

International Journal of Advance Research in Computer Science and Management Studies

Research Article / Survey Paper / Case Study

Available online at: www.ijarcsms.com

Human Resource Productivity and Financial Performance of Old Private sector Banks (OPBs) in India: A Study of Kerala based OPBs (KOPBs)

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Abstract: Kerala state in Indian union has got an enviable history of private banking in the whole of India right from the time immemorial. Even in the nineteenth century there existed one Kerala-based bank viz. the Nedungadi Bank established in 1899 by Appu Nedungadi at Kozhoikode in northern Kerala. The number of Kerala-based private banks have been on the decline because of consolidations (like, take-overs, acquisitions, mergers etc. owing to bank failures). As of now there are as high as four old private sector banks (OPBs) in Kerala out of the total 13 OPBs in the whole of India. Hence Kerala is still ahead of other states in India because there are four Kerala-based OPBs (KOPBs). In the context of the falling number of OPBs in India over the years, including KOPBs, this paper studies as to how the human resource productivity influences the financial performance of OPBs with a special reference to KOPBs, taking into account data for 10 years viz. FY 2005 to FY 2014.

Keywords: Human Resource Productivity, Financial Performance, Return on Assets, Profit per Employee, Benchmarking.

I. INTRODUCTION

From the available literature it is noted that Kerala state in the union of India has got an enviable history of private banking in the whole of India. This is evident from the fact that even in the nineteenth century there existed one Kerala-based bank viz. the Nedungadi Bank established in 1899 by Appu Nedungadi at Kozhoikode (Calicut) in northern Kerala. In fact, Nedungadi Bank was one among the five banking establishments existing in India during those days; the other four banks being Allahabad Bank (1965), Oudh Commercial Bank (1881), Ayodhya bank (1884), and Punjab National Bank (1894). This is because of the fact that right from historical times Kerala had a climate that is conducive for banking [Manoj P K, 2010(a)] [9]. The emergence of organized forms of banking activities in the state was because of the growing demand for money and credit for productive activities which could not be met by the traditional financing means. Kerala was one of the most over-banked states in India during the pre-independence era, and there were many instances of failure of such banks too. The number of Kerala-based private banks has been on the decline because of consolidations (like, take-overs, acquisitions, mergers etc. owing to bank failures). During the ongoing reforms era too, among the Old Private sector Banks (OPBs) vanished from the industry two are Kerala-based OPBs (KOPBs). The KOPBs so disappeared during the ongoing reforms era are (i) Nedungadi Bank which was based in Kozhikode of northern Kerala – one of the oldest private banks in India established in 1899 – which was merged with Punjab National Bank in 2004, and (ii) Lord Krishna Bank, a private sector bank based in Ernakulam of central Kerala which was taken over by Centurion Bank in 2007. Even after many such mergers and consolidations over the years, it may be noted as of now there are as high as four old private sector banks (OPBs) in Kerala out of the total 13 OPBs in the whole of India. So, Kerala is still ahead of all other states in India. The vast network of private banks in Kerala contributed tremendously towards the growth of banking system in the state [Manoj P K, 2010 (a) [9] & 2010 (b)] [10].

II. PREVIOUS STUDIES AND RESEARCH GAP

M Amandeep (1983) [1] has studied the various factors which affect the profitability of commercial banks in India with the help of multiple regression analysis. Tools like, trend analysis, ratio analysis are also used along with multiple regression analysis. Angadi and Devraj (1983) [2] have studied the factors determining the profitability and productivity of public sector banks (PSBs) in India and have observed that though PSBs have discharged their social responsibilities, their limitations in respect of effective mobilization of funds at lower costs, attracting retail banking business, augmenting earnings from other sources, effective cash and portfolio management etc. have resulted in their lower productivity and profitability. Chakrabarthy T. K (1986) [5] has made an empirical study of the relative performance of different groups of banks (public, private and foreign) based on three basic parameters viz.(i) profit, (ii) earnings, and (iii) expenses. The author has computed Herfindahl's index to measure the inequality in the sharing of profits, earnings and expenses by each group of banks. He has suggested that scheduled commercial banks should take up some exercise to evaluate the relative performance of each of their offices for more effective profit planning.

