

Productivity Analysis of Private Sector Banks in India

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ABSTRACT

Private sector banks have been responsible for bringing remarkable transformation in the Indian banking but due to presence of highly organized workforce and a complex legal system in India, new challenges emerge in the form of constant endeavour to improve productivity and profitability. An attempt has been made to analyse the performance of private sector banks by studying the productivity parameters discussed as follows.

Keywords-- Bank in India, RBI, Progress of Banks in India

per employee has increased around five times for most of the private sector banks during the study period. Results of descriptive statistics for business per employee of private sector banks are presented in table 5.1. Mean business per employee is highest for The Federal Bank followed by The South Indian Bank. It is lowest for The Dhanalakshmi Bank and The Lakshmi Vilas Bank Ltd. Similarly, median business per employee is highest for The Jammu & Kashmir Bank followed by The Karnataka Bank and lowest for The Dhanalakshmi Bank, City Union Bank and The Lakshmi Vilas Bank. Absolute variation is lowest for ING Vysya Bank and The Dhanalakshmi Bank while it is highest for The Karnataka Bank, The South Indian Bank and Tamilnad Mercantile Bank. On the basis of relative measure of risk, it is lowest for ING Vysya Bank, The Dhanalakshmi Bank and The Jammu & Kashmir Bank. It is highest for The Karnataka Bank, The South Indian Bank and Tamilnad Mercantile Bank. Conclusion can be drawn that The Federal Bank, South Indian Bank and Tamilnad Mercantile Bank performed very well in business per employee amongst private sector Banks. City Union Bank, ING Vysya Bank, The Jammu & Kashmir Bank and The Lakshmi Vilas Bank Ltd. performed good whereas The Dhanalakshmi Bank performed poorly. Further, relative variation is lowest for ING Vysya Bank revealing consistent performance. It is very high for Karnataka Bank indicating high variation.

I. INTRODUCTION

Productivity Indicators

To study the productivity of private sector banks certain productivity indicators such as business per employee, profit per employee, business per branch, operating expenses per branch and profit per branch have been used.

II. BUSINESS PER EMPLOYEE

Business per employee for all private sector banks is presented graphically in figure 5.1. Sharp increase has been seen in business per employee of all the private sector banks under study (figure 5.1). Business

Table-1.1: Descriptive Statistics for Business per Employee of Private Sector Banks.
(Rupees in lakhs)

Bank	Arithmetic Mean	Median	Standard Deviation (S.D.)	Coefficient of Variation (C.V.)
City Union Bank	452.87	344.90	263.28	0.58
The Dhanalakshmi Bank	375.40	339.19	182.12	0.49
The Federal Bank	552.50	487.50	317.93	0.58
ING Vysya Bank	435.97	456.04	181.14	0.42
The Jammu & Kashmir Bank	531.21	508.00	270.53	0.51

The Karnataka Bank	512.49	501.14	555.50	1.08
The KarurVysya Bank	534.07	464.00	298.54	0.56
The Lakshmi Vilas Bank Ltd.	430.07	400.50	232.66	0.54
The South Indian Bank	543.31	465.00	341.10	0.63
Tamilnad Mercantile Bank	541.51	404.73	337.66	0.62

Source: Data has been compiled from various issues of Trend and Progress of Banking in India, RBI Publication.

