

## A COMPARATIVE ANALYSIS OF BRANCHES PRODUCTIVITY OF TOP PUBLIC AND PRIVATE SECTOR BANKS OF INDIA

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### ABSTRACT

*With the introduction of new economic policy of globalization, liberalization and privatization in 1991, involvement of private sector is rapidly increased in the economy of our country. Private sector banks have shown a remarkable growth in this public sector dominated space. Now these banks are giving a tough competition to public sector banks by offering customer friendly banking products to their millions of customers. Like other countries of the world in our country both public and private sector banks are following the branch banking system. This paper is an attempt to evaluate the productivity and profitability of the branches of these banks to examine the utility of branch banking system in India. For the comparison of the productivity of branches of both types of banks, latest data of top ten public and private sector banks are taken as a suitable sample. To measure the productivity of branches of these banks, various parameters and ratios are used along with their appropriate analysis and interpretation. With the help of banking data, this paper also focuses on finding the variation between the branches productivity of public and private sector banks.*

**KEYWORDS:** *Branches Productivity, Revenue Per Branch, Liberalization, Privatization.*

### Introduction

Availability of business finance or credit facility is the engine of growth of all the business activities of a nation. In each and every country, commercial banks are the main suppliers of this growth engine to the entire economy. So in this way commercial banks are performing a job of economic development and growth of the country. Facilities of collecting small savings in form of deposits from general public and providing credit to the needy person is main function of these banks. These important functions of the commercial banks directly affect the output, income and employment level. The performance of the banks only depends upon the efficiency and effectiveness of their branches. For the growth and survival of each and every commercial bank, proper functioning of all its branches is required. So at the end of a particular period it is essential to assess the productivity of branches of this important sector of the country. Productivity is the simple relationship between the inputs (or we can say the resources used in the process of the production of goods or services) and the resulted output (or we can say production or yield). In the term of banking sector the input is branches and the output is business, revenue of profit.

In India and in maximum countries of the world, banking sector is working on the branch system. Under this system, a main office of the bank (known as head office) situated at a particular place or city and the network of the services outlets (known as branches) working in almost all the parts of the country. All the branches are working under the instructions and the guidance of the head office. Banking

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is branch based industry, as it is completely depends upon its working of branches. In this way measurement of the branches productivity of the banking sector is just like measurement of productivity of entire banking sector.

Some special tools and parameters are developed for the assessment of the productivity of branches of the banking sector, for example Business Per Branches (BPE), Revenues Per Branches (RPB), Profit Per Branches (PPB) etc. With the help of these parameters we can easily compare and evaluate the performance of branches of banking sector in a systematic manner. These are very helpful to take any decision regarding internal management in banking sector.

A Commercial Bank, in which the Govt. of India holds majority of share, is known as Public Sector Bank. These banks are one of the major components of Indian banking sector. As on 31<sup>st</sup> January 2018 total 21 public sector banks are operational in India. They are holding on majority of total deposits and advances of the entire banking sector of India. A commercial bank controlled by private entities is called Private Sector Bank. Since the introduction of New Economic policy in 1991, growth of these banks in our country is remarkable As on 31<sup>st</sup> January 2018 total 23 private sector banks are operational in India.

### Literature Review

Review of literature is a critical analysis of work related to our research topic. There are many books, reports; research papers etc are available on the analysis of the branches productivity, performance and various financial aspects of the Indian Banking Sector. Few of them are as under:

**Sharma (1974)** emphasized the growth of the banking facilities in the rural and the semi urban area of the nation.

**Shah (1977)** expressed concern about the growing overheads and slow growth of the productivity of the banks.

**Desai (1978)** emphasized on providing for the management of the productivity related staff development technique.

**Kulkarni (1979)** suggested that banks should try to make the developing business as successful as possible, to reduce the cost and increase the productivity.

**Venkatachalam (1979)** gave the reasons for the erosion of the bank profits and the profitability in recent years.

**Nayan K. (1982)** conducted a study on the performance evaluation of commercial banks and presented a performance evaluation model.

