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STUDY OF IMPACT OF ORGANIZATIONAL WORK CULTURE ON PROFITABILITY: PUBLIC VS PRIVATE SECTOR BANKS

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ABSTRACT

Banking sector had contended a revolutionary modification towards the expansion of our economy and henceforward it's the key indicator to analyze the extent of development of any country. If the banking sector doesn't perform well, agriculture, industry, trade activities all are affected badly. Profit analysis of banks is crucial for evaluating banks business life. Banks earn profit mainly from the interest charged on loans and therefore the fees charged for the services it renders. Likewise the most item of expense for banks is that the interest they need to pay on liabilities.

Keywords: *Revolutionary Modification, Banking Sector, Trade Activities, Profit Analysis.*

Introduction

"Profit is a condition of survival. It is the cost of the future, the cost of staying in business".

Peter F. Drucker

The Performance of the business is judged by the amount of a profit earned and that is why management's main task is to maximize the profit earned by the business. Profitability signifies the ability of a business to earn profit on its investments. In other words, we can define profit as amount remaining from revenue after deducting the related costs. Additional profit will absorb the shocks and avert risks that banks will face. Profit may be a necessity for innovation, diversification and potency of economic banks (Hempell, 2002). The steadiness of economic banks to a good extent depends on profit.

Public and Private Sector Banks

Public sector banks are those banks where the majority of the stake is held by the government. Share holders of private sector banks hold a majority. As per the banking companies act, 14 banks were nationalized in July 1969 and 6 banks were nationalized in 1980. These are called public sector banks. Public sector banks are divided into two categories. Nationalized banks provide public control and control of their functioning to public sector banks. Private Sector Banks are those banks where the majority of the equity is held by private share holder, the government does not have it. Since the liberalization of 1990, old and new private sector banks have evolved in government banking policy. Then the private sector banks are completely free to open a satisfactory branch without the prior permission of RBI. These are called private sector banks.

Review of Literature

Some researches relevant to the topic are studied with the objective to find out the research gap.

- **Arora and Kaur (2006),** analyzed financial performance of banks on the basis of Return on assets, Capital assets risk weighted, Non- performing assets to Net advances, Business per employee, Net profitability ratio, Non performing assets level and off balance sheet operation.

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- **Gopal and Dev (2006),** empirically analyzed the productivity and profitability of selected public and private sector banks in India. A high degree of positive association between productivity and profitability during the study period was witnessed which shows efficiency of the banks in utilizing their resources.
- **Jha and Sarangi (2011),** evaluated seven public sector and private banks for the year 2009-10 and their performance. The study found that Axis Bank is the best performer followed by HDFC Bank, PNB, IDBI, BOI, SBI and ICICI bank.
- **Kheechee (2011)** tried to find out the causes for differences in profitability of different sectors of commercial banks. He discovered that the return on fund is very less for the private sector banks as compared to public and foreign sector banks due to inefficient management of portfolio of securities. Overall in managing banking business, foreign banks and private banks are more superior to the public sector banks.
- **Prasad and Ravinder (2011)**, analyzed the profitability of four major banks in India i.e. SBI, PNB, ICICI bank and HDFC bank for the period 2005-06 to 2009-2010 using statistical tools like arithmetic mean, one way ANOVA , Tukey HSD test. The profitability of these banks have been evaluated by using various parameters like operating profit margin ,gross Profit margin ,Net profit margin ,Earning per share, Return on Equity, Return on assets, Prices earnings ratio and Dividend payout ratio. The study found that HDFC bank outperformed in terms of gross profit margin, net profit margin, return on assets and price earnings ratio.
- **Goel and Rekhi (2013)** A comparative study of 3 major private and public sector banks in India for the period 2009 to 2012 was made to compare their relative profit earnings. The study showed AXIS bank, one of the leading private sectors bank to have the highest return on assets.
- **Haque (2014),** found that most of the commercial bank have faced a downward trend in their ROE from 2009 to 2013 while there is a growth of net internet margin for the same period. Despite the global financial system which is experiencing financial crunches, the performance evaluation of Indian banking industry has been stable and sound.