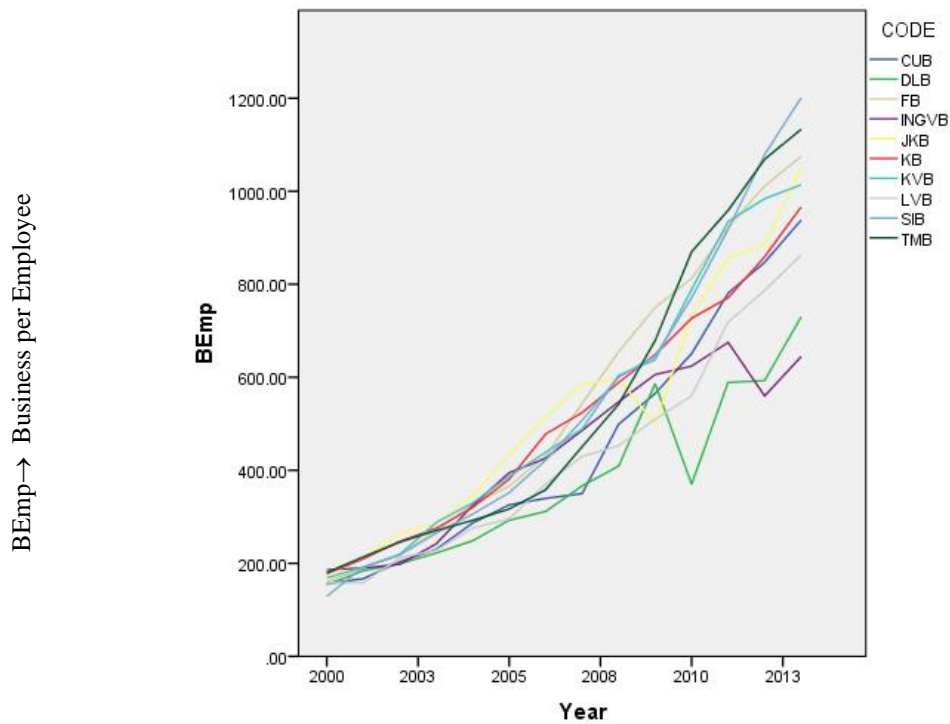


Figure-1.1: Business per Employee

III. PROFIT PER EMPLOYEE

Profit per employee for all private sector banks is presented graphically in figure 1.2. The graph shows that profit per employee increased at a very slow rate for most of the private sector banks from year 2000 to year 2004, with marginal fall in year 2005 after which the rise was sharp except few exceptions in between. Results of descriptive statistics for profit per employee of private sector banks are presented in table 1.2. Mean profit per employee is highest for Tamilnad Mercantile Bank followed by The Karur Vysya Bank. It is lowest for The Dhanalakshmi Bank and The Lakshmi Vilas Bank Ltd. Similarly median profit per employee is highest for The

KarurVysya Bank followed by The Jammu & Kashmir Bank and lowest for The Dhanalakshmi Bank, The Lakshmi Vilas Bank Ltd. and ING Vysya Bank. Absolute variation is lowest for The Lakshmi Vilas Bank and The Karnataka Bank while it is highest for Tamilnad Mercantile Bank, The Federal Bank and The Jammu & Kashmir Bank. Relative measure of risk is lowest for The Karnataka Bank, The Karur Vysya Bank and The Jammu & Kashmir Bank. It is highest for The Dhanalakshmi Bank, ING V and The South Indian Bank.

It can be concluded that Tamilnad Mercantile Bank, The KarurVysya Bank and The Jammu & Kashmir Bank gave best performance, City Union Bank, The Federal Bank, The Karnataka Bank and The South Indian

Bank gave average performance whereas The Dhanalakshmi Bank and The Lakshmi Vilas Bank Ltd. performed poorly in terms of profit per employee amongst private sector banks Further, relative variation is

lowest for The Karnataka Bank and The Karur Vysya Bank indicating consistent performance whereas it is highest for The Dhanalakshmi Bank, which showed quite high variation.