Arora, S. and Kaur, S (2008)[3] have studied the internal determinants of diversification moves by banks taking two dependent variables, (i) net interest margin, (ii) non-interest margin. It has been noted that the explanatory variables viz. (i) risk, (ii) technological change, (iii) cost of production, and (iv) regulatory cost have got significant influence on the variations in the structure of income of the banks. It is noted that studies on financial soundness of private sector banks in India in the ongoing reforms era were very scarce, those focusing on Kerala-based private banks were virtually nil. Accordingly, Manoj P K (2010) [9] in his research paper "Determinants of Profitability and Efficiency of Old Private Sector Banks in India with Focus on Banks in Kerala State: An Econometric Study" in International Research Journal of Finance and Economics (IRJFE) has sought to identify the determinants of profitability and efficiency of Old Private sectors Banks (OPBs) in India with a focus on Kerala-based OPBs (or, KOPBs). In another study by the author, Manoj P K (2010) [10] entitled "Financial soundness of old private sector banks (OPBs) in India and benchmarking the Kerala based OPBs: a 'CAMEL' Approach" in American Journal of Scientific Research (AJSR), the author has made a study of the financial soundness of the 13 OPBs in India with a focus on the KOPBs, the data used being those for 10 years from FY 2000 to FY 2009. The poor performance of three out of the total four KOPBs, i.e. all KOPBs, except Federal Bank (FB), was revealed in the study. Even FB, the best performer among KOPBs, was included only in the second group ('Good') of OPBs though as the top-most player. Ever since the above study by the present author, many studies followed it using the same or similar methodology. These studies include the following: (i) Kumar, Mishra A. et al. (2012)[8] who have studied soundness of Indian commercial banks for a 11-years' period (FY 2001 to FY 2011) using CAMEL model, the banks included being 12 major banks in the public and private sector, all private sector banks included being new generation banks; (ii) Aravind, Maddali & Nagamani, Pallutla (2013) [4] who have done financial analysis of State Bank of India, for the period FY 2000 to FY 2012; (iii) Chadha, Pankaj., and Chawla, Vanitha. (2013) [6] who have studied the performance of Housing Finance Companies (HFCs) in India (not commercial banks) using the CAMEL model as used by the present author; and (iv) Erari, Anita. et.al (2013)[7] who have analyzed the financial performance of PT. Bank Papua in Indonesia. Kumar, Mishra A. et al. (2012)[8] who have studied soundness of Indian commercial banks for a 11-years' period (FY 2001 to FY 2011) using CAMEL model, the banks included being 12 major banks in the public and private sector, all private sector banks included being new generation banks. Aravind, Maddali & Nagamani, Pallutla (2013) [4] have done financial analysis of State Bank of India, for the period FY 2000 to FY 2012. Erari, Anita. et.al (2013)[6] who have analyzed the financial performance of PT. Bank Papua in Indonesia.

The huge remittances from the non-resident Keralaites (NRKs) have significantly improved the non-resident (NR) deposits of one KOPB viz. Federal Bank (FB) alone; and among the other OPBs South Indian Bank (SIB) has got NR deposits comparable to the average position in respect of all OPBs in India while the other two OPBs viz. Catholic Syrian Bank (CSB) and Dhanalakhmi Bank (DB) have NR deposits which are significantly lower than the average of OPBs in India. [Manoj P K,

2013] [11]. In another study by the same author, Manoj P K (2014) [12], entitled “Financial Soundness of Old Private Sector Banks in India with a Focus on Kerala-based OPBs (KOPBs): A Re-Look” in International Journal of Business and General Management (IJBGM) the financial soundness of Kerala-based OPBs (KOPBs) has been re-looked using CAMEL methodology using the data upto FY 2013. The financial soundness of KOPBs as of FY 2013, when compared with the same as of FY 2009 as per the earlier study viz. Manoj P K (2010) [10] has been noted to have worsened. Only one KOPB viz. Federal Bank (FB) is found to be comparable with the national average for OPBs, the performance of the other three being significantly lower than the average.