Research Gap

From the study of above researches it is found that, most of the researchers were focus on assessing the profitability of banking sector on the basis of different aspects of profit and returns. The profitability of any organization is mainly dependent on the performance and efficiency of employees and workers. In present research we are trying to identify, is the consistency in performance makes any difference in profitability.

Objectives of the Study

The present study has the following objectives:

- To analyse the profitability position of SBI & ICICI Bank Ltd.
- To highlight the relationship between efficiency of employees and branches with the earnings of selected banks.
- To examine the profitability positions of selected banks on the basis of per employee/branch earnings with the objective to assess their efficiency
- To identify is there any difference in the operational approach in public and private banks?
- To give suggestion to the related banks and make conclusion of the present research work.

Methodology

To analyze the profitability of State Bank of India and ICICI Bank Ltd, Financial statements have been rearranged, summarized & presented in suitable form and various ratios reflecting profitability per employee and per branch have been computed. Data have taken from the published annual reports of State Bank of India and ICICI Bank Ltd. Moreover statistical tools like mean, standard deviation have been applied and hypothesis being tested by use 't' test for independent samples.

Scope of Study

The study covers period of nine years from 2012 to 2020 for the purpose of study, State Bank of India (SBI) and ICICI Bank is selected because State Bank of India is a multinational banking and financial services company based in India. It is a government-owned corporation on the other hand ICICI

Bank is India's largest private sector bank. Both banks offer a wide range of banking products and financial services to corporate and retail customers through a variety of delivery channels and through its specialized subsidiaries in the areas of investment banking,

Findings and Conclusion

Table 1: Showing the Efficiency of Earning Ratios per Employee and Per Branch of State Bank of India

(Rs. In lakhs)

Years	PER EMPLOYEE RATIOS			PER BRANCH RATIOS		
	Interest Income/ Employee (Rs.)	Net Profit/ Employee (Rs.)	Business/ Employee (Rs.)	Interest Income/ Branch (Rs.)	Net Profit/ Branches (Rs.)	Business/ Branches (Rs.)
2020	107.94	8.31	2,495.72	1,193.35	91.86	27,592.49
2019	103.16	5.81	2,231.69	1,162.20	65.44	25,142.99
2018	83.51	-2.47	1,757.76	983.75	-29.21	20,706.80
2017	83.75	5.00	1,725.38	1,022.24	61.06	21,058.99
2016	78.94	4.78	1,537.71	977.11	59.28	19,032.55
2015	71.46	6.14	1,349.11	933.06	80.21	17,613.54
2014	61.20	4.88	1,168.82	859.22	68.63	16,410.84
2013	52.41	6.17	984.84	797.60	94.02	14,987.04
2012	49.43	5.43	886.95	746.47	82.04	13,393.31
Mean	**72.98**	**4.47**	**1,455.28**	**935.21**	**60.18**	**18,543.26**
SD	**18.09**	**2.85**	**449.07**	**132.85**	**38.01**	**3768.02**
Co. Var.	**24.79**	**63.93**	**30.85**	**14.20**	**63.16**	**20.32**

Source: Annual Reports

The above table reveal that the income from interest per employee of SBI during the study period increasing trends but the coefficient of variation 24.79% which is considered quite high. The net profit per employee of SBI is showing a very volatile performance which raises the question of the inconsistent efficiency of the employees. Again in case of business per employee the coefficient of variation is 30.85% which can be considered high. So we can say that the employees of SBI are not maintained their efficiency consistent during the study period.

In case of branches the performance of interest income, the results are fluctuating but the coefficient of variation is 14.20% which is quit considerable. The net profit per branch is showing a very volatile trend and the coefficient of variation is also very high (63.16%) it shows that there is lack of standards and performance indicators in SBI that's why the variation in the performance of employees and branches is observed.

