



International Journal of Multidisciplinary Research and Development



IJMIRD 2015; 2(2): 700-703
www.allsubjectjournal.com
Received: 21-01-2015
Accepted: 02-02-2015
e-ISSN: 2349-4182
p-ISSN: 2349-5979
Impact factor: 3.762

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Staff productivity of weak and non-weak banks

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Abstract

Productivity and efficiency are considered as leading indicators for evolving strengths or weakness of banking system across the world by all stakeholders in general and regulators in particular. The analysis of productivity is of relevance from the stakeholder's point of view, because they have interest in knowing the revenue generation capacity of banking firm for better yield on their funds invested with banks, while from the regulator point of view, if banks become better-functioning entities, it is expected to mirror in safety and soundness of the financial system and ultimately, lead to increases in the rate of economic growth.

Keywords: Stakeholders, evolving strengths, productivity.

Introduction

The India Banking scenario thereafter underwent a change in its thrust from class banking to mass banking in its geographical spread from the urban metros to the remotest nook and corner across the country. It ranges of activity from traditional banking to innovative banking. For the first time it addressed the needs of the rural poor on a scale and by methods that no other country's banking history can boost up, in its mission to promote self-employment. This meets the needs of small, medium or large industries, trade, commerce and transport sector of infrastructure, power, telecommunication etc. it may be recognized that all these have been done by Indian banks with their skills. Banks rose in maturity to meet the challenging demands of the time to modernize India. More importantly, such analysis is also useful to identify the success or failure of policy initiatives or alternatively highlight different strategies undertaken by banks which contribute to their success. Considering the productivity as health indicator of banking when environment is fully competitive deregulated and market driven the evolution and measurement of productivity & efficiency becomes the areas of interest for a professional banker to carry out analytical assessment and research. Banks have large business opportunities because out of the INR 10.4 trillion households' saving pool in fiscal 2010-11, nearly 42 percent was in the form of banks deposits. Also, much of Indians' physical saving is still locked up in unproductive physical assets such as houses and gold and banks can help households to convert its large part into finance assets. It is expected that Indian banking industry will be the world's third largest next to China and US in terms of total banking assets by 2025 from its 14th rank in 2009. Productivity analysis has been carried out by using the following ratios: key ratios under four categories applying the accounting approach in the study such as Staff Productivity, Cost effectiveness, Profitability and Financial Management.

Scope of Study

The study be focused to the Public Sector Banks in India. Six Public Sector banks have been taken as sample study, namely Indian banks, United Bank of India, UCO Bank, State Bank of Bikaner and Jaipur, Allahabad Bank and Syndicate Bank. The present study aims to study and examine the problems of nationalized banks in India and diagnose the cause of weakness and suggest a strategic plan of financial organizational and operational efficiency for weak banks.

Staff productivity

Staff productivity is measured in terms of business per employee and profit per employee.

Business per employee

Staff productivity is measured in terms of business per employee with the help of the

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following formula and depicted in the following manner.

$$\text{Profit per employees} = \frac{\text{Total Business}}{\text{Number of employees}}$$

Productivity analysis of weak bank and non-weak bank for the five years from 2009 to 2014 is computed as follows:

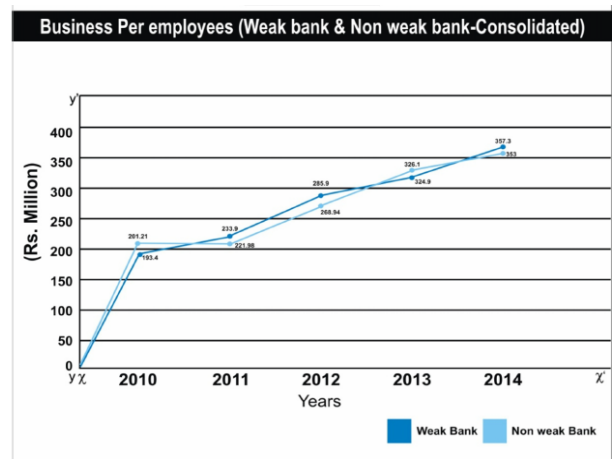
Table - 1

Staff Productivity of business per employee					
Business per employee (Amount in Millions)					
Bank Group-31st March (Percentage)	2009-10	2010-11	2011-12	2012-13	2013-14
Weak Banks					
UCO Bank	73.20	86.40	106.90	116.40	118.90
United Bank of India	58.50	71.40	86.00	97.10	108.30
Indian Bank	61.70	76.10	93.00	111.40	130.10
Total	193.4	233.9	285.9	324.9	357.3
Average			279.08		
Non Weak Banks					
SBBJ Bank	55.54	62.80	75.10	82.70	90.00
Allahabad Bank	70.60	84.50	106.30	121.70	137.30
Syndicate Bank	75.07	74.68	87.54	121.70	125.70
Total	201.21	221.98	268.94	326.1	353
Average			274.24		

It will be observed from the above staff productivity has been measured in terms of business per employee and profit per employee. The productivity analysis have been done of selected banks for the last five years from 2010 to 2014, Business per employee for the weak banks has increase from 73.20 to 118.90 in UCO bank and from 58.50 to 108.30 in United Bank of India and from 61.70 to 130.10 in Indian

bank respectively. It is shown that the growth of the entire non weak bank has been notice. Similarly the growth has been noticed in the non-weak bank as SBBJ bank was from 55.54 to 90.00, Allahabad bank was from 70.60 to 137.30, and Syndicate bank was from 75.07 to 125.70. Average staff productivity of weak bank comes to 279.08 as against non-weak bank was 274.24. Business per employee has also been indicated by showing the following graph.

Chart 1



(b) Profit per employee:

The Staff Productivity of profit per employee has been computed and depicted as under:-

$$\text{Profit per employee} = \frac{\text{Total Business}}{\text{Number of employees}}$$

Table-2

Staff Productivity Profit per employees selected bank					
Profit per employees (Amount in Millions)					
Bank Group-31st March (Percentage)	2009-10	2010-11	2011-12	2012-13	2013-14
Weak Banks					
UCO Bank	0.24	0.44	0.42	0.51	0.27
United Bank of India	0.12	0.21	0.35	0.41	0.25
Indian Bank	0.62	0.79	0.89	0.93	0.84
Total	0.98	1.44	0.859	1.85	1.36
Average			1.29		
Non Weak Banks					
SBBJ Bank	0.36	0.40	0.50	0.50	0.60
Allahabad Bank	0.38	0.58	0.67	0.84	0.53
Syndicate Bank	0.36	0.32	0.40	0.53	0.81
Total	1.1	1.3	1.57	1.87	1.94
Average			1.55		

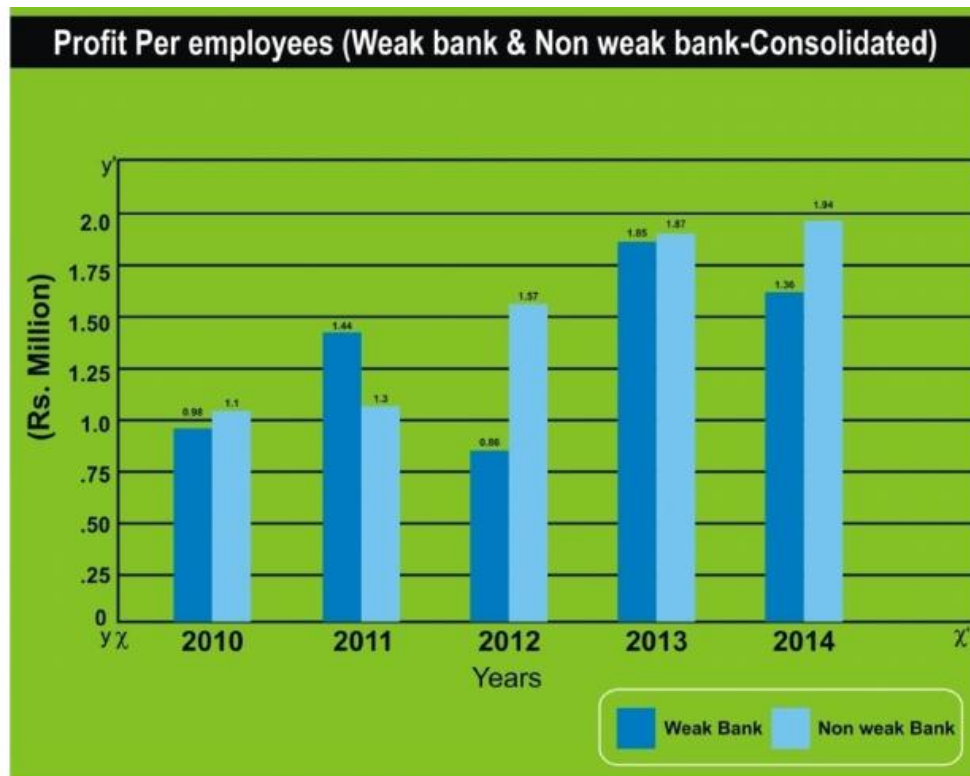
Profit per employee was in the weak banks 0.24 in 2009-10 which increase to 0.27 in the year 2013-14 in the UCO bank. In united bank of India profit per employee was 0.12 in the year which studiedly increase to 0.25 in the year 2013-14. The similar trend was also available in the Indian bank. The profit per employs 0.62 which increase to 0.93 in 2012-13 but it decreases to 0.84 in the year 2013-14. In case of non-