In spite of many studies on commercial banks in India, those focusing on OPBs in India particularly on KOPBs are very rare. Exceptions are a few studies by the author himself, like, the study as of 2009 viz. Manoj P K (2010) [9], a review of the same as of FY 2013 by the author himself vide. Manoj P K, 2014 [12] etc. Studies on human resource productivity (HR productivity) of OPBs are virtually nil. This study seeks to bridge this research gap by making a study on HR productivity of OPBs with a focus on KOPBs, with a view to critically assess the current position (i.e. as of FY 2014) regarding the HR productivity of KOPBs and its linkage, if any, with financial performance of the respective KOPBs. The study uses 10 years’ data from FY 2005 to FY 2014.

III. RELEVANCE AND SIGNIFICANCE OF THE STUDY

Banking system is backbone of any economy. Efficient functioning of the banking system is one of the vital determinants of the economic development of any nation. Private sector banks function as a supplement to the public sector banks and in a developing country like India with high levels of resource constraints, their developmental role need not be overemphasized. Growing competitive pressures in the ongoing reforms era, particularly from the highly technologically intensive new generation private sector banks and foreign banks, have made the survival and growth of old private sector banks (and also public sector banks) difficult. Many private sector banks have already succumbed to the competitive pressures and have been taken over by larger banks, either public or private. In this context, it may be noted that competence of the human resources (HR) is a crucial factor that determine the survival and growth of any bank. HR productivity needs to be maintained and constantly enhanced. Considering the fact that among the different bank-groups in India OPBs have been one of the worst sufferers of the financial sector reforms, and also that the number of OPBs in has been constantly on the decline, this paper seeks to study the human resource productivity of OPBs in India with a focus on Kerala-based OPBs (KOPBs). The study focuses on KOPBs, as Kerala with its rich and enviable private banking history has been the witness to all developments in private sector banking in India, right from historical times. The study seeks to find the association between HR productivity and financial performance of OPBs.

IV. OBJECTIVE OF THE STUDY

- (i) To study the trend in the human resource productivity as well as financial performance of old private sector banks (OPBs) in India with a focus on the four Kerala-based OPBs (KOPBs) for the ten-years’ period FY 2005 to FY 2014;
- (ii) To study the association, if any, between the human resource productivity and financial performance of OPBs in India with a focus on the four KOPBs;
- (iii) To study the major issues and challenges in management of human resources with reference to the four KOPBs based on feedback from their principal officers.
- (iv) To make broad suggestions for enhanced performance of OPBs in India and specific suggestions for KOPBs, in respect of human resource management.

V. HYPOTHESIS OF THE STUDY

- (i) There is an increasing trend in respect of the human resource productivity of the four KOPBs.
- (ii) There is positive association between human resource productivity and financial performance of the four KOPBs.

VI. METHODOLOGY AND DATA SOURCES

The primary data are collected by way of in-depth interviews with the help of a carefully drafted Interview Schedule from the principal officers of the respective KOPBs viz. those who are in direct charge of the HRM/HRD portfolio. The secondary data are collected from various publications of the Reserve Bank of India (RBI), Centre for Monitoring of Indian Economy (CMIE) reputed banking and finance journals like, 'Bank Quest' – the journal of Indian Institute of Banking and Finance, 'IBA Bulletin' – the journal of Indian Banks Association (IBA), the Proceedings of Bank Economists Conference (BECON)/Bankers Conference (BANCON), on-line financial databases like PROWESS (CMIE), useful websites like those of RBI, Reuters, etc. International journals like 'The Banker', 'The Economist' etc. are used extensively. Further, all the reputed business dailies like, 'The Hindu Business Line', 'The Economic Times', 'The Financial Express' etc. are used for data collection.

The analytical tools used include financial ratio analysis along with the application of relevant statistical tools (like, Correlation analysis, ANOVA, various tests for assessing the statistical significance of variances). For example, Profit per employee is considered as a measure of HR productivity whereas Return on Assets (ROA) is considered as a measure of financial performance.

VII. HUMAN RESOURCE PRODUCTIVITY AND FINANCIAL PERFORMANCE OF OPBS: AN OVERALL STUDY

The overall (average level) performance of OPBs in India in terms of (i) human resource productivity, and (ii) financial performance is sought to be analyzed here. The specific case of the four Kerala-based OPBs (KOPBs) in this regard is studied individually and is compared with the average performance of all the OPBs in India.