Table-1.2: Descriptive Statistics for Profit per Employee of Private Sector Banks. (Rupees in lakhs)

Bank	Arithmetic Mean	Median	Standard Deviation (S.D.)	Coefficient of Variation (C.V.)
City Union Bank	4.48	3.96	2.45	0.55
The Dhanalakshmi Bank	.36	.75	1.97	5.47
The Federal Bank	4.39	3.98	3.16	0.72
ING Vysya Bank	2.25	1.67	1.98	0.88
The Jammu & Kashmir Bank	5.32	5.00	2.80	0.53
The Karnataka Bank	3.38	3.67	1.31	0.39
The Karur Vysya Bank	5.56	5.26	2.18	0.39
The Lakshmi Vilas Bank Ltd.	1.76	1.48	.96	0.55
The South Indian Bank	3.25	2.54	2.63	0.81
Tamilnad Mercantile Bank	5.83	4.58	3.76	0.64

Source: Data has been compiled from various issues of Trend and Progress of Banking in India, RBI Publication

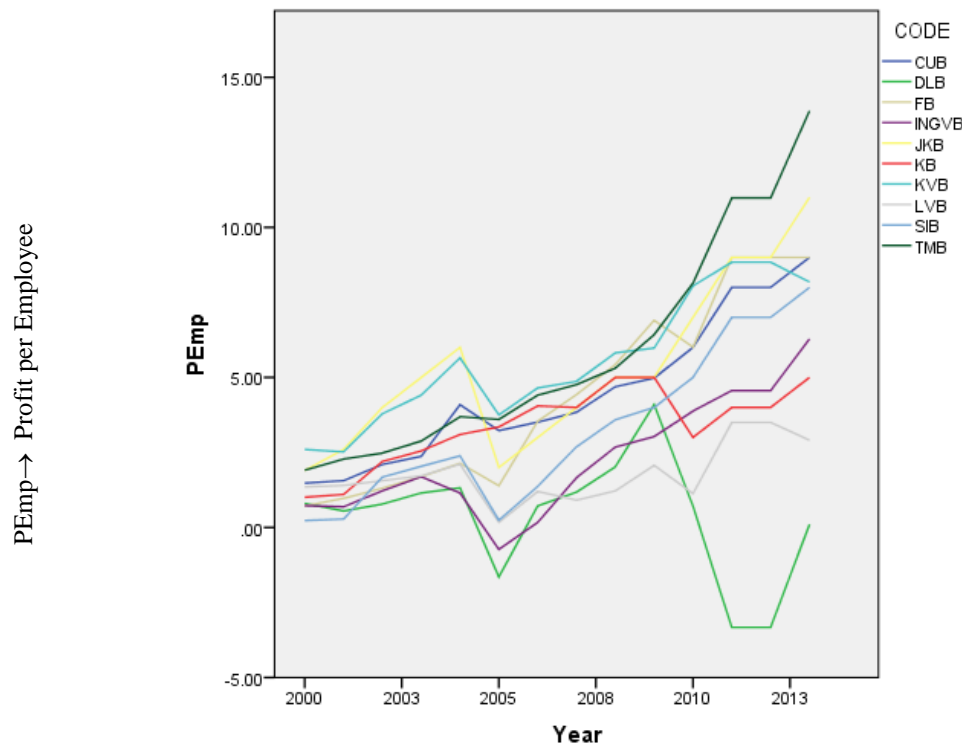


Figure-1.2: Profit per Employee

IV. BUSINESS PER BRANCH

Business per branch for all private sector banks is presented graphically in figure 1.3. Sharp rise can be seen in business per branch of ten private sector banks from year 2000 to year 2013, except some marginal fall in year 2011- 2012. The rise was approximately four times during this period. Results of descriptive statistics for

business per branch of private sector banks are presented in table 1.3. Mean business per branch is highest for The Jammu & Kashmir Bank followed by ING Vysya Bank. It is lowest for The Dhanalakshmi Bank and The Lakshmi Vilas Bank Ltd. Similarly median business per branch is highest for The Jammu & Kashmir Bank followed by The Federal Bank and lowest for The Dhanalakshmi Bank, The Lakshmi Vilas Bank Ltd., and The South Indian

Bank .Absolute variation is lowest for TheLakshmi Vilas Bank Ltd. and The South Indian Bank while it is highest for The Jammu & Kashmir Bank, ING Vysya Bank and The KarurVysya Bank .Relative measure of risk is lowest for The Jammu & Kashmir Bank, The Federal Bank, ING Vysya Bank and Tamilnad Mercantile Bank. It is highest for The Dhanalakshmi Bank, The Lakshmi Vilas Bank Ltd., The South Indian Bank and City Union Bank.

