



A Comparative Study On Employee Productivity Among Top Public Sector Banks And Private Banks In India

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Abstract:

Public sector banks (PSBs) played a significant role in the development of Indian economy. PSBs role in developing the public infrastructure and financial system of the country is applaudable. PSBs are under continuous scrutiny for its inability in meeting the growing needs of the customers. The continuously decline in market share in the past decade and the growing presence and profitability of private banks questions the efficiency and productivity of the PSBs. The study finds that PSBs productivity is far behind the productivity of private banks. Profit per unit of employee cost of private banks is two times more than PSBs. Revenue per unit of employee cost of private banks is Rs 12.45 crores whereas it is Rs 7.45 crores for PSBs. Profit per branch of private banks is Rs 6.99 crores whereas it is Rs 2.61 crores for PSBs. Business per unit of employee cost is Rs 170.5 crores in private banks and in PSBs it is Rs.147.3 crores

Introduction:

Public sector banks (PSBs) have played a pivot role in the development of our country and in placing our nation in the growth path. Many financial and banking reforms have taken place in the past decades in order to improve the efficiency of the PSBs. PSBs have just completed their mega mergers and the amalgamated entities have started functioning as a synergized engine of development.

Operation efficiency of PSBs were questioned several times in the past and even its productivity was under radar in the past decades. Those legacy issues were sorted out through huge man power rationalization and capacity rationalization.

Today, fintech's, private sector banks and foreign banks pose various challenges to PSBs in terms of efficiency, productivity and profitability.

PSBs have lost their significant market share to private banks and fintech's in the last decade. This paper intends to study the employee productivity of PSBs and private banks and conduct a comparative study to see where PSBs are placed in terms of productive among their peer PSBs and the private banks.

Abbreviations used:

SBI: State Bank of India, Canara: Canara Bank, BOB: Bank of Baroda, UBI: Union Bank of India, PNB: Punjab National Bank, Axis: Axis Bank, HDFC: HDFC Bank, Kotak: Kotak Mahindra Bank, ICICI: ICICI Bank

Literature review:

Though productivity is primarily considered as the measure of output per unit of input, it is important to understand that it is the primary source of the organization's growth and competitive edge. It is also an important factor in determining the standards of an organization

The basic formula for calculating productivity is

Productivity= Output/Input

In order to increase productivity, an organization must either generate more output from the same input or produce the same level of output with reduced inputs.

Similarly, in banking industry productivity is defined as a comprehensive measure of how efficiently and effectively banks achieve their major objectives. It is the relationship between outputs and inputs during a given period (Lawlor, 1985; Murdick, Render & Russell, 1990; Sumanth, 1984)

Productivity is construed as the ability and willingness of an economic unit to produce maximum possible output with given inputs and technology

Neeta Vaydande, Vinod Kumar Adwani, 2022 studied Cost and Productivity of Employees in Commercial Banks of India and suggested that Employees and management of SBI are required to improve their performances. 2. Management of SBI should work on the issue of NPAs, with dual approach. Credit should be disbursed in favour of solvent and honest customers, after proper enquiry and without political pressure.

P. S. Aithal, Prasanna Kumar, & Mike Dillon, 2018 studied how to Improve the Employee Productivity of Banking System in India – a Theory of Accountability Based Analysis. They analysed the business model and the organizational strategy of Indian Banks in terms of their business objectives, service planning, target setting for the employees, employee motivational factors, working strategies to improve productivity and finally accountability of each and every employee at different organizational levels.

Ghosh, Rai, Chauhan, Baranwal and Srivastava, 2016 studied the potential mediating role of employee engagement and rewards to employees among private bank employees in India. The study concluded that rewards & recognition to employees was found to be a strong predictor of employee engagement, finally leading to better performance of banks.

Dr Shashi Yadav and Garima, 2015 conducted a comparative study on the productivity in Indian Banks. The study found that the Percentage of Employee Cost to Operating Expenses is lowest in case of New Private Sector Banks, which may result into dissatisfaction amongst employees. The study found that performance of the Foreign Banks was much superior to all the other bank groups in the country.

