EMPLOYEES EFFICIENCY ANALYSIS OF PRIVATE & PUBLIC SECTOR BANKS OF INDIA

MR. ALPESH GAJERA[*]
DR. VIJAY PITHADIA[**]

ABSTRACT

From Independence onward contribution of banking sector in Indian economy is remarkable. Although history of Indian Economy is full of many ups and down, but it always emerge as more strengthen sector after each and every up downs. In current scenario Indian Banking Sector is considered as backbone of Indian Economy. In this research paper researcher is analyzing employee's efficiency of private and public sector banks of India by taking financial ratios of four parameters indicating employee's efficiency of commercial banks. It includes Profit per employee (Lakhs), Business per employee (Lakhs), Wages as % of total expenses and Wages as % of total income. Currently all commercial banks are going through the phase of recruitment because of two main reasons. Firstly retirement of existing employees of old banks and second is expansion presser for newly establish bank to provide well establish network to customers. So in this phase it's become necessity for any banks to know the employee's of their own as well as employee's efficiency of competitor bank and banking sector.

Key Words: Employees efficiency, Comparison, Private Banks, Public Banks, Commercial Banks.

[*] ASST. PROFESSOR, DEPARTMENT OF M.B.A., SHRI SUNSHINE GROUP OF INSTITUTIONS, RAJKOT

[**] DIRECTOR, SMT. S H GAJERA MBA MAHILA COLLEGE, AMRELI

Introduction

For analyzing the employee's efficiency of private and public sector banks for basic parameters has been selected for comparing and analyzing the same. These parameters are Profit per employee (Lakhs), Business per employee (Lakhs), Wages as % of total expenses, Wages as % of total income. In financial year 2012 -13 all private sector banks (20) include old private sector banks (13) and new private sector banks (7) as well as all public sector banks (26) include SBI and its' associates (6) and nationalized banks (20) will be taken into consideration for analysis. For analysis purpose all 46 banks has been primarily divided into two parts i. e. private sector banks and public sector banks, which has been further divided into four parts i.e. Old private sector banks, New Private sector banks, SBI and it's associates and nationalized banks.

Literature Review

Jain (2006), in his article titled, "Ratio Analysis: An Effective Tool for Performance Analysis in Banks" discussed various ratios relating to profitability of the banks. The author classified the various ratios under three categories, viz. Costing Ratio, Returns / Yield Ratio and Spread Ratios.

Arora and Kaur (2006) made an attempt to review the performance of banking sector in India during the post-reforms period. Banking sector being an integral part of Indian financial system has undergone dramatic changes reflecting the ongoing economic and financial sector reforms.

Gajera & Pithadia (2013) in their article titled "A Comparative Financial Analysis of Indian Banking Sector In Context of NPA Management" attempt to analyze and compare the financial performance of private, public and foreign sector banks.

Objectives

Analysis of this research paper has been carried out with following objectives

1. To analyze the employees efficiency with the help of selected parameters of private & public sector banks

2. To compare employees efficiency of private & public sector banks by further dividing public sector banks into SBI and it's associates and nationalized banks & public sector banks into old private sector banks and new private sector banks.

Hypothesis of Study

Analysis of this research paper has been done with the help of below mention statistical Hypothesis.

H_o = There is no significance difference in the mean value of selected four parameters of employee's efficiency in between four types of banks during selected time period. ($\mu_1 = \mu_2 = \mu_3 = \mu_4$)

H_0 = There is no significance difference in the mean yearly value of selected four parameters during ten different years of four types of banks. ($\mu_1 = \mu_2 = \mu_3 = \ldots\ldots = \mu_{10}$)

Research Design

The Sample

The universe of the study consist all the public and private sector banks. For this research paper all public and private sector banks has been taken into consideration which are divided into four main categories.

1. Public sector banks
   - SBI and it's Associates
   - Nationalized banks
2. Private sector banks
   - Old Private Sector banks
   - New Private Sector banks

The Data Collection and period of the Study

To attain mention objectives from time period 2003-04 to 2012-13 has been collected from RBI and DBIE website for selected employee's efficiency parameters.

Tools and Techniques

1. For analyzing employee's efficiency ratio analysis tool of accounting has been used.
2. For comparing employee's efficiency between different sector bank one of the tool of inferential statistics Anova F – test has been used for analyzing difference in performance.