Conclusion can be drawn that The Jammu & Kashmir Bank and ING Vysya Bank performed excellently. City Union Bank, The Federal Bank, The Karnataka Bank, The KarurVysya Bank, The South Indian Bank and Tamilnad Mercantile Bank performed well and The Dhanalakshmi Bank and TheLakshmi Vilas Bank Ltd. performed poorly.

Table-1.3: Descriptive Statistics for Business per Branch of Private Sector Banks. (Rupees in lakhs)

Bank	Arithmetic Mean	Median	Standard Deviation (S.D.)	Coefficient of Variation (C.V.)
City Union Bank	6327.07	5355.01	3420.50	0.54
The Dhanalakshmi Bank	4248.69	2831.03	2972.96	0.70
The Federal Bank	7810.49	7657.27	3464.41	0.44
ING Vysya Bank	8131.06	7474.04	3757.76	0.46
The Jammu & Kashmir Bank	10841.12	10605.70	4813.41	0.44
The Karnataka Bank	6912.31	6571.80	3245.14	0.47
The KarurVysya Bank	7254.91	6219.05	3701.3	0.50
The Lakshmi Vilas Bank Ltd.	4399.48	3773.58	2405.18	0.55
The South Indian Bank	5224.87	4560.43	2814.00	0.54
Tamilnad Mercantile Bank	6922.51	6096.65	3172.83	0.46

Source: Data has been compiled from various issues of Trend and Progress of Banking in India, RBI Publication

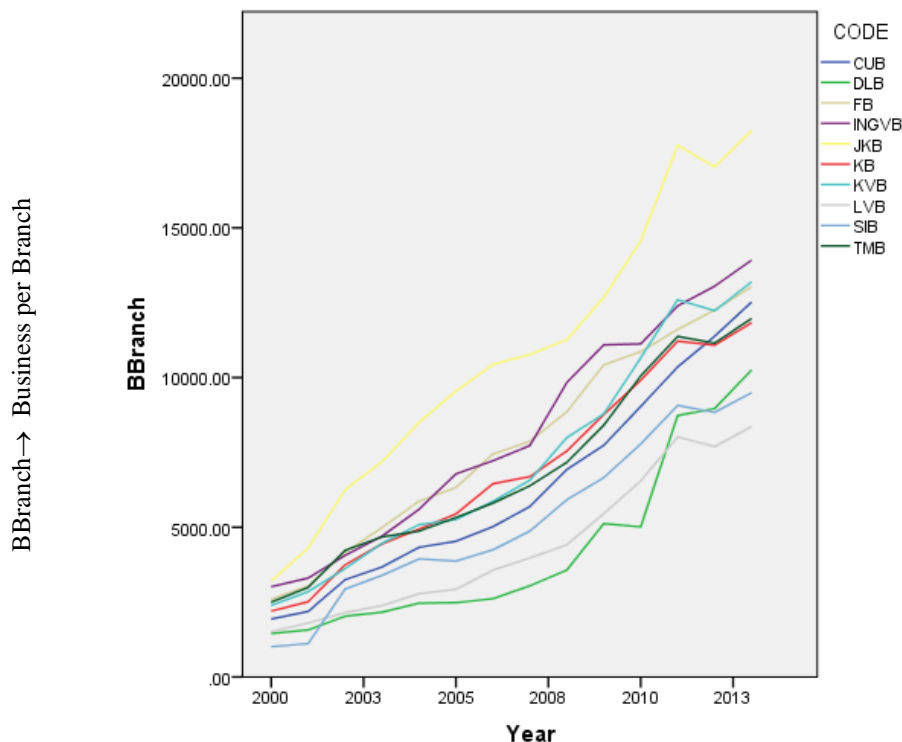


Figure-1.3: Business per Branch

V. OPERATING EXPENSES PER BRANCH

Operating expenses per branch for all private sector banks is presented graphically in figure 1.4. A look at the graph for operating expenses per branch of selected

