

Cost and Productivity of Human Resource in Indian Banks

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Human resource is one of the most important aspects of factor of production in banking sector. The banking sector has undergone tremendous changes in last couple of decades. The importance of creating more jobs in pre globalization was the priority in Indian economy. Banks invariably had huge manpower before globalization. The process of liberalization and immergence of private sector banks changed the equation of employment creation and nationalized banking. Private sector banks were able to perform at higher levels with less manpower. In last decade importance of cost benefit approach towards manpower in banking received importance. The cost benefit approach is worth considering in Indian banking, with this view current paper is an attempt to find out whether Indian banks have improved on productivity and cost aspects of human resource. Public sector and private sector banks are compared on parameters relevant to human resource. The study suggests that there has been an improvement in these parameters.

Keywords: Cost, Productivity, Banks, GDP

Introduction

Indian banking sector was dominated by public sector banks before 1991. The predominance can be seen even today. The introduction of new private sector banks and foreign sector banks created unprecedented competition in banking space. The productivity and efficiency became important for every bank and employee. The paper is an attempt to analyze the performance and cost parameters in selected banks in India.

Indian economy went through high GDP growth and low GDP growth in last 12 years. Banking sector being directly related with the level of economic activities in the economy faced the fluctuations in the business. The table of GDP growth and bank business growth depicts the fluctuations.

Years	GDP growth at factor cost in %	Deposit Growth in %	Credit Growth in %
2002-03	3.99	16.1	23.7
2003-04	8.06	17.5	15.3
2004-05	6.97	13	30.9
2005-06	9.48	24	37
2006-07	9.57	23.8	28.1
2007-08	9.32	22.4	22.3
2008-09	6.72	19.9	17.5
2009-10	8.59	17	16.9
2010-11	9.32	16	21.5
2011-12	6.21	16	17
2012-13	4.96	16	17

Source: Compiled from CSO, RBI, Ministry of Finance

In the last five years there have been worries about ability of banks to withstand the decline in assets quality. The effective utilization of manpower is at the centre stage in banking.

Objectives of the Study

1. To find out effect of manpower cost in banking
2. To find out productivity of bank employees

Hypothesis

H0: There has been no difference in the human resource cost of banks during high and low growth years.

H1: There has been a difference in the human resource cost of banks during high and low growth years.

H0: There has been no difference in productivity of bank employees during high and low growth years.

H1: There has been no difference in productivity of bank employees during high and low growth years.

Methodology - Data Analysis

The current study has 15 banks, which are chosen from all reporting banks to RBI. The banks are selected based on two parameters.

1. Types of banks (Public, Private and Foreign Banks)
2. First 5 banks from each category on the basis of total funds

The banks considered for the study are

Public sector banks- SBI, PNB, BOB, BOI, and Canara

Private sector banks ICICI, HDFC, AXIS, DCB, and IndusInd

Foreign sector banks CITI, SCB, HSBC, DBS, and Deutsche

The data is collected from each year's RBI publications.

Following are the parameters of cost and productivity

1. Ratio of intermediation cost to total assets
2. Ratio of wage bills to intermediation cost
3. Ratio of wage bills to total expense
4. Ratio of wage bills to total income
5. Business per employee
6. Profit per employee

Data presentation

The data is collected from 2004 to 2013 in two time periods. A)High GDP of 2004-08 – termed as period 1. AndB) low GDP of 2009-13 – termed as period 2. The data is tested on two samples T Test at 95% confidence level.

Table 1: The summary of mean values of cost of human resource parameters is given in the table

	Intermediation cost to total assets		Ratio of wage bills to intermediation cost		Ratio of wage bills to total expense		Ratio of wage bills to total income	
	1	2	1	2	1	2	1	2
SBI	2.25	1.98	68.01	63.81	21.94	18.65	16.60	14.17
PNB	2.34	1.78	70.56	68.42	24.80	17.58	18.05	12.83
BOB	2.14	1.43	66.46	61.25	21.84	14.74	16.22	10.98
BOI	2.05	1.44	64.65	62.86	19.90	13.99	15.09	10.76
Canara	1.94	1.41	64.31	63.61	18.22	12.30	13.53	9.76
ICICI	2.20	1.72	22.49	38.28	6.37	9.86	5.04	7.23
AXIS	1.98	2.24	29.63	34.31	8.77	10.86	6.48	7.63
HDFC	2.62	3.02	28.66	38.70	12.09	15.35	8.11	10.87
DCB	3.22	3.18	39.09	47.41	14.44	16.63	13.42	14.83
IndusInd	1.69	2.45	25.82	37.09	5.90	10.19	4.70	8.02
CITI	3.53	2.45	25.47	36.60	13.45	18.54	8.20	10.70
SCB	2.64	2.59	34.30	45.24	15.26	22.05	9.01	12.29
HSBC	3.03	2.35	38.59	41.00	19.48	20.03	12.04	11.42
Deutsche	3.70	3.81	39.19	46.35	21.50	31.52	13.84	16.96
DBS	1.60	1.30	56.03	47.16	19.87	13.47	13.67	8.64

Mean values of each parameter for 2003-2008(Period 1) and 2009-2013 (Period 2)

The parameters mentioned for cost of human resource are divided in two time periods

A) The high growth years of 2003 to 2008

B) The low growth years from 2009 to 2013

The mean values are compared on standard two sample T test with 95 % confidence interval with the null hypothesis of there has been no significant difference between two time periods.