Table 2: Showing the Efficiency of Earning Ratios per Employee and Per Branch of ICICI Bank

(Rs. In lakhs)

Years	Per Employee Ratios			Per Branch Ratios		
	Interest Income/ Employee (Rs.)	Net Profit/ Employee (Rs.)	Business/ Employee (Rs.)	Interest Income/ Branch (Rs.)	Net Profit/ Branches (Rs.)	Business/ Branches (Rs.)
2020	75.31	7.98	1,425.96	1,404.92	148.96	26,601.41
2019	73.07	3.87	1,428.68	1,300.80	69.00	25,432.22
2018	66.44	8.19	1,297.53	1,129.36	139.25	22,054.04
2017	65.37	11.83	1,151.93	1,116.62	202.08	19,675.69
2016	73.07	13.48	1,186.96	1,185.15	218.57	19,251.45
2015	74.01	16.85	1,129.38	1,212.13	275.93	18,495.92
2014	61.17	13.58	928.49	1,177.14	261.40	17,868.81
2013	64.57	13.41	939.11	1,292.76	268.56	18,802.03
2012	57.55	11.09	873.82	1,218.85	234.93	18,503.91
Mean	66.91	11.54	1,116.99	1,204.10	208.72	20,010.51
SD	6.03	3.96	193.58	67.42	71.76	2531.80
Co. Var.	9.01	34.35	17.33	5.59	34.38	12.65

Source: Annual Reports

Table 2 showing that the interest incomes per employee is consistent but the mean 66.91 lakhs is less than the mean of SBI 72.98 lakhs. The net profit per employee is showing a volatile trend, the coefficient of variation is 34.35% which is considerable in higher side. The performance of business per employee is significant. So we can say that the employees of ICICI providing more consistent returns in comparison to SBI which reflects that they are very particular about the consistency of their efficiency.

In terms of performance of branches the coefficient of variation is very low in case of interest income per branch and business per branch which showing a picture of consistent efficiency of operations. The net profit per branch create some worry because of high coefficient of variation (34. 38%).

Testing of Hypothesis

I conducted an independent t-test, also called the two sample t-test, independent-samples t-test or student's t-test, is an inferential statistical test that determines whether there is a statistically significant difference between the means in two unrelated groups for the testing of hypothesis.

Ho There is no significant difference between the mean of (Interest Income/Employee) SBI and ICICI bank.

H_1 There is a significant difference between the mean of (Interest Income/Employee) SBI and ICICI bank.

Table 3: Result of Data Analysis for Interest Income/Employees

Difference Scores Calculations

SBI

N_1: 9
$df_1 = N - 1 = 9 - 1 = 8$
M_1: 76.87
SS_1: 3378.28
$s^2_1 = SS_1/(N - 1) = 3378.28/(9-1) = 422.28$

ICICI

N_2: 9
$df_2 = N - 1 = 9 - 1 = 8$
M_2: 67.84
SS_2: 317.7
$s^2_2 = SS_2/(N - 1) = 317.7/(9-1) = 39.71$

T-value Calculation

$$s^2_p = ((df_1/(df_1 + df_2)) * s^2_1) + ((df_2/(df_2 + df_2)) * s^2_2) = ((8/16) * 422.28) + ((8/16) * 39.71) = 231$$

$$s^2_{M1} = s^2_p/N_1 = 231/9 = 25.67$$
$$s^2_{M2} = s^2_p/N_2 = 231/9 = 25.67$$

$$t = (M_1 - M_2)/\sqrt{(s^2_{M1} + s^2_{M2})} = 9.03/\sqrt{51.33} = 1.26$$

Significance Level: 5% **D f: 2.120**

Interpretation

The t-value is 1.25988. The p-value is .225781. The difference between the means of both samples is insignificant so that the Ho is correct. It reflects that the tendency of values in both the sample is almost same. The interest earned per employee by both the banks having same trends.

Ho There is no significant difference between the mean of (Net Profit/ Employee) SBI and ICICI bank.