private sector banks shows continue rise throughout the period of study expect some marginal fall in between. Operating expenses per branch of almost all the banks under study increased from around Rs. 40 lakhs to Rs.100 lakhs during this period. Results of descriptive statistics for operating expenses per branch of private sector banks are presented in table 1.4. Mean operating expenses per

branch is highest for ING Vysya Bank followed by The Jammu & Kashmir Bank. It is lowest for The South Indian Bank and The Lakshmi Vilas Bank Ltd. Similarly median operating expenses per branch is highest for ING Vysya Bank followed by The Jammu & Kashmir Bank and lowest for The Lakshmi Vilas Bank Ltd., The Dhanalakshmi Bank and The South Indian Bank .Absolute variation is lowest for The South Indian Bank and The Federal Bank while it is highest for INVB, The Dhanalakshmi Bank and The Jammu & Kashmir Bank .Relative measure of risk (C.V) is lowest for The Federal Bank, Tamilnad Mercantile Bank and The Karur Vysya Bank .It is highest for The Dhanalakshmi Bank, The Lakshmi Vilas Bank Ltd. and ING Vysya Bank .It can be

concluded that The South Indian Bank and The Lakshmi Vilas Bank Ltd. are the best Banks in terms of keeping operating expenses per branch at minimum. City Union Bank, The Dhanalakshmi Bank, Federal Bank, The Jammu & Kashmir Bank, The Karnataka Bank, The Karur Vysya Bank and Tamilnad Mercantile Bank gave average performance. Whereas ING Vysya Bank performed poorly in controlling operating expenses per branch. Further relative variation is lowest for The Federal Bank indicating consistent operating expenses per branch where as it is quite high for The Dhanalakshmi Bank revealing high fluctuations in its operating expenses.

Table-1.4: Descriptive Statistics for Operating Expenses per Branch of Private Sector Banks. (Rupees in lakhs)

Bank	Arithmetic Mean	Median	Standard Deviation (S.D.)	Coefficient of Variation (C.V.)
City Union Bank	56.33	53.84	24.75	0.44
The Dhanalakshmi Bank	63.04	45.32	45.69	0.72
The Federal Bank	74.27	74.57	24.02	0.32
ING Vysya Bank	128.82	128.19	59.92	0.47
The Jammu & Kashmir Bank	86.79	78.68	35.13	0.40
The Karnataka Bank	63.59	52.56	31.31	0.49
The KarurVysya Bank	75.57	67.12	29.69	0.39
The Lakshmi Vilas Bank Ltd.	53.44	43.32	27.82	0.52
The South Indian Bank	52.55	47.45	23.28	0.44
Tamilnad Mercantile Bank	79.07	73.21	30.07	0.38

Source: Data has been compiled from various issues of Trend and Progress of Banking in India, RBI Publication

