

# EMPLOYEE PRODUCTIVITY IN INDIAN BANKING SECTOR: AN ANALYSIS OF SELECT COMMERCIAL BANKS

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**Abstract** *In the competitive scenario of today, the knowledge workforce influences the identification and socialisation process of employees, and the workforce may also indirectly act as a complement to improved technologies, business models, work culture, conventions and sentiments that determine the performance of any organisation in general and the banking sector in particular. Banking structures are changing, their business is changing, their ownership pattern is changing, and the ways of management are changing. Therefore, in the shifting banking paradigm, banks are aligning their human capital with their strategic objectives. It realises the fact that people ensure and give banks the winning edge, and hence human capital has been recognised as a vital and forceful factor in the banking sector. The present study is an attempt to analyse the employee productivity of a selected commercial banks in the Indian banking industry for the period from 2018 to 2022.*

**Keywords:** *Employee Productivity, Business Per Employee, Profit Per Employee, Commercial Banks, Non-Performing Assets*

## INTRODUCTION

In the service sector, like banking, along with other resources, the performance of banks depends on the quality of their human capital, as they are the main product and service-delivering assets. Besides, the efficiency of the banks can be achieved when the personal growth and well-being of the employees are taken care of and the creation of a facilitating and congenial environment, removes impediments and irritants and fosters a feeling of pride and belongingness. Issues of personal growth and well-being are important as these not only contribute to a healthier work environment but also can be effectively harnessed to help align personal goals with organisational goals.

Banking Structures are changing, their business is changing, their ownership pattern is changing, and the ways of management are changing. Loan-loss provisioning norms have become mandatory. Compliance with capital adequacy ratios will drive them deeper into the equity and debt markets, and non-compliance, for any reason, will severely threaten their ability to take on new business. Shareholders will constantly clamour for higher dividend payouts and the issue of bonus shares.

In the competitive business scenarios of today, the knowledge workforce influences the identification and socialisation process of employees, and the workforce may also indirectly act as a complement to improved technologies, business models, work culture, conventions and sentiments

that determine the performance of any organisation in general and the banking sector in particular. Therefore, in the shifting banking paradigm, banks are aligning their human capital with their strategic objectives. It realises the fact that people ensure and give banks the winning edge, and hence human capital has been recognised as a vital and forceful factor in the banking sector. As Bimal Jalan, the former Governor of the Reserve Bank of India, rightly pointed out, "Capital and technology are replicable but not human capital, which needs to be viewed as a valuable resource for the achievement of competitive advantage even in the banking sector".

In the wake of Liberalisation, Privatisation, and Globalisation (LPG) of the economy, the banking philosophy, objectives, priorities, targets and human resource management policies have also been drastically changed from time to time. As a result, the mindset of the employees and employers has also changed. The socio-economic compulsions and internal and external environment of the banking sector as well witnessed drastic changes.

Banking has long been the backbone of the Indian financial industry. A robust financial system is required for the development of a healthy and dynamic economy. The performance of the banking sector is an effective metric and indication for assessing the overall success of any economy. The state of development of the banking industry reflects the state of development of the economy. The evaluation of the financial performance of the banking sector is an

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effective metric and indicator for assessing the soundness of the country's economic activity. Human participation is highly important in the service business, and this is also true in banking. Employees have attitudes, interests, motivation, skills and knowledge, conduct, promptness, reaction to calls, and so on. These elements have an impact on both individual and organisational success. In today's competitive environment, it is challenging to acquire, retain, and encourage clients for future business. Only when employees perform better will the banking unit's profits increase. The organisation's most valuable resource is its human capital. In today's competitive and changing business climate, there is a strong desire for highly trained and devoted employees who can provide the greatest results. The company that gains an edge over its competition via skilled and devoted employees can grab the market lead. The input of employees on the job is the most significant aspect of business development and excellence. The performance of staff on various duties in close cooperation is required for the unit's success.