Jha and Mishra, 2015 studied the impact of HRM practices on performance of employees in Indian banking industry. The authors concluded that various remedial HRM measures can be taken to improve the employee performance in banks. The measures suggested include staff meetings, brain storming sessions, study circles and quality circles

Banks under study:

For the purpose of study the top 5 PSBs and 4 private banks are picked based on their total business and the following banks are picked for the study

Table 1: Banks under study

Si.No	Public Sector Banks	Private Banks
1	State Bank of India	HDFC Bank
2	Punjab National Bank	ICICI bank
3	Canara Bank	Kotak Mahindra Bank
4	Bank of Baroda	Axis Bank
5	Union Bank of India	

Data Collection:

Published annual reports of the banks for financial year 2021-2022 was used. All these banks were merged with one bank or the other and as an amalgamated entity their first Annual report was published in FY 20-21. However, the latest Annual report was used in the study. The following data's were directly available in the financial report. The same has been collected and collated for the purpose of analysis

Table 2: Data of PSBs based on Annual report AY 21-22

Variables	SBI	PNB	Canara	BOB	UBI
Number of employees	244250	103144	86919	79016	75201
Number of branches	22266	10098	9734	8168	8870
Payments to and provisions for employees (in crores) or Employee cost	57561.99	11841.01	12703.64	11978.84	10114.61
Total Business (Total Deposits + Total Advances) (in crores)	67,85,500.71	18,74,404.13	17,90,011.07	18,23,093.75	16,93,397.29
Operating profit (in crores)	75292.37	21025.64	23089.00	22,388.85	21873.00
Operating Expenditure (in crores)	85979.13	20252.60	19792.00	21716.44	19702.61
Total Revenue (in crores)	4,06,973.09	87199.49	94256.89	87780.19	81,754.07

Table 3: Data of private banks based on Annual report for Ay 21-22

Variables	HDFC	ICICI	Axis	Kotak
Number of employees	1,41,579	1,05,844	85,500	66000
Number of branches	6499	5418	4758	1700
Payments to and provisions for employees (in crores) or Employee cost	15,897.03	9,673	8,414.06	4,582.35
Total Business (Total Deposits + Total Advances) (in crores)	3112856.00	17,14,973.00	1529417.00	582937.7152
Operating profit (in crores)	36,961.00	39,250.00	24,742.00	16,719.95
Operating Expenditure (in crores)	40,312.43	26,733.00	23,611.00	11,121.39
Total Revenue (in crores)	1,67,695.40	1,04,892.08	1,21,253.29	64,178.61

Formulas used:

Business per employee = Total Business/ Total No. of employees

Total Business = Total Deposits + Total Advances

Profit per employee = Net operating profit / Total No. of employees

Revenue per Employee = Total Revenue / Total No. of employees

Cost per Employee = Total Revenue / Total No. of Employees

Employees cost to operating Expenditure = Employee cost/Operating expenditure

Employee cost to Total business = Employees cost*100/Total Business

Employee cost ratio (ECR) = Employee cost *100/ Total Revenue

Data analysis and interpretation:**Productivity of PSB banks:**Table 4: The following ratios were calculated for individual PSB banks

Variables	SBI	PNB	Canara	BOB	UBI
Cost per Employee (in crores)	0.24	0.11	0.15	0.15	0.13
Employee cost to Operating Expenditure	0.67	0.58	0.64	0.55	0.51
Employee cost to total business	0.01	0.01	0.01	0.01	0.01
Employee cost Ratio	0.14	0.14	0.13	0.14	0.12
Business Per Employee (in Crores)	27.78	18.17	20.59	23.07	22.52
Profit per employee (in crores)	0.31	0.20	0.27	0.28	0.29
Revenue Per employee (in crores)	1.67	0.85	1.08	1.11	1.09
Profit per unit of employee cost (in Crores)	1.31	1.78	1.82	1.87	2.16
Business per unit of employee cost (in ten crores)	11.79	15.83	14.09	15.22	16.74
Revenue per unit of employee cost (in crores)	7.07	7.36	7.42	7.33	8.08
Profit per Branch (in crores)	3.38	2.08	2.37	2.74	2.47