weak bank SBBJ bank profit per employee has shown increasing trend from 0.36 in the year 2009-10 and 0.60 in the year 2013-14. Profit per employee in case of Allahabad bank was 0.38 in the year 2009-10 which rose to 0.84 in the year 2012-13 and decrease to 0.53 in the year 2013-14. So for syndicate bank is concerned profit per employee has shown fluctuating trend from the year 2009-10 to 2011-12

but however it increases to 0.53 in the year 2012-13 and rose to 0.81 in the year 2013-14. Average profit per staff was lower as 1.29 in weak bank and against non-weak bank

which was 1.55. The profit per employees has also been Depicted in the form of chart (2) as under.

Chart 2



Conclusion

To conclude it can be said that staff efficiency or productivity using quantities may enable us to understand what exactly underlies differences in financial performance. It is a difference in technical efficiency, that is, the maximum output that can be realized from a given input or are their differences in locative efficiency, which reflects the ability or firms to use inputs in optimal proportion, given the prices. It will be observed from the above staff productivity has been measured in terms of business per employees and profit per employees.

The productivity analysis of selected banks for the last five years from 2010 to 2014, Business per employees for the weak banks has increase from 73.20 to 118.90 in UCO bank and from 58.50 to 108.30 in United Bank of India and from 61.70 to 130.10 in Indian bank respectively. It is shown that the growth of the entire non weak bank has been notice. Similarly the growth has been noticed in the non-weak bank as SBBJ bank was from 55.54 to 90.00, Allahabad bank was from 70.60 to 137.30, and Syndicate bank was from 75.07 to 125.70. Staff productivity of weak bank comes to 279.08 as against non-weak bank was 274.24. Profit per employees was in the weak banks 0.24 in 2009-10 which increase to 0.27 in the year 2013-14 in the UCO bank. In united bank of India profit per employees was 0.12 in the year which steadily increase to 0.25 in the year 2013-14. The similar trend was also available in the Indian bank. The profit per employs 0.62 which increase to 0.93 in 2012-13 but it decreases to 0.84 in the year 2013-14. In case of non-weak bank SBBJ bank profit per employees has shown increases

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Suggestions

- Banks have to increase the efficiency of employees so that their output either in terms of business or profit goes up.
- A three-pronged strategy is suggested here. Banks should strive to increase the employees' (a) willingness to work, (b) ability and capability to work and (c) not only work but work innovatively.
- The above requires HR intervention at various ranks and order of banks.
- Increasing use of modern technologies should complement the efforts of employees. Technological capabilities have enhances the speed of transactions, lessened the cost of handling, multiplied the number of products and service offered and thereby increased the turnover and productivity, besides imparting comfort to employees.
- Restructuring of banks in particular and financial sector in general is an important macro factor to improve productivity. This may have to be coupled with an

element of competition that would unfetter the best out of individuals, Infusing a sense of responsibility would probably help a lot here.

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