The fast-paced competitive climate created by government policies of liberalisation and globalisation has resulted in major changes in the functioning of the Indian banking industry. To remain viable in a highly deregulated environment, banks are primarily focused on their consumers. Employees play an important part in such an environment since every operation of a bank is closely tied to the attitude, motivation, and work culture of the employees. It is the capacity of bank staff to provide fast and pleasant service to their clients. As a result, bank profitability must be assessed in terms of staff productivity.

The current study attempts to assess the employee productivity of selected commercial banks on selected parameters in the wake of mergers and acquisitions by using two ratios: Business per Employee and Profit per Employee.

## REVIEW OF LITERATURE

In order to evaluate changes in financial performance as well as the overall productivity and profitability of selected institutions, "The Critical Evaluation of the Indian Banking Sector" with reference to Private Sector Banks and Public Sector Banks from 1998-1999 to 2002-03 was analysed. The survey found that the bank should expand its product line and work to serve the financial needs of middle-class, upper-class, and high-net-worth customers all in one location (Sharma, 2005). Public sector banks (PSB) are more efficient than local commercial banks and international banks. Surprisingly, foreign banks are far less efficient than PSBs, presumably due to their lower scale. Foreign banks, on the other hand, have superior efficiency than local private banks due to their specialised operations (Rajan et al., 2011). Bank of Baroda's performance is far superior to that of the State Bank of India. The State Bank of India

must take the required actions to manage its nonperforming assets (Chaturvedi & Sharma, 2012). Three private sector banks—ICICI Bank, HDFC Bank, and Axis Bank—were included in a five-year investigation on the productivity of Indian banks, which ran from 2007–08 to 2011–12. Although ICICI Bank's per-employee productivity is much better than that of other selected private-sector banks, the bank's per-branch productivity is lower (Singla, 2013). The productivity performance of India's public sector banks was studied using employee and branch productivity. Based on the findings, banks are grouped into four categories: outstanding, good, fair, and awful, throughout the time period under consideration. BOB, Corporation Bank, and Oriental Bank of Commerce all had an excellent index in both categories (Gupta & Kaur, 2013).

Bank productivity was significantly affected by the number of branches and people. High banks with a high number of branches have the lowest productivity, and vice versa (Mahila Vasanthi Thangam & Thoushifa, 2016). Bank efficiency was studied using cost analysis. Andhra Bank was found to be more efficient than the State Bank of Hyderabad in terms of operating profit, total income, and interest income (Radhika & Kalyani, 2017). The possibility for a link between the productivity of chosen banks was studied. They selected a sample of 16 banks for this, consisting of three new private sector banks, four older public sector banks, and nine public sector banks. They tested the hypothesis and observed that Yes Bank surpassed all other banks in terms of business and profit per employee (Parmar & Kulkarni, 2017). Productivity is a crucial indicator of a nation's economic health. Productivity by itself is not a goal. Actually, it's a plan to improve material well-being. Progress on a global scale depends on productivity. Improvements in living standards and general quality of life depend on it, as does economic growth and development (Kanani, 2017). The research uses Herfindahl's index of concentration and the exponential growth rate to analyse the factors influencing staff productivity in India's private sector banks during the second reform period. According to the statistics, Federal Bank ranks first among all private sector banks in terms of net profit per employee and spread per employee, indicating the importance of employee productivity in Indian bank profitability (Vishali, 2019).

## OBJECTIVES

The main objective of the present study is to analyse employee productivity in select commercial banks on selected parameters. However, the current study also takes into account the following specific objectives:

- Employee Productivity in terms of Business per employee of the select Commercial Banks over the research period.

- Employee Productivity in terms of Profit per employee of the select Commercial Banks over the research period.

## RESEARCH METHODOLOGY

The current investigation is focused on the Indian financial sector. For this study, five nationalised banks and five private banks were chosen. The research relies on secondary data. The necessary information was gathered from the Reserve Bank of India's different editions of Banking Statistics. Ratio analysis as an accounting tool and averages as a statistical tool are used to compare the performance of chosen sector banks.