The following table lists the p values at 95% confidence interval for the given parameters

Table 2: P Values of Two Sample T test of selected Banks of cost of human resource

	SBI	PNB	BOB	BOI	CANARA
ICTA	0.0116	0.0018	0.0002	0.0004	0.0015
WBIC	0.0339	0.0345	0.0242	0.3615	0.6537
WBTE	0.0539	0.0012	0.0027	0.0044	0.007
WBIT	0.0304	0.0007	0.0011	0.0075	0.0039
	ICICI	AXIS	HDFC	DCB	IndusInd
ICTA	0.0002	0.0142	0.1228	0.8994	0.0005
WBIC	0.0007	0.0004	0.0007	0.0069	0.0001
WBTE	0.0117	0.0364	0.0346	0.0876	0.0004
WBIT	0.024	0.0757	0.0091	0.2627	0.0009
	CITI	SCB	HSBC	DEUTSCHE	DBS
ICTA	0.0002	0.0142	0.1228	0.8994	0.0005
WBIC	0.0007	0.0004	0.0007	0.0069	0.0001
WBTE	0.0117	0.0364	0.0346	0.0876	0.0004
WBIT	0.024	0.0757	0.0091	0.2627	0.0009

It can be observed that p values of almost all the parameters are less than 0.05 levels. This proves that there has been significant difference in the performance of selected banks during the period 2.

Table 3: The summary of mean values of human resource productivity parameters is given in the table

	Business Per Employee (Rs in Lacs)		Profit Per Employee (Rs in Lacs)	
	1	2	1	2
SBI	293	727	2	5
PNB	324	956	2	8
BOB	410	1256	2	9
BOI	393	1214	2	6
Canara	416	1151	3	7
ICICI	992	819	11	11
AXIS	965	1206	8	13
HDFC	735	619	8	7
DCB	428	515	-2	0
IndusInd	1045	829	7	7
CITI	1570	1941	25	36
SCB	831	1327	17	28
HSBC	865	1373	10	25
Deutsche	1230	1999	33	45
DBS	1186	2693	16	47

Mean values of each parameter for 2003-2008(Period 1) and 2009-2013 (Period 2)

The parameters mentioned for human resource productivity are divided in two time periods

A) The high growth years of 2003 to 2008

B) The recessionary phase from 2009 to 2013

The mean values are compared on standard two sample T test with 95 % confidence interval with the null hypothesis of there has been no significant difference between two time periods.

The following table lists the p values at 95% confidence interval for the given parameters

Table 2: P Values of Two Sample T test of selected Banks of human resource productivity

	SBI	PNB	BOB	BOI	CANARA
BE	0.0003	0.0002	0.0004	0.0002	0.0003
PE	0.0006	0	0.0001	0.0009	0.0002
	ICICI	AXIS	HDFC	DCB	IndusInd
BE	0.075	0.0076	0.1829	0.0966	0.0085
PE	0.5885	0.0002	0.6117	0.5732	0.911
	CITI	SCB	HSBC	DEUTSCHE	DBS
BE	0.0036	0.0031	0.0153	0.0066	0.0019
PE	0.1192	0.0194	0.0222	0.2932	0.0489

It can be observed from the table that except for ICICI, HDFC, and DCB all other banks have performed differently in period 2.

Findings

There has been considerable difference in the performance of commercial banks analysed for the study. The profitability has been improving of public sector banks. Foreign sector banks are one of the most profitable banks from human resource prospective. Ratio of wage bill to intermediation cost has gone down in low growth years for public sector banks whereas this trend is reverse in case of private and foreign sector banks except DBS. The ratio of wage bill to total expenses has also come down in case of public sector banks in low growth years. This ratio has gone up in case of private and foreign sector banks except DBS. This clearly indicates that private and foreign sector banks have either recruited more manpower in low growth years or existing manpower is paid more remuneration.

Conclusion

Commercial banks reporting to RBI recruit more than a million people in India. Human interface in banking system is still very strong. The productivity and profitability of banks would largely depend on the performance of human capital in banks. The different types of banks function in same environment and face same set of challenges. It is important from this prospective that banks need to perform at a equally efficient level. The effective use of manpower will give better returns to banks in general.

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