**Joshi (1986)** has suggested that profit planning at micro and macro level for the banking industry to overcome the trend of declining profitability.

**Singh (1990)** has analyzed branch productivity, per employee productivity of public sector banks and SBI at constant price.

**Amita B. (1996)** examined the policy constraints on the profitability of the Indian scheduled commercial banks.

**Souza (2002)** has evaluated that the performance of public sector banks, private sector banks and foreign banks on the basis of their spread and working fund ratio.

**Bhatia (2007)** found that the amount of the NPAs has been seen on a continued growth and reached at alarming level for the financial institutions.

**Shashi (2015)** stated that SBI Group Banks must organize training and development programmes to have more efficiency and better productivity.

**Malyadri (2015)** has suggested that both public and private sector banks to work upon the cost of funds issue, as it is higher than the foreign banks.

**Mahila (2016)** Found that the number of branches and number of employees of are highly influencing the productivity of banks.

### Objectives

It is necessary to determine objectives before starting any research study. There are four main objectives of this study:

- To measure the productivity of branches of top commercial banks of India.

- To compare the branches productivity of the Public and Private Sector banks on the basis of Employees Productivity Parameters for the Financial Year 2016-17.
- To analyze the variation between the branches productivity of the Public and Private Sector banks.
- To provide appropriate suggestions to increase the productivity of branches of the banking sector

#### Limitations

- This research study is based on only scheduled commercial banks of India,
- This research study is based on the branches productivity of top ten public sector and private sector banks only for the F.Y. 2016-17.
- This research study is based on only top ten public sector and private sector banks of India, which are selected on the basis of the their total assets as on 31<sup>st</sup> March 2017.
- This research study is based on the analysis of the performance branches of commercial banks on the basis of the selected Banking Productivity Parameters.
- This research study is based on financial statements of these banks for the F.Y. 2016-17 and other related information collected from RBI database.

#### Research Methodology

This quantitative and analytical research study is mainly based on secondary or published data. Financial data of top ten public and private sector banks are collected from the website of RBI and annual reports of these banks. For the Analysis and interpretation of data following banking productivity parameters applied:

- *Deposits Per Branch (DPB):* =  $\frac{\text{Total Deposits}}{\text{Total No. of Branches}}$
- *Advances Per Branch (APB):* =  $\frac{\text{Total Advances}}{\text{Total No. of Branches}}$
- *Business Per Branch (BPB):* =  $\frac{\text{Total Business}}{\text{Total No. of Branches}}$

#### Total Business: Total Deposits + Total Advances

- *Profit Per Branch Employee (PPB):* =  $\frac{\text{Net Operating Profit}}{\text{Total No. of Branches}}$
- *Revenue Per Branch (RPB):* =  $\frac{\text{Total Revenue}}{\text{Total No. of Branches}}$
- *Employees Per Branch (EPB):* =  $\frac{\text{Total Employees}}{\text{Total No. of Branches}}$

#### Student's t-Test:

For the test of Hypothesis

$$t = \frac{x_1 - x_2}{S} * \sqrt{\frac{n_1 * n_2}{n_1 + n_2}}$$

#### Brief Financials of the Top Ten Banks

Indian commercial banking system is very strong and well diversified. Different types of banks are always ready to provide their services to more than 700 millions of customers. Following is the brief financial profile of the top ten public and private sector banks of India:

**Table 01: Top Ten Public & Private Sector Banks of India  
(On the Basis of Total Assets as on 31<sup>st</sup> March 2017)  
Financial Profile: at a Glance (in Rs. Crore)**

