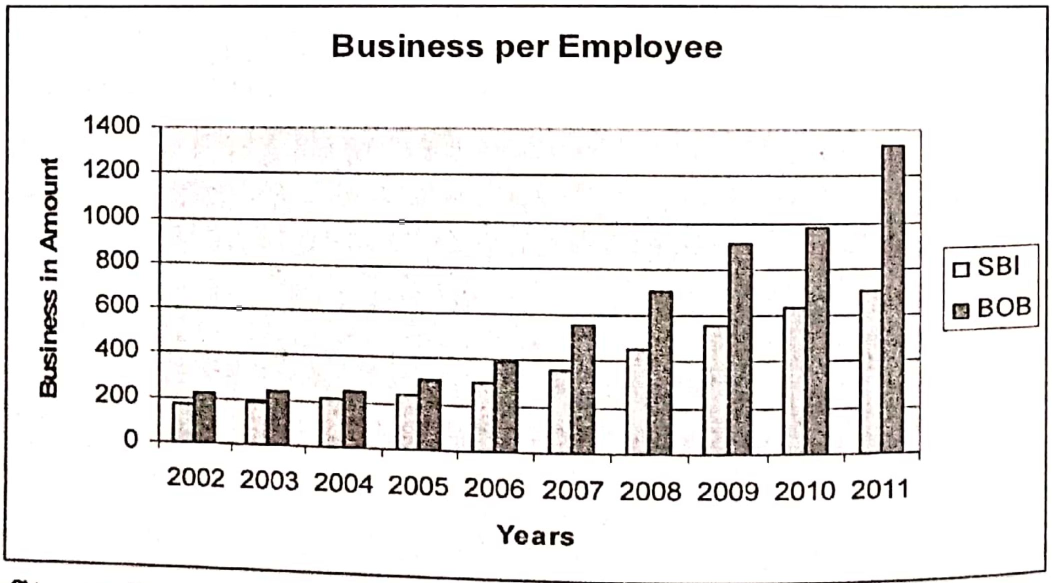
The ratio of Business per Employee for SBI and BOB has been calculated as under and can be analyzed with the help of following table:

Table 1: Business per Employee

(Rs Lakhs)

Years / Banks	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
SBI	173.01	190.77	210.56	243.08	299.23	357	456	556	636	704.65
BOB	222.76	237.67	252.51	310.37	396	555	701	914	981	1333

It can be observed from Table.1that Business per Employee of both the banks is continuously improving in selected time period. Business per Employee of State Bank of India has increased 4.07 times (Rs.173.01 lakhs to 704.65 lakhs) from 2002 to 2011.In case of Bank of Baroda, Business per Employee has increased 5.9 times (Rs 222.76 lakhs to 1333 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 Bank of Baroda due to several initiatives taken to enhance the level of employee motivation, commitment and productivity.



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

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

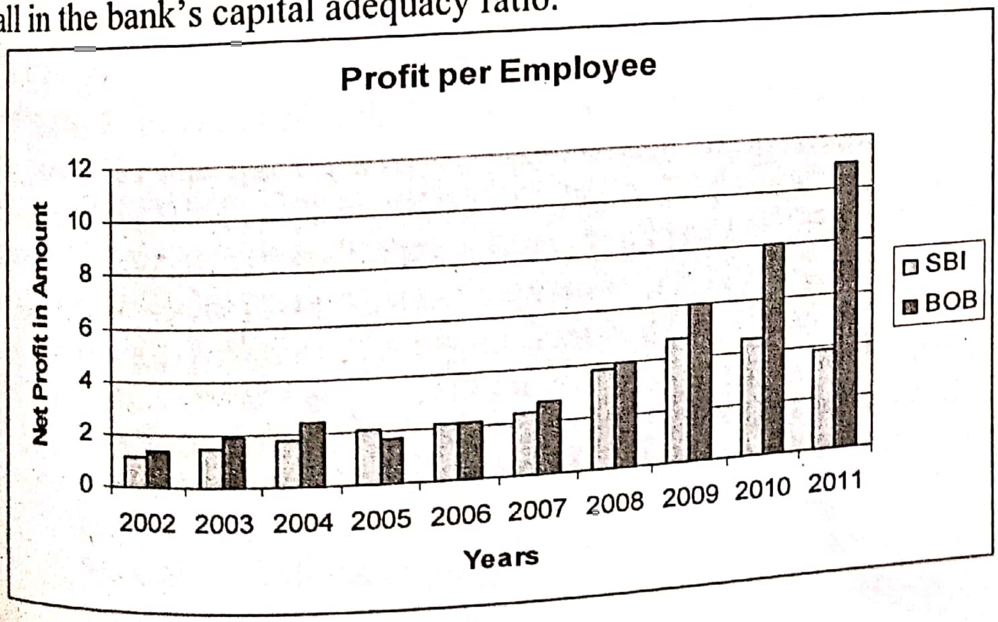
The ratio of Profit per Employee for SBI and BOB has been calculated as under and can be analyzed with the help of following table:

Table 2: Profits per Employee

(Rs. Lakhs)

Years / Banks	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
SBI	1.16	1.48	1.77	2.07	2.17	2.37	3.73	4.74	4.46	3.85
BOB	1.4	1.92	2.43	1.71	2.13	2.73	3.94	6	8	11

Table.2 also reveals that Profit per Employee has increased for both the banks .However this increase is more significant in Bank of Baroda (7.8 times) compared to State Bank of India (3.3times) during the period of 2002-11 under study. Bank of Baroda is showing a rising trend from 2002 to 2011. While State Bank of India is showing a decline in 2011 due to higher provisioning for both non-performing assets and staff related issues. The bank also has to provide for its capital reserve for pension, which led to a fall in the bank's capital adequacy ratio.



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:

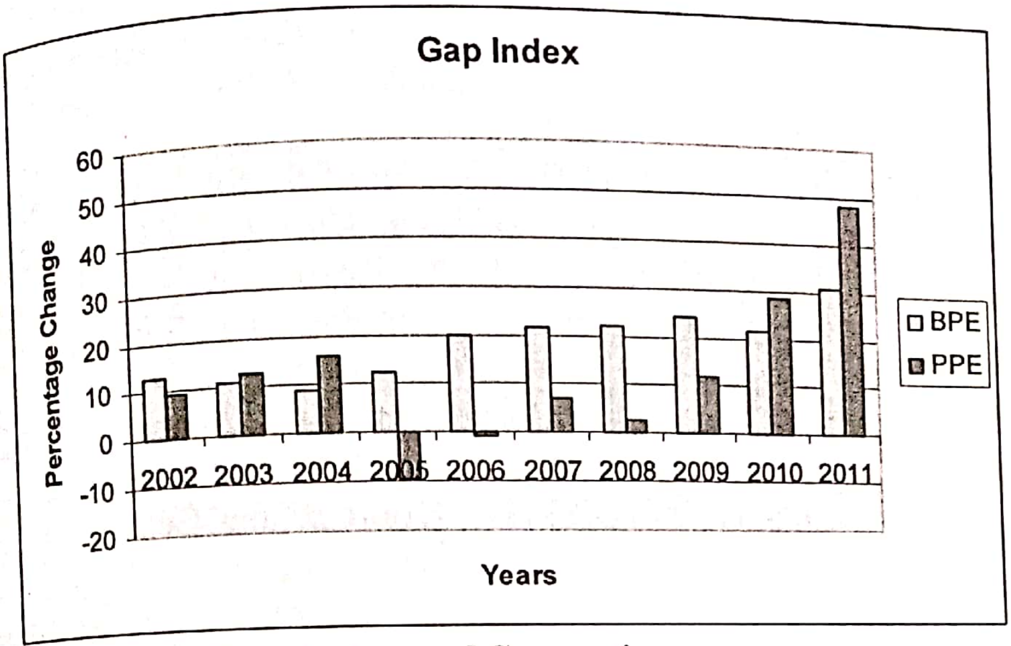
$$\text{Gap Index of Business per Employee (BPE)} = \frac{BPE(BOB) - BPE(SBI)}{BPE(BOB) + BPE(SBI)} \times 100$$

$$\text{Profit per Employee (PPE)} = \frac{PPE\ (BOB) - PPE\ (SBI)}{PPE\ (BOB) + PPE\ (SBI)} \times 100$$

Table 3: Gap Index

Years	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
BPE	12.57	10.95	9.06	12.16	19.92	21.71	21.78	24.35	21.34	30.84
PPE	9.38	12.94	15.71	-9.52	-0.93	7.06	2.74	11.73	28.41	48.15

It can be analysed from the table.3 that in terms of Business per Employee the gap between State Bank of India and Bank of Baroda has shown increase from12.57 in 2002 to 30.84 in 2011(145.3 per cent). The gap in respect of Profit per Employee has also shown an increase from 9.38 in 2002 to 48.15 in 2011(413.3 per cent). The gap is arising due to decrease in net profit of State Bank of India along with increase in provisioning for non- performing loans and eroding capital adequacy ratio. Thus State Bank of India has to take necessary steps to improve their productivity and cost reduction efforts for competing with Bank of Baroda



Conclusion and Suggestions

By comparing the 10 year's data from 2002 to 2011 on productivity factors such as Business per Employee and Profit per Employee it has been 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 a 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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