- Business per Employee
- Profit per Employee

Banking is a significant and vital component of India's service sector. As a result, it is critical to investigate bank productivity. Simply, productivity is the ratio of output to input. The quantitative link between what is produced and what is used in the process is known as productivity. Manpower and its increased efficiency are critical in the service industry to attain improved productivity. Employee productivity refers to an employee's ability to create maximum output with minimal inputs and efforts.

### Research Design and Study Period

This study's design, which spans a five-year period from 2018 to 2022, was descriptive and analytical in nature.

### Sample

Sample size refers to the number of items to be selected from the universe to constitute a sample. 10 banks, out of a total of 37 public and private sector commercial banks in India, were selected (which consists of 5 public and 5 private sector banks) for research registered in the Bombay stock exchange, Mumbai. The banks are selected on the basis of their branches, employees, business, deposits and advances.

### Data Collection

This study mainly uses secondary sources of data that were obtained from published and online sources. The Reserve Bank of India (RBI) portal, Indian Bankers' Association website, website of moneycontrol.com, and specific banking businesses' websites are where the information on banks is gathered.

## Limitations

This study is based on secondary data that has been gathered from published annual reports, financial literature, published journals, and magazines of the banking firms in India under examination; as a result, the validity of this data will be completely dependent on the results.

## Data Analysis and Interpretation

A ratio will be computed to analyse the financial performance of the selected banking organisations using the data. To support the results and conclusions, as well as the interbank comparison, statistical techniques such as mean, graphical presentations, ratios, and variance for assessing the data will be employed.

## Business Per Employee

Banking is a significant and vital component of India's Service Sector. As a result, studying bank productivity is critical. Productivity is the quantitative relationship between what is produced and what is utilised in the process. Manpower and its increased efficiency are critical in the service industry in order to attain improved production. Employee productivity refers to an employee's ability to create maximum output with the least amount of input and effort. Employees feel satisfied with their jobs, their job involvement increases, it develops a sense of commitment and loyalty, employees get raises in pay, the organisation makes a profit, and the concerned organisation's reputation in the market improves.

## Profit Per Employee

This statistic simply evaluates the amount of profit earned per employee as a measure of employee productivity. The bigger the profit amount, the better the staff performance and productivity.

Table 1 displays the bank-wise offices of a few commercial banks. The SBI has the most branches overall and within a select group of commercial banks, whereas Kotak Mahindra Bank has the lowest number of offices. Table 2 shows that SBI employs the most employees, with 2.44 lakh, followed by HDFC and ICICI, with 1.41 lakh and 1.05 lakh employees, respectively. The Kotak Mahindra Bank Ltd. and IDBI bank had the lowest employment deployed with 49117 and 16811, respectively. The data also reveals a yearly decline in the number of staff at SBI and IDBI. The data also shows that of the select commercial banks, SBI, HDFC, and ICICI have high averages.

**Table 1: Bank Wise Offices of Select Commercial Banks (Ending March 31)**

Bank	2018	2019	2020	2021	2022	Mean
Bank of Baroda	5474	5552	9482	8214	8168	7378
Canara Bank	6222	6311	6329	106	9734	5740
Punjab National Bank	6581	6579	6562	10768	10099	8118
State Bank of India	22960	22045	22132	22221	22271	22326
Union Bank of India	2018	4288	2002	9324	8868	5300
Axis Bank Limited	3738	4073	4609	4709	4873	4400
HDFC Bank Ltd.	4759	4967	5250	5604	6338	5384
ICICI Bank Ltd	4867	4873	5297	5239	5357	5127
IDBI Bank Ltd.	2000	1996	1887	1886	1884	1931
Kotak Mahindra Bank Ltd.	1388	1500	1600	1604	1700	1558

