



Productivity And Financial Efficiency of New Private Sector Banks In India

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ABSTRACT

During the last decade the growth of banks is very fast. And Private sector banking is also one of the fastest growing banks in India. RBI has categories private sector banks in to two parts old and new private sector bank. New private bank established themselves with latest technology and latest ideology to stay in the market and give healthy and tough competition to public sector banks. In this articles we have tried to find out productivity and financial efficiency of new private sector banks in India. As study requires finding out bank wise analysis we have used one way ANOVA test for the study. We used three ratios for finding out productivity and efficiency purpose.

KEYWORDS : productivity, efficiency, ideology, technology

INTRODUCTION:

The growth of banking sector is very fast since last two decade. In India we can classify banks in to three parts public sector, private sector and foreign banks. The private sector banks play an important role in the growth of Indian market. In private banking sector, there are two types formed by RBI Old private sector and New private sector. Currently there are total 25 private sector banks working in India. RBI announced guideline in January 1993 for establishment of 7 new private sector banks in India. PS banking is one of the fastest growing banks in India. As it is not easy task but we tried to evaluate financial performance of new PSB. In last two decade there has been increased presence of new PSB in the market and provide good competitive environment with latest method and latest technology.

All the banking industries in India have to follow the rules and norms provided by RBI. New private sector banks have now established themselves in latest system, technology. They provide quality and efficient service to the customer. They have also given tough and healthy competition to the public sector banks in India.

REVIEW OF LITERATURE:

We have review the following article in depth

Dr. Bimal Anjum and Rajesh Tiwari has written this article "Role Of Private Sector Banks For Financial Inclusion" in January 2012 to find the geographical distribution of PSB in India and tried to find its impact on financial inclusion. They found that no. of branches of private banks with economic freedom of states shows better correlation than with ratio of development Expenditure.

In this paper "Productivity And Efficiency At Public And Private Sector Banks In India", T.T. Ram Mohan and subhash C. Ray try to do comparison between PSBs and their private sector counterparts based on measures of efficiency and productivity for the period from 1992-2000. They employ total three measure that is Malmquist efficiency, revenue maximization efficiency and tornquist total factor productivity growth.

"An Empirical Study On The Performance Evaluation Of Public Sector Banks In India" this article is written by AVNEET KAUR. This study covers a period of ten years from 2001-2010. Researcher has used 5 tools for analyzing the profitability Performance. The main objective of the study is to analyze the profitability performance of PSCBs in India.

"A financial Ratio Analysis of Commercial Bank Performance in South Africa", In this study, Mabwe Kumbirai and Robert webb tried to find the performance of South Africa's commercial banking sector for the period from 2005-09. They have used financial ratio to measure the profitability, liquidity and credit quality performance of five large South African based commercial banks.

OBJECTIVES OF THE STUDY:

Objectives of the study are as follows:

To evaluate the financial performance sample banks with different ratios.

To analyze the profitability position of the sample banks.

To take investment decisions after studying risks involved in it.

HYPOTHESIS:

Below three hypotheses is tested while analyzing and interpreting the results.

H0: There would be no significant difference in Business Per Employee (BPE) of all the sampled banks.

H1: There would be significant difference in Business Per Employee (BPE) of all the sampled banks.

H0: There would be no significant difference in Net Profit Margin (NPM) of all the sampled banks.

H1: There would be significant difference in Net Profit Margin (NPM) of all the sampled banks .

H0: There would be no significant difference in Profit Per Employee (PPE) of all the sampled banks.

H1: There would be significant difference in Profit Per Employee (PPE) of all the sampled banks.

METHODOLOGY

The present research article adopts an analytical study. And is secondary type in nature.

SAMPLE DESIGN AND PERIOD OF THE STUDY

There are total 25 private sector banks in India out of them we have taken only 7 new private sector banks in this study. The study has been conducted from 2007-08 to 2011-12

- HDFC
- AXIS BANK
- IC ICI
- YES BANK
- KOTAK MAHINDRA BANK
- INDUSIND BANK
- DEVELOPMENT CREDIT BANK

DATA COLLECTION & TOOLS:

Financial statements are raw data collected from various websites such as www.capitaline.com, www.moneycontrol.com and other Banks websites.

In this study we have used one way analysis variance as a statistical tool.

FINANCIAL ANALYSIS

The study embodies the analysis of selected variables taken into reflection for the study purpose. In this study we have taken the following ratio for the purpose of analysis of financial performance.

Business Per Employee

Net Profit Margin

Profit per Employee

BUSINESS PER EMPLOYEE:

If anyone wants to find out the productivity of human resource of the bank than business per employee ratio is very useful. This ratio can be found out by dividing the total business by total number of employees in the bank. If this ratio is high it shows good sign. This ratio can be found out with the help of following formula.

$$\text{BPE} = \frac{\text{Sum of total deposits and total advances}}{\text{No. of Employee of the bank}}$$

Table no. 1
BPE (Rs.Cr.) for selected new PSB in India

YEARS	ICICI	AXIS	HDFC	INDUSIND	DCB	YES	KOTAK
2008	10.08	11.17	5.06	10.63	4.54	6.83	3.84
2009	11.54	10.60	4.46	8.36	3.79	9.88	3.47
2010	7.65	11.11	5.90	8.37	5.15	16.24	4.87
2011	7.35	13.66	6.53	8.44	4.91	22.20	5.35
2012	7.08	12.76	6.54	7.88	5.14	17.48	6.13
AVG.	8.74	11.86	5.698	8.736	4.706	14.526	4.732

<http://www.capitaline.com>

The above table says that YES Bank performed well than other six banks in terms of BPE and also it reveals that there is stagnation in the BPE of the KOTAK BANK. On an average BPE of YES bank is 14.526 Cr. which of ICICI, AXIS, HDFC, INDUSING, DCB, are 8.74 Cr., 11.86 Cr., 5.698 Cr., 8.736 Cr., 4.706 Cr. Respectively. On an aggregate basis average BPE of KOTAK bank is 4.732 (cr.) which is lowest among all during the study period.