Public Sector Banks				
S. No.	Bank, Head Office & Establishment Year	Total Assets	Total Deposits	Total Advances
1.	<b>State Bank of India (SBI)</b> , Mumbai. (Est. year – 1806)	2550731.12	2044751.39	1725086.11
2.	<b>Punjab National Bank (PNB)</b> , New Delhi.(Est. year – 1894)	704314.33	621704.02	439000.21
3.	<b>Bank of Baroda (BOB)</b> Vadodara.(Est. year – 1908)	672589.87	601675.17	409016.6
4.	<b>Bank of India (BOI)</b> , Mumbai. (Est. year – 1906)	611924.75	540032.01	394132.59
5.	<b>Canara Bank (CANARA)</b> Bengluru (Est. year – 1906)	568464.34	495275.24	367259.78
6.	<b>Union Bank ( UNION)</b> Mumbai (Est. Year – 1919)	443593.65	378391.58	303838.56
7.	<b>IDBI Bank (IDBI)</b> Mumbai. (Est. year – 1964)	347465.72	268538.1	228800.63
8.	<b>Syndicate Bank (SYNDICATE)</b> Manipal (Est. year – 1925)	292220.57	260560.86	205921.69
9.	<b>Central Bank of India (CBI)</b> Mumbai.(Est. year – 1911)	323904.78	296671.19	158250.16
10.	<b>Oriental Bank of Commerce (OBC)</b> Gurugram. (E.Y. – 1943)	248052.94	219339.39	174050.77
Private Sector Banks				
1.	<b>HDFC Bank (HDFC)</b> Maumbai (Est. year – 1994)	807130.87	643639.66	596798.02
2.	<b>ICICI Bank (ICICI)</b> Mumbai (Est. year – 1994)	737546.29	490039.06	526766.63
3.	<b>AXIS Bank (AXIS)</b> Ahmedabad (Est. year – 1993)	575172.20	414378.79	418671.22
4.	<b>Kotak Mahindra Bank (KOTAK)</b> .Mumbai(EY 2004)	206139.28	157425.86	145406.13
5.	<b>Yes Bank (YES)</b> Mumbai (Est. year – 2003)	203534.59	142873.86	132262.68
6.	<b>Indusind Bank (INDUS)</b> Mumbai. (Est. year – 1994)	169672.04	126572.22	121982.79
7.	<b>Federal Bank (FEDERAL)</b> Kochi. (Est. year – 1947)	112504.27	97664.56	78839.20
8.	<b>IDFC Bank (IDFC)</b> Mumbai. (Est. year – 2015)	105148.46	40208.22	55799.41
9.	<b>Jammu &amp; Kashmir Bank(JK)</b> Srinagar. (EY– 1938)	79415.64	72463.09	53798.53
10.	<b>South Indian Bank (SIB)</b> Thrissur (Est. year – 1929).	72923.74	66117.49	50338.66

Source : Annual Report F.Y. 2016-17 of All the Banks

**Branches Productivity Data: Analysis & Interpretation**

**Table 2: Total Revenue and Net Operating Profit of Top Ten Public & Private Sector Banks of India  
(For the Financial Year 2016-17)**

(In Rs. Crore)

Public Sector Banks					
S. No.	Bank	Interest Earned	Non Interest Income	Total Revenue	Net Operating Profit
1	SBI	175518.24	35460.95	210979.19	50847.92
2	PNB	47275.99	8951.37	56227.36	14565.16
3	BOB	42199.93	6758.06	48957.99	10975.07
4	BOI	39290.85	6772.33	46063.18	9732.64
5	CANARA	41387.64	7554.4	48942.04	8913.89
6	UNION	32659.98	4964.6	37624.58	7430.1

7	IDBI	27791.37	3967.6	31758.97	4578.45
8	SYNDICATE	23003.79	3457.36	26461.15	4233.2
9	CBI	24661.33	2875.64	27536.97	3088.54
10	OBC	18422.33	2765.52	21187.85	4170.14
	<b>Total</b>	<b>472211.45</b>	<b>83527.83</b>	<b>555739.28</b>	<b>118535.11</b>
<b>Private Sector Banks</b>					
1	HDFC	69305.96	12296.5	81602.46	25732.4
2	ICICI	54156.28	19504.48	73660.76	26486.74
3	AXIS	44542.16	11691.31	56233.47	17584.52
4	KOTAK	17698.93	3477.16	21176.09	5984.81
5	YES	16424.69	4156.76	20581.45	5837.58
6	INDUS	14405.67	4171.49	18577.16	5451.01
7	FEDERAL	8677.38	1081.81	9759.19	1924.92
8	IDFC	8532.71	1013.12	9545.83	1753.46
9	JK	6685.86	492.86	7178.72	1294.4
10	SIB.	5847.08	715.56	6562.64	1214.58
	<b>Total</b>	<b>246276.72</b>	<b>58601.05</b>	<b>304877.77</b>	<b>93264.42</b>