Source: <http://dbie.rbi.org.in/DBIE/dbie.rbi?site=publications#!4>

**Table 2: Bank Wise Employees in Select Commercial Banks (Ending March 31)**

Bank	2018	2019	2020	2021	2022	Mean
Bank of Baroda	54915	55431	84692	82695	79375	71422
Canara Bank	58853	58348	58632	88450	86913	70239
Punjab National Bank	69360	65116	63128	96241	97680	78305
State Bank of India	264041	257252	249448	245652	244250	252129
Union Bank of India	37589	37262	37365	78202	75201	53124
Axis Bank Limited	59819	61940	74140	78307	85815	72004
HDFC Bank Ltd.	88253	98061	116971	120093	141579	112991
ICICI Bank Ltd	82724	86763	99319	98750	105844	94680
IDBI Bank Ltd.	17475	17116	16682	16374	16409	16811
Kotak Mahindra Bank Ltd.	35717	41626	50034	51734	66473	49117

Source: <http://dbie.rbi.org.in/DBIE/dbie.rbi?site=publications#!4>

The mean of business per employee in select commercial banks is shown in Table 3. The SBI has the highest business per employee (2119.8 Lakhs), and Kotak Mahindra Bank Ltd. (935.40 Lakhs) has the lowest business per employee among all the categories of selected commercial banks in India's banking sector. During the study period, the selected commercial banks showed the most changing trend in mean business per employee. Surprisingly, public sector banks outperformed when compared to private sector banks in terms of business productivity.

According to this ratio, it may be determined how much

profit an organisation can make off of each employee (Table 4). Among the public sector banks that were chosen for the study, it was discovered that the State Bank of India recorded the highest mean profit per employee (5.0), while Punjab National Bank showed the lowest ratio (-5.0). At a glance at the table, it is noticed that HDFC Bank Ltd., was registered the highest profit per employee rate (24.2), and IDBI Bank Ltd., was registered a negative rate (-24.1) amongst selected commercial Banks. During the research period, the chosen private sector banks had the most changing trend in mean profit per employee, except IDBI Bank.

**Table 3: Business Per Employee in Select Commercial Banks (in Rupees Lakhs)**

Bank	2018	2019	2020	2021	2022	Mean
Bank of Baroda	1766	1888	1877	1957	2205	1938.60
Canara Bank	1481	1707	1763	1814	1991	1751.20
Punjab National Bank	1474	1680	1814	1885	1941	1758.80
State Bank of India	1670	1877	2105	2373	2574	2119.80
Union Bank of India	1783	1879	2006	1923	2048	1927.80
Axis Bank Limited	1484	1653	1727	1713	1792	1673.80

Bank	2018	2019	2020	2021	2022	Mean
HDFC Bank Ltd.	1508	1687	1749	1930	2025	1779.80
ICICI Bank Ltd	1078	1222	1275	1492	1669	1347.20
IDBI Bank Ltd.	2277	2084	1851	1966	2071	2049.80
Kotak Mahindra Bank Ltd.	904	996	936	970	871	935.40

Source: <http://dbie.rbi.org.in/DBIE/dbie.rbi?site=publications#14>

The ratio of the NPA to Net Advances in select commercial banks is shown in Table 5. The table clearly shows that in all selected commercial banks in the study area, the ratio of NPA to Net Advances has been falling over the years. The Kotak Mahindra Bank only registered an adverse ratio in the

year 2021. Overall, it is noticed that the select commercial banks are continuously reducing their ratio of NPA to Net advances. It is a positive indicator of how well commercial banks are doing.

