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PRODUCTIVITY ANALYSIS OF INDIAN COMMERCIAL BANKS: A REVIEW PAPER

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ABSTRACT

The competition is increasing day by day in the era of globalisation. The technology adoption is the key point to be up to date and to tackle competition. As Indian banking industry has transformed itself from manual system to information Technology enabled system. This transformation led the productivity to increase drastically. The major impact was seen in the Public Sector Banks rather in Private & Foreign Sector Banks, Because the Public sector Banks were established long time ago but the almost all the Private and Foreign sector banks established itself in E-Age. Also the transactions through e-channels cost much less than the physical transactions and it also saves time. In this paper we will study that what factors have been used by earlier researchers to study the productivity of the Indian Commercial Banks.

KEYWORDS: Productivity, Public Sector Banks (PSBs'), Private Sector Banks, Foreign Sector Banks, Information Technology (IT)

INTRODUCTION

The Productivity is measured as output per unit input and it is the crucial factor to knoe the efficiency of the system. The base of the study is to find the various parameters to study the productivity/ efficiency of the Indian Commercial Banks in All the Sectors i.e. Public, Private & Foreign Sector Banks. It is a review paper to study the earlier research of the researchers in the related field. It will also help to find the research gap for the study. The study period will be taken by considering the effect of the e-age. In this paper some of the research papers of eminent researchers are reviewed.

REVIEW OF LITERATURE

Khokhar (1999): Author in his study analyzed efficiency of under observation Commercial banks in India. He used stochastic frontier function FO the study, Duration for the study was years 1996-97. He used data based on one output known as productive assets which consist of advances & Investments and on the other part there were inputs like deposits, labour, and capital etc. result of the 97 banks under study showed the efficiency varied from 38 - 97% alongwith the least & most efficient foreign banks. Two main parameters for the study of efficiency variation are capital adequacy & total Assets ratio. These factors are also known as main descriptive factors in this study. In the last but not the least the ownership was also key point in the study as it proportional to efficiency levels.

Majumdar (2000): In his paper focused on Universal banking and related it to Indian Banking. The two main banking terms came into play, commercial banking and investment banking and the author emphasized on combination of both terms and the Universal banking refers to it. It emphasizes on flared the range of services offered by a bank. Since inception, the banking services has been more weightage and it has acted as the major contributor to mobilize the savings of an economy. In the developing countries like India banking industry is passing through a transition stage to make the system more vibrant. In the era of globalization, the concept of universal banking is the essential part for development and requisite infrastructure cannot be attained instantaneously. Insurance is second most important term after banking as both are crucial mechanisms in mobilizing resources in the financial system any failure in the combined activity will cause serious effect on the concerned country's economy.

Dasgupta (2001): Studied the impact of reforms on the profitability by calculating the growth rate of the Indian Public Sectors during the period 1986-1997. For study he selects six banks namely, State Bank of India, Punjab National Bank, Syndicate Bank, Canara Bank, Corporation Bank and Vijaya Bank. Necessary data have been collected from Indian Banking Association (IBA), Mumbai Bulletin for the research period. The study revealed that though size helps the banks in performing results, but it is only one parameters out of a large no. of parameters. A bank with lower size can do better if other parameters go satisfactory with it. Especially after liberalization, there are large numbers of other factors, which are affecting performance of the Public Sector Banks (PSBs) like good work culture, management policy etc. Dasgupta observed that two banks with lowest owner equity i.e. Corporation Bank and Vijaya Bank have attained better outcomes.

Latha (2002): Carried out an econometric analysis of possible determinants of Non-Performing Assets (NPAs). Two main factors regional presence & efficiency supported the essential outcomes of the study which showed the variation of 20-26 per cent in the NPAs across commercial banks in India. Author in his study observed the magnitude, composition and causes of NPAs of commercial banks in India for the period 1996-1999. In fact, the co-efficient of the public sector banks have actually succeeded in putting their act together and have seen a drop in Net non-performing assets (NPA) as a percentage of net advances for the year 1998-99. Capital adequacy ratio and return on assets (ROA) are negatively related to NPAs. It was the operating environment and the efficiency of the banks, which caused the variations in the NPA rates but not the Ownership.