Source: Annual Report (2016-17) of All the Banks

### Analysis

In case of private sector banks HDFC has the maximum amount of total revenue during the F.Y. 2016-17, while ICICI is at 2<sup>nd</sup> position in the terms of the amount of total revenue. But the net operating profit of ICICI is more than HDFC. SIB has the lowest amount of total revenue and net operating profit. Out of the top ten public sector banks SBI has the maximum amount of total revenue during the F.Y. 2016-17. PNB is at 2<sup>nd</sup> position in the terms of the amount of total revenue. OBC has the lowest amount of total revenue, while CBI has the lowest net operating profit.

**Table 3: Employees, Branches and ATMs of Top Ten Public & Private Sector Banks of India (As on 31<sup>ST</sup> March 2017)**

<b>Public Sector Banks</b>				
S. No.	Bank	No. of Employees	No. of Branches	No. of ATMs.
1	SBI	2,09,567	17,170	50,188
2	PNB	73,919	6,938	10,681
3	BOB	52,420	5,538	10,441
4	BOI	47,750	5,016	7,717
5	CANARA	59,413	6,083	10,519
6	UNION	36,377	4,282	7,183
7	IDBI	17,570	1,995	3,700
8	SYNDICATE	34,989	3,933	3,974
9	CBI	37,130	4,714	5,285
10	OBC	21,552	2,376	2,621
<b>Private Sector Banks</b>				
1	HDFC	84,385	4,715	12,260
2	ICICI	82,841	4,850	13,882
3	AXIS	56,086	3,304	14,163
4	KOTAK	46,500	1,369	2,163
5	YES	20,125	860	1,785
6	INDUSIND	25,314	1,200	2,036
7	FEDERAL	11,593	1,252	1,667
8	IDFC	5,148	74	21
9	JK	10,014	865	1,096
10	SIB.	7,677	852	1,334

Source: Annual Report (2016-17) of All the Banks & Report on trends and Progress in Banking by RBI

### Analysis

In case of public sector banks, SBI has the maximum number of employees, branches and ATMs. So in all the terms SBI is largest bank of India. In the same terms PNB stood at 2<sup>nd</sup> position. IDBI has the minimum number of employees and branches. Out of the top ten private sector banks, HDFC has the maximum number of employees, ICICI has the maximum number of branches and AXIS has maximum number of ATMs. It means in case of private sector banks the position is different from public sector banks, as no single bank is in the leading position. Being a new bank, IDFC has the minimum number of employees' branches and ATMs.

**Table 4: Business per Branch of Top Ten Public & Private Sector Banks of India  
(As on 31<sup>ST</sup> March 2017) (in. Rs. Crore)**

Public Sector Banks				
S. No.	Bank	DPB	APB	BPB
1	SBI	119.09	100.47	219.56
2	PNB	89.61	63.28	152.89
3	BOB	108.64	73.86	182.50
4	BOI	107.66	78.58	186.24
5	CANARA	81.42	60.38	141.80
6	UNION	88.37	70.96	159.33
7	IDBI	134.61	114.69	249.30
8	SYNDICATE	66.25	52.36	118.61
9	CBI	62.93	33.57	96.50
10	OBC	92.32	73.25	165.57
	<b>AVERAGE</b>	<b>95.09</b>	<b>72.14</b>	<b>167.23</b>
PRIVATE SECTOR BANKS				
1	HDFC	136.51	126.57	263.08
2	ICICI	101.04	108.61	209.65
3	AXIS	125.42	126.72	252.14
4	KOTAK	114.99	106.21	221.20
5	YES	166.13	153.79	319.92
6	INDUSIND	105.48	101.65	207.13
7	FEDERAL	78.01	62.97	140.98
8	IDFC	543.35	754.05	1297.4
9	JK	83.77	62.20	145.97
10	SIB.	77.60	59.08	136.68
	<b>AVERAGE</b>	<b>153.23</b>	<b>166.19</b>	<b>319.42</b>

Source: Own Computation on the basis of banking Data.