Table 5: Productivity Ranking of PSB banks

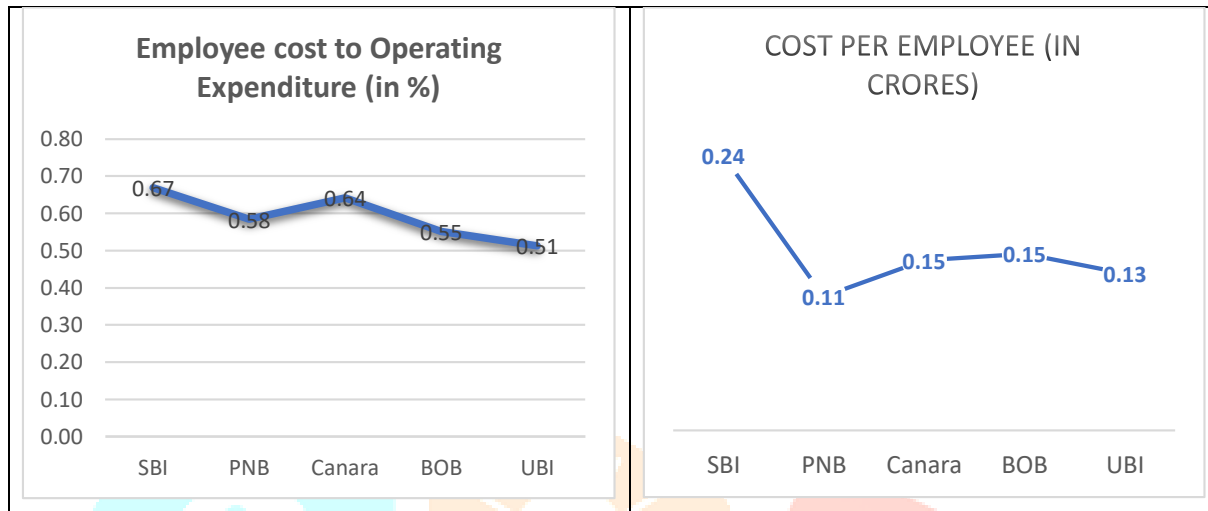
Rank	Business Per Employee (in Crores)	Profit per employee (in crores)	Revenue Per employee (in crores)	Profit per unit of employee cost (in Crores)	Business per unit of employee cost (in crores)	Revenue per unit of employee cost (in crores)	Profit per Branch (in crores)
1	SBI	SBI	SBI	UBI	UBI	UBI	SBI
2	BOB	UBI	BOB	BOB	PNB	Canara	BOB
3	Canara	BOB	UBI	Canara	BOB	PNB	UBI
4	UBI	Canara	Canara	PNB	Canara	BOB	Canara
5	PNB	PNB	PNB	SBI	SBI	SBI	PNB

It is found that SBI is ranked number one in terms of Business per Employee, profit per employee and revenue per employee. In terms of profit per unit of employee cost, Business per unit of employee cost and revenue per unit of employee cost Union Bank of India is ranked number one.

SBI's ranking can be attributed mainly to its volume of business compared to its peers, whereas as UBI's ranking can be attributed towards the cost leadership

In order to increase productivity, an organization must either generate more output from the same input or produce the same level of output with reduced inputs. Union Bank of India has followed the later and improved its productivity through reduced input cost

Figure 1: Employee cost of PSBs



Industry experts have always asserted that reducing input cost will not result in sustained productivity over a period of time. Workforce will not stay motivated and there will be attrition if the remunerations are not competitive enough. The organizations ability to attract new talents will also be diminished if the cost per employee doesn't follow industry standards. Hence It can be concluded that the productivity achieved through reducing the input cost is not a viable and a sustainable approach.