Data Analysis and Interpretation

Table – 1 Profit per Employee (Rs. In Lakhs)

Year	Public Sector Banks		Private Sector Banks	
	SBI and It's Associates Banks	Nationalized Banks	Old Private sector Banks	New Private sector Banks
2012-13	5.62	7.1	5.82	10.28
2011-12	5.5	6.99	5.81	10.44
2010-11	5.82	7.02	5.25	9.93
2009-10	4.82	5.76	3.99	7.46
2008-09	4.39	4.78	5.06	5.58
2007-08	3.21	4.19	4.39	4.78
2006-07	2.72	3.28	1.92	4.37
2005-06	2.07	2.75	2.07	4.45
2004-05	1.9	2.46	0.23	3.23
2003-04	1.82	2.43	0.25	3.22

H_0 = There is no significance difference in the mean value of Profit per Employees of four types of banks. ($\mu_1 = \mu_2 = \mu_3 = \mu_4$)

H_1 = There is significance difference in the mean value of Profit per Employees of four types of banks. ($\mu_1 \neq \mu_2 \neq \mu_3 \neq \mu_4$)

H_0 = There is no significance difference in the mean yearly value of Profit per Employees during ten different years of four types of banks. ($\mu_1 = \mu_2 = \mu_3 = \ldots\ldots = \mu_{10}$)

H_1 = There is significance difference in the mean yearly value of Profit per Employees during ten different years of four types of banks. ($\mu_1 \neq \mu_2 \neq \mu_3 \neq \ldots\ldots \neq \mu_{10}$)

Table – 2 ANOVA Two way Analysis for Profit per Employee

Source of Variation	SS	df	MS	F	F crit
Year	159.91	9	17.77	**28.34**	**2.25**
Types of Banks	50.69	3	16.90	**26.95**	**2.96**
SSE	16.93	27	0.63		
Total	227.53	39			

Interpretation:

F calculated value is higher than F critical value for both years & types of banks suggest that there is significance difference in the mean value of profit per business in four types of banks as well as in different years.

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Table – 3 Business per Employee (Rs. In Lakhs)

Year	Public Sector Banks		Private Sector Banks	
	SBI and It's Associates Banks	Nationalized Banks	Old Private sector Banks	New Private sector Banks
2012-13	987.13	1281.23	823.21	912.78
2011-12	966.14	1274.26	821.11	900.15
2010-11	855.44	1146.64	759.23	977.75
2009-10	720.91	966.72	657.45	847.04
2008-09	689.00	811.43	586.27	744.34
2007-08	539.30	657.70	517.42	710.81
2006-07	440.26	518.11	409.65	677.96
2005-06	353.32	438.04	376.59	686.53
2004-05	283.87	360.12	308.78	649.88
2003-04	278.64	357.83	301.45	632.66

H_0 = There is no significance difference in the mean value of Business per Employees of four types of banks. ($\mu_1 = \mu_2 = \mu_3 = \mu_4$)

H_1 = There is significance difference in the mean value of Business per Employees of four types of banks. ($\mu_1 \neq \mu_2 \neq \mu_3 \neq \mu_4$)

H_0 = There is no significance difference in the mean yearly value of Business per Employees during ten different years of four types of banks. ($\mu_1 = \mu_2 = \mu_3 = \ldots\ldots = \mu_{10}$)

H_1 = There is significance difference in the mean yearly value of Business per Employees during ten different years of four types of banks. ($\mu_1 \neq \mu_2 \neq \mu_3 \neq \ldots\ldots \neq \mu_{10}$)

Table – 4 ANOVA Two way Analysis for Business per Employee

Source of Variation	SS	df	MS	F	F crit
Year	2081220.35	9	231246.71	**19.66**	**2.25**
Types of Banks	391283.97	3	130427.99	**11.09**	**2.96**
SSE	317614.77	27	11763.51		
Total	2790119.08	39			

Interpretation:

F calculated value is higher than F critical value for both years & types of banks suggest that there is significance difference in the mean value of business per business in four types of banks as well as in different years.