### Analysis

#### • Deposits Per Branch (DPB)

Taking deposits from general public in form of small savings is the main function of all the commercial banks. This collected amount provides required funds to be disbursed as advances to the needy customers. Out of the top ten public sector banks in the term of DPB, IDBI is at 1<sup>st</sup> position with Rs.134.61 Crore, because of minimum number of branches. SBI is at 2<sup>nd</sup> with Rs.119.09 Crore, while CBI has the minimum DPB of Rs.62.93 Crore.

Out of the top ten private sector banks in the term of DPB, IDFC is at 1<sup>st</sup> position with Rs.543.35 Crore because of a new bank and having minimum number of branches. YES is at 2<sup>nd</sup> with Rs.166.13 Crore, while SIB has the minimum DPB of Rs.77.6 Crore. So in terms of both the maximum and minimum values the DPB of private sector banks is significantly greater than the DPB of public sector banks.

Only four public sector banks have DPB of more than Rs.100 Crore, while seven private sector bank has the same. Six public sector banks have DPB of less than Rs.100 Crore, while only three private sector bank has the same. The minimum amount of DPB of both types of bank is almost equal. We can also observe such variation in average DPB, as average DPB of private sector banks (Rs. 153.23 Crore) is about 60% more than public sector banks (Rs. 95.09 Crore). So in terms of the DPB, branches productivity of private sector banks is greater than the public sector banks.

#### • Advances Per Branch (APB)

Providing finance in form of short term and long term credit is another main function of the commercial banks. Out of the top ten public sector banks in the term of APB, IDBI is again at 1<sup>st</sup> position with Rs.114.69 Crore and SBI is at 2<sup>nd</sup> with Rs.100.47 Crore, while CBI has the minimum APB of Rs.33.57 Crore. Out of the top ten private sector banks in the term of APB, IDFC is at 1<sup>st</sup> position with Rs.754.05 Crore, again because of a new bank and having minimum number of branches. YES is at 2<sup>nd</sup> with Rs.153.79 Crore, while SIB has the minimum APB of Rs. 59.08 Crore. So in terms of both the maximum and minimum values the APB of private sector banks is significantly greater than the APB of public sector banks.

Only two public sector banks have APB of more than Rs.100 Crore, while seven private sector bank has the same. Eight public sector banks have APB of less than Rs.100 Crore, while only three private sector bank has the same. We can also observe such variation in average APB, as average APB of private sector banks (Rs. 166.19 Crore) is 130% more than public sector banks (Rs. 72.14 Crore). So in terms of the APB, branches productivity of private sector banks greater than the public sector banks.

- **Business Per Branch (BPB)**

Out of the top ten public sector banks in the term of BPB, IDBI is at 1<sup>st</sup> position with Rs.249.30 Crore and SBI is at 2<sup>nd</sup> with Rs.219.56 Crore, While CBI has the minimum BPB of Rs.96.50 Crore. Out of the top ten private sector banks in the term of BPB, IDFC is at 1<sup>st</sup> position with Rs.1297.40 Crore and YES is at 2<sup>nd</sup> with Rs.319.92 Crore, while SIB has the minimum BPB of Rs.136.68 Crore. So in terms of both the maximum and minimum values the BPB of private sector banks is significantly greater than the BPB of public sector banks.

Only two public sector banks have BPB of more than Rs.200 Crore, while six private sector bank has the same. Eight public sector banks have BPB of less than Rs.200 Crore, while only four private sector bank has the same. One public sector bank (CBI) has the BPB of less than Rs. 100 Crore, while no private sector bank has the same. We can also observe such variation in average BPB, as average BPB of private sector banks (Rs. 319.42 Crore) is 90% more than public sector banks (Rs. 167.23 Crore). So in all the terms, branches productivity of private sector banks greater than the public sector banks.