ANOVA TEST

Source of Variation	SS	df	Mf	F	F crit
Between Groups	420.615	6	70.102	10.45	2.445
Within Groups	187.65	28	6.702		
Total	608.272	34			

Since the calculated value is 10.45 which is greater than the table value of 2.445 at 5% significance level, the null hypothesis is rejected and alternative hypothesis is accepted. Hence, it is concluded that BPE position of Sample banks differ significantly.

NET PROFIT MARGIN

Net profit margin indicates how much a company is able to earn after accounting for all the direct and indirect expenses to every rupee of revenue. This ratio is calculated by using the following formula.

$$\frac{\text{Net profit}}{\text{Net sales}} \times 100$$

Table no. 2
NPM ratio for selected new PSB in India

YEARS	ICICI	AXIS	HDFC	INDUSIND	DCB	YES	KOTAK
2008	10.51	12.22	12.82	3.45	5.29	12.01	10.37
2009	9.74	13.31	11.35	5.29	-11.63	12.35	8.35
2010	12.17	16.10	14.76	10.63	-13.88	16.30	15.23
2011	15.91	17.20	16.09	13.43	3.31	15.56	17.19
2012	16.14	15.51	15.93	12.59	6.70	13.66	15.39
AVG.	12.894	14.868	14.19	9.078	-2.042	13.976	13.306

Source: Dion Global Solutions Limited

The above table says that AXIS Bank performed well than other six banks in terms of NPM and also it reveals that there is stagnation of the DCB. On an average NPM of this AXIS bank is 14.868 Cr. which of ICICI, HDFC, INDUSING, YES are 12.894 Cr., 14.19 Cr., 9.078 Cr., 13.976 Cr., 13.306 Cr. Respectively. On an aggregate basis average NPM of DCB is -2.042 (cr.) which is lowest among all during the study period.

ANOVA TEST

Source of Variation	SS	df	Mf	F	F crit
Between Groups	1083.05	6	180.508	8.273	2.445
Within Groups	610.93	28	21.818		
Total	1693.984	34			

Since the calculated value is 8.273 which is greater than the table value of 2.445 at 5% significance level, the null hypothesis is rejected and alternative hypothesis is accepted. Hence, it is concluded that NPM position of Sample banks differ significantly.

PROFIT PER EMPLOYEE:

This ratio shows how much amount of profit earned per employee. It is arrived by dividing the profit (PAT) by the total number of employees. If this ratio is high than it is consider as better efficiency of management. And lower the ratio lower is the efficiency of the bank.

Formula: Profit per Employee = Profit after Tax / No. of Employee

Table no. 3
PPE (Rs.Cr.) for selected new PSB in India

YEARS	ICICI	AXIS	HDFC	INDUSIND	DCB	YES	KOTAK
2008	0.10	0.08	0.05	0.03	0.02	0.06	0.04
2009	0.11	0.10	0.04	0.03	-0.04	0.11	0.03
2010	0.09	0.12	0.06	0.07	-0.05	0.17	0.07
2011	0.10	0.14	0.07	0.08	0.01	0.21	0.08
2012	0.11	0.14	0.08	0.09	0.02	0.20	0.09
AVG.	0.102	0.116	0.06	0.06	-0.008	0.15	0.062

<http://www.capitaline.com>

The above table says that YES Bank performed well than other six banks in terms of PPE and also it reveals that there is stagnation in the PPE of the DCB. On an average PPE of YES bank is 0.15 Cr. which of ICICI, AXIS, HDFC, INDUSING, KOTAK, are 0.102 Cr., 0.116 Cr., 0.06 Cr., 0.06 Cr., 0.062 Cr. Respectively. On an aggregate basis average PPE of DCB bank is -0.008 (cr.) which is lowest among all during the study period.

ANOVA TEST

Source of Variation	SS	df	Mf	F	F crit
Between Groups	0.077	6	0.0129	11.758	2.445
Within Groups	0.030	28	0.001		
Total	0.108	34			

Since the calculated value is 11.758 which is greater than the table value of 2.445 at 5% significance level, the null hypothesis is rejected and alternative hypothesis is accepted. Hence, it is concluded that PPE position of Sample banks differ significantly.

Conclusion:

As per the discussion in this article, we can say that there is significant difference between sample banks in view point of business and profit per employee and net profit margin ratio. All new private sector banks shifted their main focus to quality service. And if any bank wants to get success in this field they have to understand value of their employee. Profit and business per employee element is one of the key indicators which show the efficient management of bank. Analysis helps to develop an insight in to productivity and financial performance of sample bank. Investor can take investment decision after studying this.

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