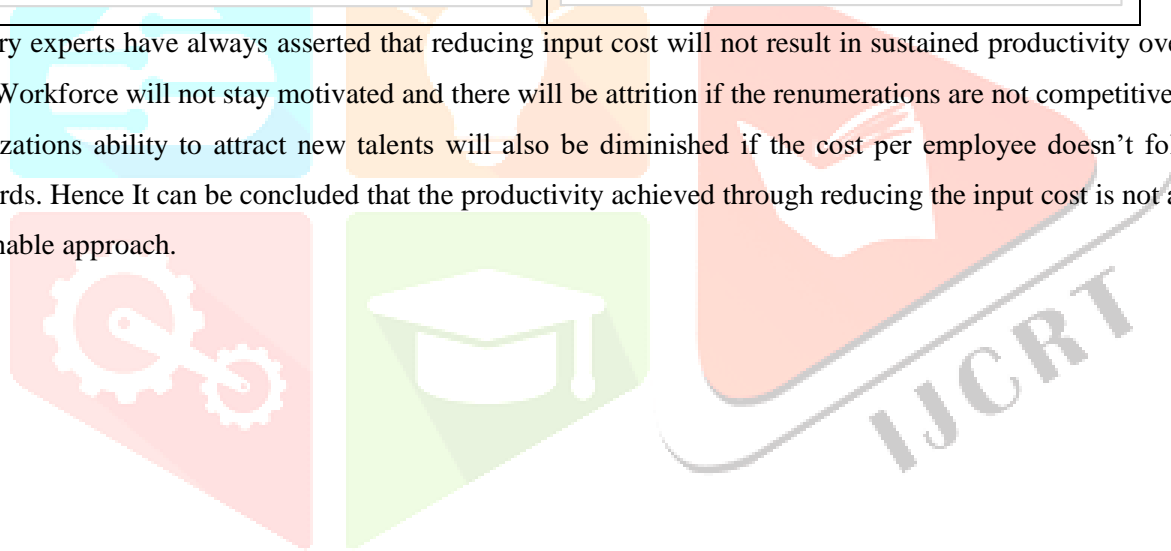


Table 6: The following ratios were calculated for individual Private banks

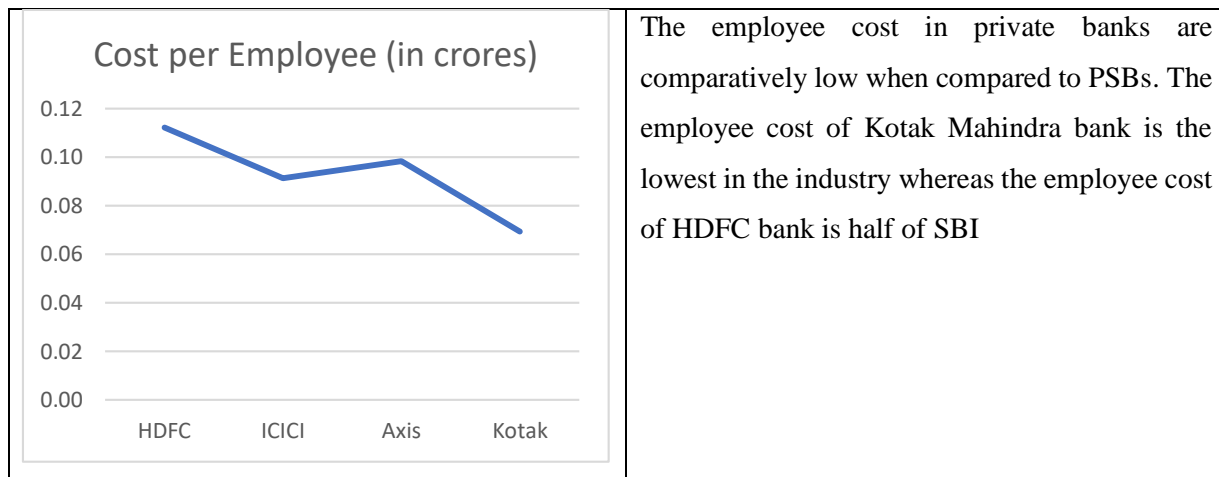
Variables	HDFC	ICICI	Axis	Kotak
Cost per Employee (in crores)	0.11	0.09	0.10	0.07
Employee cost to Operating Expenditure	0.39	0.36	0.36	0.41
Employee cost to total business	0.01	0.01	0.01	0.01
Employee cost Ratio	0.09	0.09	0.07	0.07
Business Per Employee (in Crores)	21.99	16.20	17.89	8.83
Profit per employee (in crores)	0.26	0.37	0.29	0.25
Revenue Per employee (in crores)	1.18	0.99	1.42	0.97
Profit per unit of employee cost (in Crores)	2.33	4.06	2.94	3.65
Business per unit of employee cost (in ten crores)	19.58	17.73	18.18	12.72
Revenue per unit of employee cost (in crores)	10.55	10.84	14.41	14.01
Profit per Branch (in crores)	5.69	7.24	5.20	9.84

Table 6: Productivity Ranking of PSB banks

Rank	Business Per Employee (in Crores)	Profit per employee (in crores)	Revenue Per employee (in crores)	Profit per unit of employee cost (in Crores)	Business per unit of employee cost (in crores)	Revenue per unit of employee cost (in crores)	Profit per Branch (in crores)
1	HDFC	ICICI	Axis	ICICI	HDFC	Axis	Kotak
2	Axis	Axis	HDFC	Kotak	Axis	Kotak	ICICI
3	ICICI	HDFC	ICICI	Axis	Icici	ICICI	HDFC
4	Kotak	Kotak	Kotak	HDFC	Kotak	HDFC	Axis