**Table 4: Profit Per Employee in Select Commercial Banks (in Rupees Lakhs)**

Bank	2018	2019	2020	2021	2022	Mean
Bank of Baroda	-4.0	8.0	1.0	1.0	9.0	3.0
Canara Bank	-7.0	1.0	-4.0	3.0	7.0	0.0
Punjab National Bank	-17.0	-15.0	1.0	2.0	4.0	-5.0
State Bank of India	-2.4	0.3	5.8	8.3	12.9	5.0
Union Bank of India	-14.0	-8.0	-8.0	4.0	7.0	-3.8
Axis Bank Limited	0.5	7.6	2.4	8.7	15.5	6.9
HDFC Bank Ltd.	20.0	23.0	24.0	26.0	28.0	24.2
ICICI Bank Ltd	8.0	4.0	8.3	16.9	23.0	12.0
IDBI Bank Ltd.	-47.0	-88.0	-7.3	8.0	14.0	-24.1
Kotak Mahindra Bank Ltd.	12.0	12.0	13.0	14.0	14.0	13.0

Source: <http://dbie.rbi.org.in/DBIE/dbie.rbi?site=publications#14>

**Table 5: Ratio of Net NPA to Net Advances in Select Commercial Banks**

Bank	2018	2019	2020	2021	2022	Mean
Bank of Baroda	5.49	3.33	3.13	3.09	1.72	3.35
Canara Bank	7.48	5.37	4.22	3.82	2.65	4.71
Punjab National Bank	11.24	6.56	5.78	5.73	4.80	6.82
State Bank of India	5.73	3.01	2.23	1.50	1.02	2.70
Union Bank of India	8.42	6.85	5.49	4.62	3.68	5.81
Axis Bank Limited	3.64	2.20	1.62	1.06	0.67	1.84
HDFC Bank Ltd.	0.40	0.39	0.36	0.40	0.32	0.37
ICICI Bank Ltd	5.43	2.29	1.54	1.24	0.81	2.26
IDBI Bank Ltd.	16.69	10.11	4.19	1.97	1.27	6.85
Kotak Mahindra Bank Ltd.	0.98	0.75	0.71	1.21	0.64	0.86

Source: <http://dbie.rbi.org.in/DBIE/dbie.rbi?site=publications#14>

## CONCLUSION

The banking industry has seen significant change with the introduction of globalisation, privatisation, liberalisation, and reform of the financial sector in 1991 and 1998. Making the financial sector more competitive, efficient, and lucrative were the reform's overarching goals. Hence, in the wake of Liberalisation Privatisation Globalisation (LPG) of the economy, the banking philosophy, objectives,

priorities, targets and human resource management policies have also been drastically changed from time to time. As a result, the mindset of the employees and employers has also changed. The socio-economic compulsions and internal and external environment of the banking sector as well witnessed drastic changes. For instance, the introduction of technology, mergers and acquisitions, disinvestment policy of the Government have indeed affected bank employees' productivity positively.

Productivity growth is key to the success of LPG and financial reform. This study looked at the productivity of a select group of Indian banks from 2018 to 2022. The selected commercial banks had the most dynamic change in mean business per employee during the course of the study. Surprisingly, when it came to business productivity, public-sector banks beat private-sector banks. With the exception of IDBI Bank, the selected private sector banks' mean profit per employee trends changed the most. Overall, it's been observed that a few select commercial banks are consistently lowering their NPA to Net advances ratio. It is a good sign for the performance of commercial banks.

The study shows that the State Bank of India outperforms the other selected banks in terms of business per employee, and HDFC Bank's profitability per employee is moving to the top of the list of all commercial banks. Surprisingly, private sector banks generated a high profit per employee, although public sector banks had a good business performance per employee. It is advised that all of the banks selected employ safety measures to decrease if not totally eradicate, the NPA issue.

Employee Productivity is vital for the growth and development of organisations by enhancing their performance. This is certainly true in the banking industry. The key factors that influence the employee productivity of the selected banks require the bank authorities undivided attention. The productivity measures discussed in the article should be of significant importance to bank management since they have a positive impact on bank profitability. Therefore, the concerned bank authorities should focus necessary attention on the employee productivity and the factors influencing the overall productivity of the bank.

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