Table – 5 Wages as % of total Expenses

Year	Public Sector Banks		Private Sector Banks	
	SBI and It's Associates Banks	Nationalized Banks	Old Private sector Banks	New Private sector Banks
2012-13	16.38	14.46	15.46	14.48
2011-12	14.16	12.38	13.95	12.54
2010-11	17.31	16.47	17.99	14.84
2009-10	13.29	13.81	14.81	14.33
2008-09	12.14	13.48	13.85	12.53
2007-08	13.34	14.21	14.25	12.67
2006-07	18.14	18.19	19.28	13.07
2005-06	22.31	21.95	20.33	13.05
2004-05	22.51	23.60	18.46	10.98
2003-04	22.28	22.42	19.32	12.44

H_0 = There is no significance difference in the mean value of wages as % of total expenses of four types of banks. ($\mu_1 = \mu_2 = \mu_3 = \mu_4$)

H_1 = There is significance difference in the mean value of wages as % of total expenses of four types of banks. ($\mu_1 \neq \mu_2 \neq \mu_3 \neq \mu_4$)

H_0 = There is no significance difference in the mean yearly value of wages as % of total expenses during ten different years of four types of banks. ($\mu_1 = \mu_2 = \mu_3 = \ldots\ldots = \mu_{10}$)

H_1 = There is significance difference in the mean yearly value of wages as % of total expenses during ten different years of four types of banks. ($\mu_1 \neq \mu_2 \neq \mu_3 \neq \ldots\ldots \neq \mu_{10}$)

Table – 6 ANOVA Two way Analysis for wages as % of total expenses

Source of Variation	SS	df	MS	F	F crit
Year	232.27	9	25.81	**4.90**	**2.25**
Types of Banks	116.45	3	38.82	**7.38**	**2.96**
SSE	142.11	27	5.26		
Total	490.83	39			

Interpretation:

F calculated value is higher than F critical value for both years & types of banks suggest that there is significance difference in the mean value of wages as % of total expenses in four types of banks as well as in different years.

Table – 7 Wages as % of total income

Year	Public Sector Banks		Private Sector Banks	
	SBI and It's Associates Banks	Nationalized Banks	Old Private sector Banks	New Private sector Banks
2012-13	11.46	11.56	13.67	10.32
2011-12	11.13	9.90	11.56	9.81
2010-11	13.16	12.77	14.82	11.05
2009-10	10.45	10.87	12.43	10.49
2008-09	9.67	10.76	10.92	10.09
2007-08	10.95	11.37	11.28	10.11
2006-07	14.13	14.00	16.66	10.58
2005-06	16.91	16.94	17.41	10.66
2004-05	15.74	17.60	15.29	8.98
2003-04	14.22	14.92	14.87	8.32

H_0 = There is no significance difference in the mean value of wages as % of total income of four types of banks. ($\mu_1 = \mu_2 = \mu_3 = \mu_4$)

H_1 = There is significance difference in the mean value of wages as % of total income of four types of banks. ($\mu_1 \neq \mu_2 \neq \mu_3 \neq \mu_4$)

H_0 = There is no significance difference in the mean yearly value of wages as % of total income during ten different years of four types of banks. ($\mu_1 = \mu_2 = \mu_3 =\ldots\ldots= \mu_{10}$)

H_1 = There is significance difference in the mean yearly value of wages as % of total income during ten different years of four types of banks. ($\mu_1 \neq \mu_2 \neq \mu_3 \neq\ldots\ldots\neq \mu_{10}$)

Table – 8 ANOVA Two way Analysis for wages as % of total income

Source of Variation	SS	df	MS	F	F crit
Year	112.33	9	12.48	**5.73**	**2.25**
Types of Banks	83.79	3	27.93	**12.82**	**2.96**
SSE	58.82	27	2.18		
Total	254.93	39			

Interpretation:

F calculated value is higher than F critical value for both years & types of banks suggest that there is significance difference in the mean value of wages as % of total income in four types of banks as well as in different years.

Findings

With the help of above data analysis we reach at following findings

1. In selected four employees efficiency parameters new private sector banks perform better than other three sector banks.

2. After new private sector banks, old private sector banks and nationalized banks comes in terms of employees efficiency.

3. In second hypothesis under all four parameters suggest that year to year from 2003-04 to 2012-13 employees efficiency increased in all sector banks which as a good sign for Indian banking sector.

Conclusion

In this research paper we try to analyze and compare the employees efficiency of four different banking sector banks. After data analysis we come to know that new private sector banks are the best in terms of employees efficiency under all selected parameters, than comes old private sector banks, than after nationalized banks come and than SBI and it's associate banks comes in terms of employees efficiency. Reason behind poor performance of SBI and it's associate banks as well as nationalized banks is may be establishment of number of branches in rural and semi urban area, which lead to involvement of more no. of employees for providing banking services and because of which employees efficiency is lower compare to other sector banks.

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