**Table 5: Revenue, Profit and Employees per Branch of  
Top Ten Public & Private Sector Banks of India  
(As on 31<sup>ST</sup> March, 2017)**

Public Sector Banks				
S. No.	Bank	RPB (In. Rs. Crore)	PPB (In. Rs. Crore)	EPB (In. Nos.)
1	SBI	12.29	2.96	12.21
2	PNB	8.10	2.10	10.65
3	BOB	8.84	1.98	9.47
4	BOI	9.18	1.94	9.52
5	CANARA	8.05	1.47	9.77
6	UNION	8.79	1.74	8.50
7	IDBI	15.92	2.30	8.81
8	SYNDICATE	6.73	1.08	8.90
9	CBI	5.84	0.66	7.88
10	OBC	8.92	1.76	9.07
	<b>Average</b>	<b>9.27</b>	<b>1.80</b>	<b>9.48</b>
PRIVATE SECTOR BANKS				
1	HDFC	17.31	5.46	17.9
2	ICICI	15.19	5.46	17.08
3	AXIS	17.02	5.32	16.98
4	KOTAK	15.47	4.37	33.97
5	YES	23.93	6.79	23.4
6	INDUSIND	15.48	4.54	21.1
7	FEDERAL	7.80	1.54	9.26
8	IDFC	129	23.70	69.57
9	JK	8.30	1.50	11.58
10	SIB.	7.70	1.43	9.01
	<b>Average</b>	<b>25.72</b>	<b>6.01</b>	<b>22.98</b>

Source: Own Computation on the basis of banking Data.

### Analysis

- **Revenue Per Branch (RPB)**

Total revenue means interest and non interest income earned by bank during the year. Out of the top ten public sector banks in the term of RPB, IDBI is at 1<sup>st</sup> position with Rs.15.92 Crore and SBI is at 2<sup>nd</sup> with Rs.12.29 Crore, while CBI has the minimum RPB of Rs.5.84 Crore. Out of the top ten private sector banks in the term of RPB, IDFC is at 1<sup>st</sup> position with Rs.129 Crore and YES is at 2<sup>nd</sup> with Rs.23.93 Crore, while SIB has the minimum RPB of Rs. 7.70 Crore. So in the terms of both the maximum

and minimum value the RPB of private sector banks is significantly greater than the BPB of public sector banks. Only two public sector banks and six private sector banks have RPB of more than Rs.10 Crore, We can also observe such variation in average RPB, as average RPB of private sector banks (Rs. 25.72 Crore) is 175% higher than public sector banks (Rs. 9.27 Crore). So the in terms of the RPB, branches productivity of private sector banks greater than the public sector banks.

- **Profit Per Branch (PPB)**

Out of the top ten public sector banks in the term of PPB, SBI is at 1<sup>st</sup> position with Rs.2.96 Crore and IDBI is at 2<sup>nd</sup> with Rs.2.30 Crore, while CBI has the minimum PPB of Rs.0.66 Crore. Out of the top ten private sector banks in the term of PPB, IDFC is at 1<sup>st</sup> position with Rs.23.76 Crore and YES is at 2<sup>nd</sup> with Rs.6.79 Crore, while SIB has the minimum PPB of Rs. 1.43 Crore. So in terms of both the maximum and minimum values the PPB of private sector banks is significantly greater than the PPB of public sector banks. Only two public sector banks have PPB of more than Rs.2 Crore, while seven private sector banks have PPB of more than Rs.4 Crore, We can also observe such variation in average PPB, as average PPB of private sector banks (Rs. 6.01 Crore) is 230% higher than public sector banks (Rs. 1.80 Crore). So the in terms of the PPB, branches productivity of private sector banks greater than the public sector banks.