H_1 There is a significant difference between the mean of (Net Profit/ Employee) SBI and ICICI bank.

Table 4: Result of Data Analysis of Net Profit/Employees

Difference Scores Calculations **SBI** **N1: 9** **df1 = N - 1 = 9 - 1 = 8** **M1: 4.89** **SS1: 70.23** **s21 = SS1/(N - 1) = 70.23/(9-1) = 8.78** **ICICI** **N2: 9** **df2 = N - 1 = 9 - 1 = 8** **M2: 11.14** **SS2: 121.21** **s22 = SS2/(N - 1) = 121.21/(9-1) = 15.15** **T-value Calculation** **s2p = ((df1/(df1 + df2)) * s21) + ((df2/(df2 + df2)) * s22) = ((8/16) * 8.78) + ((8/16) * 15.15) = 11.96** **s2M1 = s2p/N1 = 11.96/9 = 1.33** **s2M2 = s2p/N2 = 11.96/9 = 1.33** **t = (M1 - M2)/√(s2M1 + s2M2) = -6.25/√2.66 = -3.83**
Significance Level: 5% **D f: 2.120**

Interpretation

The t-value is -3.83161. The p-value is .001471. The difference between the mean of both the sample is significant so that the Ho is rejected. It shows the high volatility in the values of samples which means the performance about net profit/employees is not reliable.

Ho There is no significant difference between the mean of (Business/ Employee) SBI and ICICI bank.

H_1 There is a significant difference between the mean of (Business/ Employee) SBI and ICICI bank.

Table 5: Result of Data Analysis for Business/Employees

Difference Scores Calculations **SBI** **N1: 16** **df1 = N - 1 = 16 - 1 = 15** **M1: 321.69** **SS1: 1940195.4** **s21 = SS1/(N - 1) = 1940195.4/(16-1) = 129346.36** **ICICI** **N2: 15** **df2 = N - 1 = 15 - 1 = 14** **M2: 291.19** **SS2: 1764217.12** **s22 = SS2/(N - 1) = 1764217.12/(15-1) = 126015.51** **T-value Calculation** **s2p = ((df1/(df1 + df2)) * s21) + ((df2/(df2 + df2)) * s22) = ((15/29) * 129346.36) + ((14/29) * 126015.51) = 127738.36** **s2M1 = s2p/N1 = 127738.36/16 = 7983.65** **s2M2 = s2p/N2 = 127738.36/15 = 8515.89** **t = (M1 - M2)/√(s2M1 + s2M2) = 30.5/√16499.54 = 0.24**
Significance Level: 5% **D f: 2.120**

Interpretation

The t-value is 0.23741. The p-value is .814007. The difference between the means of both samples is not significant so that the Ho is acceptable. The results related to business/employee are consistent during the study period.

Ho There is no significant difference between the mean of (Interest Income/ Branch) SBI and ICICI bank.

H_1 There is a significant difference between the mean of (Interest Income/ Branch) SBI and ICICI bank.

Table 6: Result of Data Analysis for Interest Income/Branches

Difference Scores Calculations **SBI** **N1: 12** **df1 = N - 1 = 12 - 1 = 11** **M1: 473.17** **SS1: 2102301.55** **s21 = SS1/(N - 1) = 2102301.55/(12-1) = 191118.32** **ICICI** **N2: 18** **df2 = N - 1 = 18 - 1 = 17** **M2: 113.71** **SS2: 296318.08** **s22 = SS2/(N - 1) = 296318.08/(18-1) = 17430.48** **T-value Calculation** **s2p = ((df1/(df1 + df2)) * s21) + ((df2/(df2 + df2)) * s22) = ((11/28) * 191118.32) + ((17/28) * 17430.48) = 85664.99** **s2M1 = s2p/N1 = 85664.99/12 = 7138.75** **s2M2 = s2p/N2 = 85664.99/18 = 4759.17** **t = (M1 - M2)/√(s2M1 + s2M2) = 359.46/√11897.91 = 3.3**	
Significance Level: 5%	**D f: 2.120**

Interpretation

The t-value is 3.29545. The p-value is .002671. The difference between the mean of both the samples is significant so that Ho is rejected. The trends of Interest/branch are also reflecting very fluctuating trend which shows the inconsistency in the performance of branches.