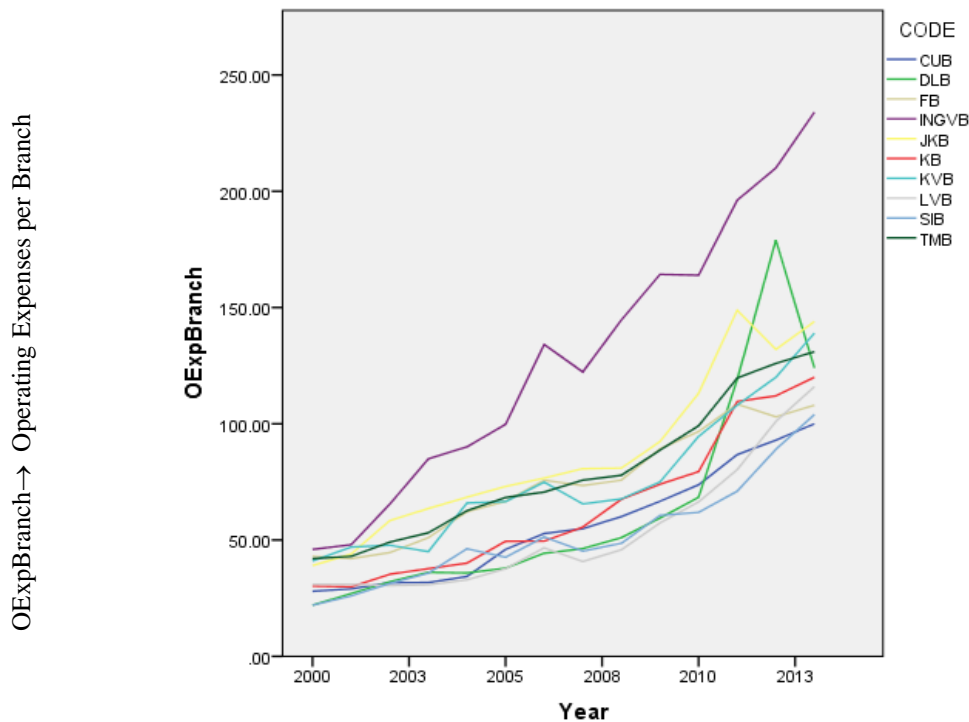


Figure 1.4: Operating Expenses per Branch

VI. PROFIT PER BRANCH

Profit per branch for all private sector banks is presented graphically in figure 1.5. If we look at the graph it can be found that rise in profit per branch of private sector banks under study was slow up to year 2004 after which there was marginal fall in the year 2005 and sharp rise afterwards till year 2012 for most of the banks overall the trend was rising with small fluctuations in between. Results of descriptive statistics for profit per branch of private sector banks are presented in table 1.5. Mean profit per branch is highest for The Jammu & Kashmir Bank followed by The Karur Vysya Bank. It is lowest for The Dhanalakshmi Bank and The South Indian Bank. Similarly median profit per branch is highest for The KarurVysya Bank followed by Tamilnad Mercantile Bank and lowest for The Dhanalakshmi Bank, The

Lakshmi Vilas Bank Ltd.and The South Indian Bank .Absolute variation is lowest for The Lakshmi Vilas Bank Ltd. and The Karnataka Bank while it is highest for The Jammu & Kashmir Bank, ING Vysya Bank and Tamilnad Mercantile Bank .On the basis of relative measure of risk coefficient of variation is lowest for The Karur Vysya Bank, The Karnataka Bank and The Jammu & Kashmir Bank .It is highest for The Dhanalakshmi Bank, ING Vysya Bank and The South Indian Bank .Conclusion can be drawn that The Jammu & Kashmir Bank performed excellently in terms of profit per branch .All other Banks performed good except The Dhanalakshmi Bank and The Lakshmi Vilas Bank Ltd. who performed very poor in terms of profit per branch. Further The Karur Vysya Bank showed low relative variation whereas other banks showed high variation especially Dhanalakshmi Bank whose coefficient of variation is remarkably high.