- **Employees Per Branch (EPB)**

Out of the top ten public sector banks in the term of EPB, SBI is at 1<sup>st</sup> position with 12.21 and PNB is at 2<sup>nd</sup> with 10.65, while UNION has the minimum EPB of 7.88. Out of the top ten private sector banks in the term of EPB, IDFC is at 1<sup>st</sup> position with 69.57 and KOTAK is at 2<sup>nd</sup> with 33.97 while SIB has the minimum EPB of 9.01. So in terms of both the maximum and minimum values the EPB of private sector banks is significantly higher than the EPB of public sector banks. Only two public sector banks have EPB of more than 10 while nine private sector banks have the same. We can also observe such variation in average EPB, as average EPB of private sector banks (22.98) is 25% higher than public sector banks (9.48) It means public sector banks are working with less number of EPB in comparison with private sector banks. So banking sector is one of the few service sectors in our country where staff per branch of public sector is significantly lower than the private sector.

### **Branches Productivity: Causes for Variation**

With the analysis of above tables, it is observed that there is a clear difference between the branches productivity of public sector banks and private sector banks. In term of DPB, APB, BPB, RPB AND PPB the productivity of the private sector banks is higher than the public sector banks as it is also visible all of the above tables. However there is a significant variation in the terms of EPB also, where it is also higher in case of the private sector banks. It means in all the there is a main variation between the branches productivity of both types of bank. We can explain the main causes for this variation on the basis of the following points:

#### **Strength of Branches**

Intensive network of branches spread over the each and every corner of country is also one of the main reasons for the variation of the branches productivity of the public sector banks. This large network of branches and ATMs is very useful to achieve a reasonable DPB of public sector banks. With the help of this very old and strong network of branches they are able to deliver their services according to the requirement of the general public. As on 31<sup>st</sup> March 2017 total branches of top ten public sector banks were more than 58,000 which were almost three times of top ten private sector banks of India. So public sector banks have a strong network of branches, but again in the term of branches productivity private sector banks are leading because of their less number of branches with effective and efficient management.

#### **Customer Base**

In the terms of the BPB and RPB the performance of the branches of the private sector banks is better than the public sector banks; as a result the PPB of private sector banks is also higher. Public sector banks are enjoying great trust and credibility of the general public because of the Government ownership and existence of more than 100 years. So they are able to attract a huge amount of deposits from their large number of customers with the help of their intensive network of branches. At the same time in terms of DPB they are far behind of private sector banks, because the less number of branches of private sector banks are able to attract more deposits. Private sector banks are paying higher interest rates on their all types of demand and term deposits, which are the main reason for collecting a large amount of deposits by their branches.



### Ñ **Non Interest Income**

Major source of revenue of all the commercial banks is earning interest on the loans and advances, but with growing competition and more demanding customers they are also trying to generate some revenue from other sources. It is known as non interest income such as brokerage, fees or charges, profit on sale of investments, profit on sale of fixed assets, commission, exchange, profit on revaluation of investments, merchant banking services etc. Private sector banks are always ready to deploy sufficient manpower from each branch to secure this type of non interest income to boost up their profits. In these banks there are many employees who are not involve in direct banking activities of deposits and advances, but they are engaged in search of non interest income. Out of the total revenue of the private sector banks average 19.22% is earned as non interest income, while public sector banks are earning average 15.03% from this source. So, non interest income is one of the major reasons of the higher PPB of private sector banks.

### Ñ **Non Performing Assets (NPAs)**

In the terms of the DPB, APB and BPB the performance of the branches of the private sector banks is better than the public sector banks. In the terms of an important parameter PPB the performance of public sector banks is well below the private sector banks. Main reason for same is growing NPAs of public sector banks. According to the Ministry of Finance, Govt. of India, Gross NPAs of entire banking sector till the end of the last financial year ( 31<sup>st</sup> March 2017) it is more than Rs. 8,50,000 Crore, out of this the major share belongs to the public sector banks. Because of this critical financial problem their productivity of branches of public sector banks is very lower in comparison with private sector banks.