Ho There is no significant difference between the mean of (Net Profit/ Branches) SBI and ICICI bank.

H_1 There is a significant difference between the mean of (Net Profit/ Branches) SBI and ICICI bank.

Table 7: Result of Data Analysis for Net Profit /Branches

Difference Scores Calculations **SBI** **N1: 9** **df1 = N - 1 = 9 - 1 = 8** **M1: 63.7** **SS1: 11007.33** **s21 = SS1/(N - 1) = 11007.33/(9-1) = 1375.92**

ICICI **N2: 9** **df2 = N - 1 = 9 - 1 = 8** **M2: 202.08** **SS2: 39222.95** **s22 = SS2/(N - 1) = 39222.95/(9-1) = 4902.87** **T-value Calculation** **s2p = ((df1/(df1 + df2)) * s21) + ((df2/(df2 + df2)) * s22) = ((8/16) * 1375.92) + ((8/16) * 4902.87) = 3139.39** **s2M1 = s2p/N1 = 3139.39/9 = 348.82** **s2M2 = s2p/N2 = 3139.39/9 = 348.82** **t = (M1 - M2)/√(s2M1 + s2M2) = -138.37/√697.64 = -5.24**
Significance Level: 5% **D f: 2.120**

Interpretation

The t-value is -5.23881. The p-value is .000081. The result shows negatively high difference between the averages of both the samples so that Ho is rejected. It is also reflected in the trends of SBI and ICICI that the % of Cof. of Var. in SBI is relatively doubled to the ICICI.

Ho There is no significant difference between the mean of (Business/ Branches) SBI and ICICI bank.

H_1 There is a significant difference between the mean of (Business/ Branches) SBI and ICICI bank.

Table 8: Result of Data Analysis for Business/Branches

Difference Scores Calculations **SBI** **N1: 18** **df1 = N - 1 = 18 - 1 = 17** **M1: 228.36** **SS1: 1614522.47** **s21 = SS1/(N - 1) = 1614522.47/(18-1) = 94971.91** **ICICI** **N2: 18** **df2 = N - 1 = 18 - 1 = 17** **M2: 270.42** **SS2: 1656683.08** **s22 = SS2/(N - 1) = 1656683.08/(18-1) = 97451.95** **T-value Calculation** **s2p = ((df1/(df1 + df2)) * s21) + ((df2/(df2 + df2)) * s22) = ((17/34) * 94971.91) + ((17/34) * 97451.95) = 96211.93** **s2M1 = s2p/N1 = 96211.93/18 = 5345.11** **s2M2 = s2p/N2 = 96211.93/18 = 5345.11** **t = (M1 - M2)/√(s2M1 + s2M2) = -42.05/√10690.21 = -0.41**
Significance Level: 5% **D f: 2.120**

Interpretation

The t-value is -0.40672. The p-value is .686766. The difference between the mean of both the sample is negative but not significant so that Ho is selected. The results show that there is a consistency in the performance of branches in terms of business.

Conclusion

From the above study it can be concluded that State Bank of India Performed inconsistently during the study period. The means of different head were high but there is a problem of maintaining the momentum of performance in SBI during the study period. The study also reflects that in SBI performance indicators are not followed strictly to measure the efficiency of employees as well as branches. It is suggested that the management of SBI should work on the performance indicators and follow strictly to assess the performance of employees and branches with a regular time interval so that it can achieve optimal utilization of resources and consistency in the result. On the other ICICI bank performed more consistently in comparison to SBI bank but the mean of returns per employee and branch are less than the means of SBI. The study revel that the employees and branches of ICICI bank are performing more disciplined bat they need to improve their efficiency to increase the returns on scales.

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