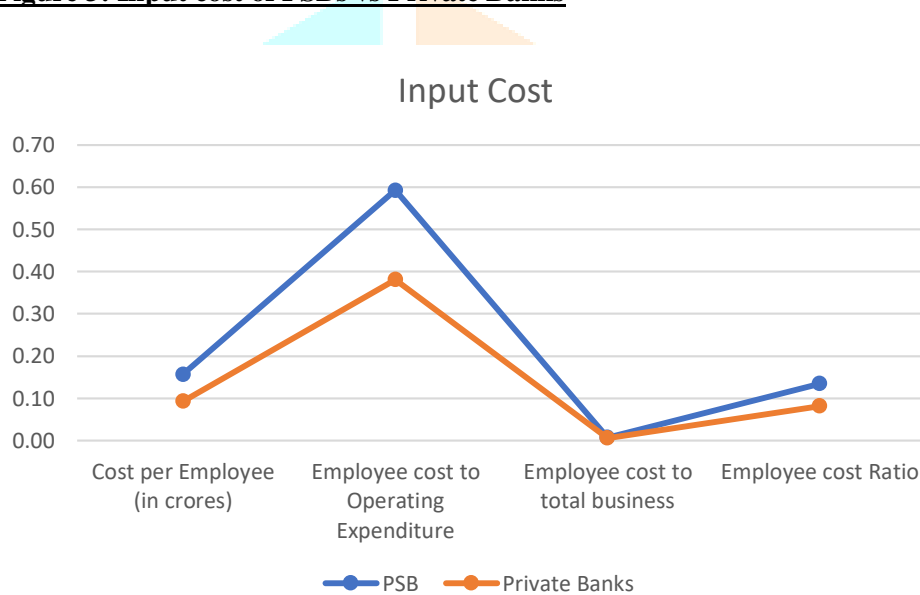
It can be seen from Table 6 that unlike PSBs where SBI and UBI enjoys a higher position here all the four private banks are fighting in one aspect or another to achieve the number one position.

Figure 2: Employee cost of Private Banks



Comparative study:

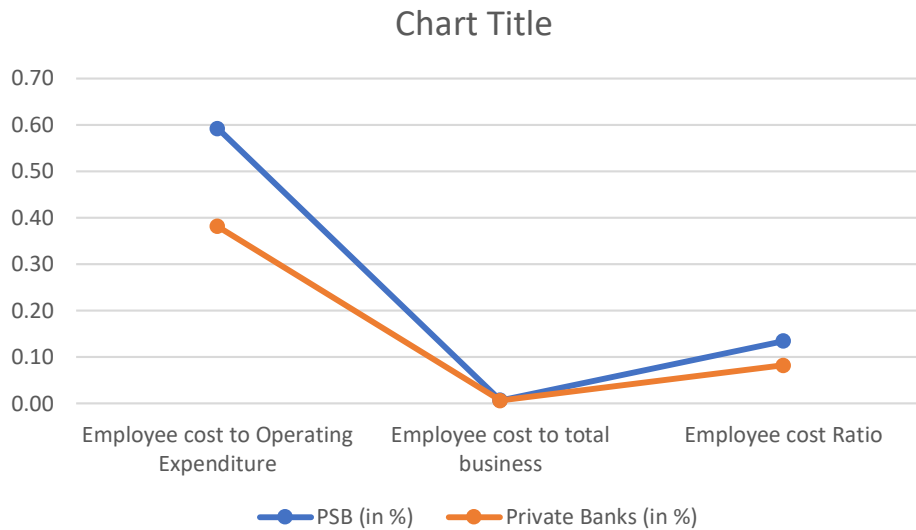
Figure 3: Input cost of PSBs vs Private Banks



The input cost of PSBs are much higher in case of PSBs. The average employee cost of public sector banks is at Rs 16.00 lakhs per annum per employee whereas the employee cost of private banks are at Rs 9.00 lakhs per employee. The employee cost of SBI is the highest at Rs 24.00 lakhs per employee per years