Table-1.5: Descriptive Statistics for Profit per Branch of Private Sector Banks.
(Rupees in lakhs)

Bank	Arithmetic Mean	Median	Standard Deviation (S.D.)	Coefficient of Variation (C.V.)
City Union Bank	49.60	43.74	25.75	0.52
The Dhanalakshmi Bank	4.28	7.57	15.95	3.73
The Federal Bank	46.87	49.86	26.50	0.57
ING Vysya Bank	33.87	21.06	33.87	1.00
The Jammu & Kashmir Bank	80.04	76.26	38.01	0.47
The Karnataka Bank	37.92	38.94	15.10	0.40
The KarurVysya Bank	66.13	59.90	25.87	0.39
The Lakshmi Vilas Bank Ltd.	16.54	13.00	10.67	0.65
The South Indian Bank	26.56	20.87	20.57	0.77
Tamilnad Mercantile Bank	62.83	54.82	33.61	0.53

Source: Data has been compiled from various issues of Trend and Progress of Banking in India, RBI Publication

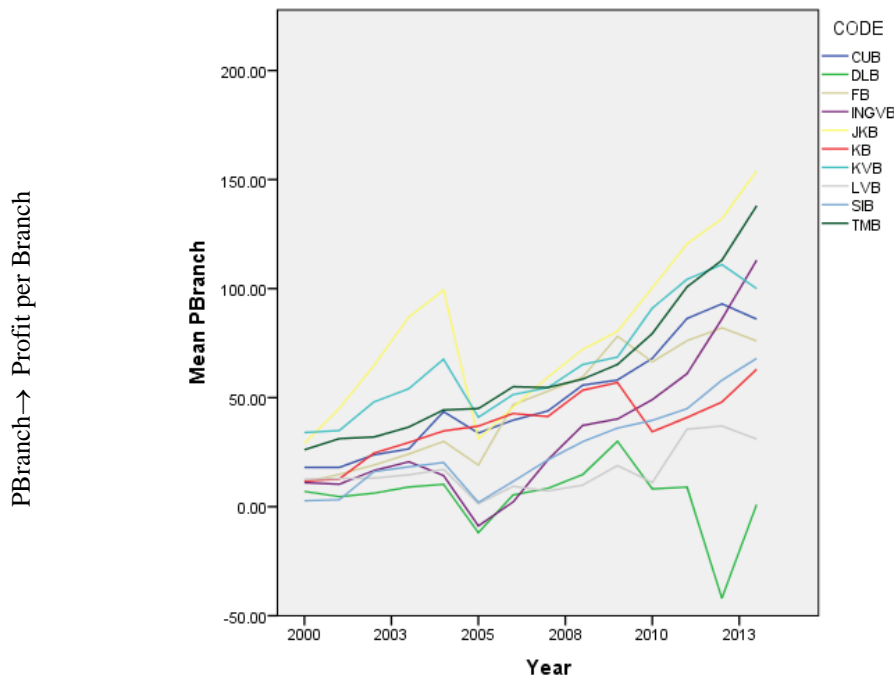


Figure-1.5: Profit per Branch

VII. CONCLUSION

As far as Private sector banks are concerned, mean business per employee is highest for Federal Bank, median business per employee is highest for The Jammu & Kashmir Bank. Absolute variation is lowest for ING Vysya Bank. Coefficient of variation is lowest for ING Vysya Bank. Mean profit per employee is highest for Tamilnad Mercantile Bank. Median profit per employee is highest for Karur Vysya Bank. Absolute variation is lowest for The Lakshmi Vilas Bank. Coefficient of Variation is lowest for The Karnataka Bank. Mean business per Branch is highest for The Jammu & Kashmir Bank. Median business per branch is highest for The Jammu & Kashmir Bank. Absolute variation is lowest for The Lakshmi Vilas Bank. Coefficient of variation is lowest for The Jammu & Kashmir Bank. Mean operating expenses per branch is highest for ING Vysya Bank. Median operating expenses per branch is highest for ING Vysya Bank. Absolute variation is lowest for The South Indian Bank. Coefficient of variation is lowest for Federal Bank.

Mean profit per branch is highest for The Jammu & Kashmir Bank. Median profit per branch is highest for Karur Vysya Bank. Absolute variation is lowest for The Lakshmi Vilas Bank. Coefficient of variation is lowest for Karur Vysya Bank

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