### Ñ **Non Banking Activities**

Involvement of the public sector banks in several social welfare schemes is also one of the main reasons of the lower PPB of these banks. The public sector banks are playing a leading role in the implementation of all the major social benefit schemes of the Govt. of India. Like PM Jan Dhan Yojna Jeevan Jyoti Yojna, Jeevan Surksha Yojna, Sukanya Samridhi Yojana, Transfer of Subsidy of LPG, Kerosene, Scholarships etc. Large part of human resources of these bank branches is always engaged in such non banking and non profitable activities. For example under PM Jan Dhan Yojana SBI has successfully opened more than 85 million accounts. Due to the limited network of branches, private ownership, pure profit motive and limited responsibility of social and economic welfare, the role of private sector banks is limited in this field.

### Ñ **Personnel Management**

Entire banking system is depends upon the working of staff, so the effective and efficient personnel management at branch level is the first condition of the success of any bank on this globe. In this term private sector banks are well ahead of the public sector banks. The efficiency, knowledge, skill, attitude and personality of employees of the private sector banks is definitely better than the employees of the public sector banks, however, employees of public sector banks are more experienced than private sector. The average age of all the employees of the public sector banks is 40 years while the average age of the private sector bank employees is only 30 years. Average Cost Per Employee of private sector banks is 35.4 % of their Profit Per Employee, but in case of public sector banks this is 54.9%. This percentage is a clear indicator of the difference between the personnel management practices applied by both types of banks.

### Ñ **Other Causes**

In case of public sector banks, out of the total non interest expenses 57.13% is meant for the payments and provisions for the employees but in case of the private sector banks this is only 38.11%. It means that public sector banks are spending more amount on employees as compare to private sector banks, which results to a lower PPB of public sector banks. Apart from all the above points- Extended working hours, fully professional and focused management at the higher level, optimum utilisation of the available resources, providing better career growth opportunities to employees etc are some other facts working in the favour of the private sector banks.

### **Key Findings & Suggestions**

On the basis of above data and discussion it is clear that there is a significant variation between the branches productivity of top public and private sector banks of India. Above comparative study revealing following facts regarding branches productivity of both types of the bank:

- Average PPB of private sector banks is 230% higher than public sector banks. So in the terms of profit earnings the branches productivity of private sector banks is significantly greater than the public sector banks. This variation is due to the above discussed reasons such as Urban centralized location of the branches of private sector banks, growing NPAs of public sector banks, Growing Non- Interest Income of private sector banks, use of latest tech based products by private sector banks etc
- DPB of private sector banks is 50% more than public sector banks, so the productivity of private sector banks is well ahead of public sector banks. Their APE is also higher than the private sector banks. Because of higher DPA and APA, the BPE of private sector banks is about 35% higher than the public sector banks.
- The employees' productivity of public sector banks is also slightly higher than the private sector banks in terms of the RPE.
- Such variation is also visible in average CPE, as average CPE of public sector banks is 25% higher than private sector banks. It shows that in terms of per employee cost public sector banks are spending more amounts than the private sector banks. In this way banking sector is one of the few service sectors in our country where salaries offered public by sector is significantly higher than the private sector.

With the analysis of the main reasons of the variation in productivity, we can suggest that the employees and management of both the banks are required to improve their performance. They should work on the issue of NPAs, with dual approach. First they should try to disburse the credit in favour of solvent and honest customers, after proper enquiry and without political pressure In second they should try to resolve the matters of previous NPAs according to the guidelines of RBI. Public sector banks are also suggested to launch new credit products for maximum utilization of the bulk amount of the deposits available. Proper use of the advance technology will helpful for them to reduce their operating cost. They should also try to improve their HRM efficiency to achieve greater profit per employee. Private sector banks are also suggested to open their new branches in rural and semi urban area to collect their savings and to give banking facilities cover to large unbanked population

### Conclusion

Public sector banks are not only the back bone of our economy, but they are also playing a leading role in the process of social welfare of the millions of the people of this great country. This is a hard fact and before reaching any conclusion we should consider this fact, because it was also the main objective of the nationalization of these banks. We cannot expect that they can achieve the greater standards of the productivity with these types of activities. Instead of this we can expect that they can use their available vast resources to give at par competition to the private sector banks. Both type of banks with their own strength and weakness, are working with a mission of providing financial services of credit and deposits to each and every corner of the country.

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