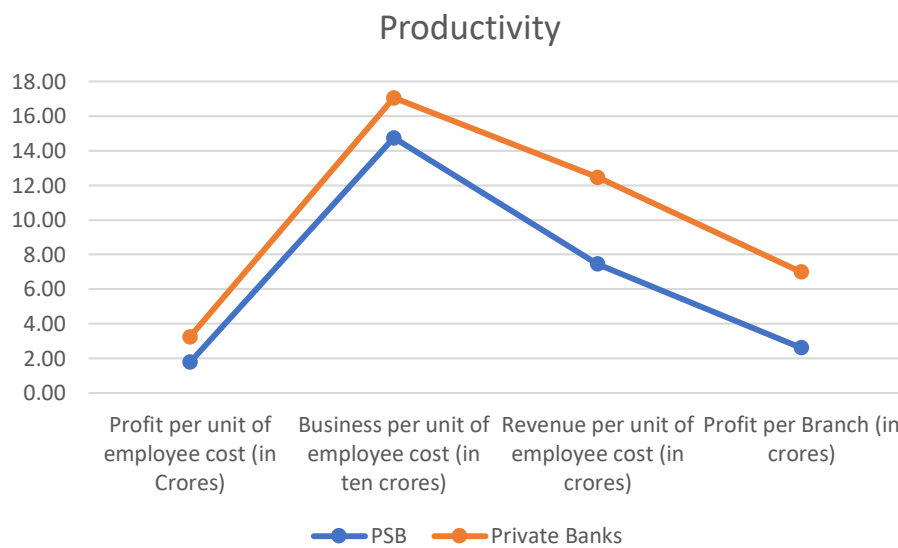
The employee cost to total business is 0.01 for both PSBs and private bank and

Figure 4: Output per employee



Business per employee is highest in PSBs 22.43 crores per employee compared to private banks where the business per employee is Rs 16.23 crores per employee. Revenue per employee in private banks are almost in par with revenue per employee of PSBs. In PSBs the revenue per employee is Rs 1.16 crores and for private banks it is Rs 1.14 crores. Profit per employee is Rs 29.00 lakhs per employee in private banks whereas it is Rs 27.00 lakhs for employees in PSBs

Figure 5: Productivity (PSBs vs Private banks)



Si.No	Variables	PSB	Private Banks	PSB vs Private banks (In %)	
1	Profit per unit of employee cost (in Crores)	1.79	3.24	181.5252	Profit per unit of employee cost of private bank is 181 percent more than the PSB
2	Business per unit of employee cost (in ten crores)	14.73	17.05	115.7353	Business per unit of employee cost of private banks are 115% more than the PSB banks
3	Revenue per unit of employee cost (in crores)	7.45	12.45	167.0793	Revenue per unit of employee cost is 167 percent more than the revenue per unit of employee cost of PSBs

4	Profit per Branch (in crores)	2.61	6.99	268.0332	Profit per branch is 268 percent in private banks compared to PSBs where the profit from branch is at Rs 2.61 crore
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Findings:

The key area that makes private banks more productive than PSB is due to cost functions. The average salary and allowances to employees of PSB is at Rs 16.00 lakhs per annum per employee whereas it is Rs 9.00 lakhs per annum per employee in Private sector banks. It is to be noted that PSBs are not in par with private banks when comes to technology upgradation and there is a huge reliance on human capital. Also, gig workers and part time workers are not part of PSB framework whereas private banks have a heavy reliance towards non-permanent employees. In order to retain the employees and to be competitive in job markets PSBs pay more salaries than Private banks.

The amount of profit produced by each branch is at Rs 6.99 crores for Private banks whereas it is Rs 2.61 crores for PSBs. It is worth to mention that PSB have more social function like financial inclusion and serving the agriculture areas and rural poor. Their presence is more in rural and semi-urban areas where private banks usually do not venture.

Hence in these two areas it is illogical and irrational to compare PSB and private banks performance. However the gray area is Business per unit of employee cost. Private banks came into existence nearly after two to four decades after PSBs ventures into the arena. Given a late start still private banks have captured the market share in a way that the business per employee in PSB is at Rs 22.43 crores and for private banks it is Rs 16.23 crores. The business per unit cost of employee of private banks is comparatively larger than PSB banks.

Keeping aside the social functions, no policy has stopped PSBs from expanding their market base and their business. Private banks though work on their cost aspect stringently they have also worked in improving their business base. Private banks can beat the business share of PSBs in no time given the rapid phase they are evolving. PSBs are not able to keep up the pace.

It can be concluded that In order to increase productivity, an organization must either generate more output from the same input or produce the same level of output with reduced inputs.

Private banks are deploying the input cost control at the same time generating more output. However, PSBs are not prudential in their input cost control and the same time not generating more output with their existing, highly valued employee cost.

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