Pandey (2003): Studied the factors affecting the profitability performance of Public sector banks (PSBs) on the basis of Break Even analysis (BEA). It also observes how the margin of safety in a bank can be improved. The study discloses that facts of break-even level income and also the level of margin of safety will help planning methods by which the bank's business may not be reduced below the break-even level and how margin of safety can be improved reliably. This required knowledge of factors affecting profitability of Indian commercial banks. As per the study the no. of factors remains the same for a profit earning bank as well as a losing bank, but the degree of influence will certainly vary. Hence to increase the margin of safety, the respective management should escalate such distinction and focus on the most significant factors. This study covers all the public sector banks of India 27 in numbers. This research study is centered on data published for a period of 10 financial years i.e. from 1990 to 2000 related to banks under study.

Chaudhari and Tripathy (2004): In his study assessed the relative efficiency of public sector banks by using data envelopment analysis. The efficiency of banks is assessed on the basis of five indicators- Financial Management, Profitability, Growth, Productivity and liquidity. The relative efficiency is measured in relation to its peer banks. He found that Corporation Bank is efficient then all other peer banks in all indicators followed by Oriental Bank of Commerce. Outcome of the study showed that majority of the banks came out with better results in two performance parameters i.e. in financial Performance & profitability as compared to other indicators like growth, liquidity and Productivity. Study revealed that banks are mostly focused on financial management & profitability indicators but did not focus on liquidity, productivity and growth indicators.

Bodla (2005): Conducted a comparative study on service quality of public sector banks and private sector banks. For his study he selects four banks from each sector only from urban areas of Northern India for the period during 2003-2004. 226 customers have been selected on randomly basis from these banks to conduct this study. This study was conducted to determine perceptions and expectations of the quality of services offered by selected commercial banks. Researcher used SERVOQUAL Model to conduct the study. This study brought out that the performance of selected banks falls short of the expectations of customers on a large majority of the elements of service quality and concluded that service quality of private sector banks was better than that of public sector banks on all dimensions except 'Assurance' where the public sector had on edge over the private sector.

Reddy (2006): Author in this paper tried to Study the productivity & efficiency based on regional rural banks by taking related data of selected 192 banks for the tenure of seven years i.e. 1996 -2002. The resulted showed productivity growth of RRBs was more in profitability. Banks which showed the better results in the Productivity were located in untapped banking or on less density areas. It can be also concluded that the efficiency was converged during the study period of the research. Other banks from which these RRBs were originated did not show any great impact on the productivity. The above mentioned reason justified the opening of new regional rural banks in low banking density areas. The merger of the branches was also discussed in the study.

Rajkumar (2007): In his paper examined the performance of 28 Private Sector Banks during the period 2005-06. Author examined the performance on the basis of income, expenditure and profits. He calculated the ratios relating to interest, expenditure, and income and operating profit by using various statical tools. He found that there is increase in interest income in the year 2005-06 as compared to 2004-05, but operating expenses among total expenditure decreased. The profitability ratios of all the 28 Private Sector Banks showed a positive trend. During the period of study ICICI Bank ranked no. 1 with highest amount of profits followed by HDFC Bank.

Goyal and Kaur (2008): In their paper studied the performance of seven new private sector banks working in India during the period 2001-07. The used various statistical tools like standard deviation, Mean, CAGR etc. for calculating various ratio like capital adequacy (CAR), asset quality, employee productivity, earning quality and liquidity of banks. The study revealed that capital adequacy ratio of all the banks has been above 9 per cent. Ratio of advances to total assets has shown an increasing trend for all the banks under study which showed an increase in lending operations.

CONCLUSIONS

The various researchers have taken various parameters in reference to the their objectives of the study. A very few parameters were found common to the all reviewed papers. The some of the parameters were based on the primary data and some of them were based on the secondary data. As my research is mainly based on the secondary data, So those parameters will be taken into consideration.

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