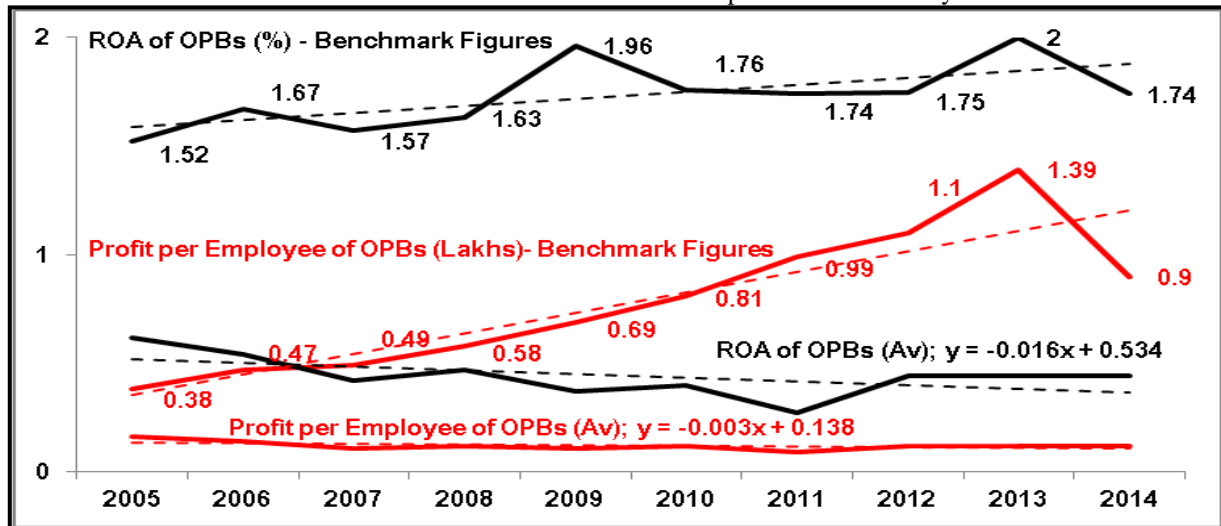
TABLE I Performance of OPBs in respect HR Productivity and ROA (2005-2014)

Particulars	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014
Profit per Employee – OPBs (Average)(Lakhs)	0.16	0.14	0.11	0.12	0.11	0.12	0.09	0.12	0.12	0.12
Profit per Employee (Benchmark) (Lakhs)	0.38	0.47	0.49	0.58	0.69	0.81	0.99	1.10	1.39	0.90
Return on Assets – OPBs (Average) (Percent)	0.62	0.54	0.42	0.47	0.37	0.40	0.27	0.44	0.44	0.44
Return on Assets – OPBs (Benchmark) (Percent)	1.52	1.67	1.57	1.63	1.96	1.76	1.74	1.75	2.00	1.74

Source: Reserve Bank of India (RBI) (2014), *Statistical Tables relating to Banks in India*.

From Table I and the corresponding Figure I, it may be noted that there is a growing trend in respect of the Benchmark (Best in Class) figures of the Return of Assets (ROA) of OPBs in India, in general. This suggests that the ROA figures of the 'Best in Class' OPBs have been improving year after year, in general. Quite analogously, there has been a growing trend in respect of the Benchmark (Best in Class) figures of Profit per Employee of OPBs over the year, in general. This suggests that the Profit per Employee of the 'Best in Class' OPBs have been growing year after year, in general. In short, in respect of both the parameters (viz. ROA and Profit per employee) the 'Best in Class' OPBs could improve consistently year after year.

FIGURE I Trend of the Performance of OPBs in respect HR Productivity and ROA



Source: RBI data (2005-2014), Statistical Tables relating to Banks in India. (Table I)

Among the OPBs, ‘Best in Class’ in respect of ROA has been TMB (Tamil Nadu Mercantile Bank) in 6 out of the total 10 years, viz. 2005, 2006, 2007, 2011, 2012 and 2013. KVB (Karur Vysa Bank) could attain this position twice, in 2008 and 2010. RKB (Ratnakar Bank) and JKB (Jammu & Kashmir Bank) could become ‘Best in Class’ once each, in 2009 and 2014 respectively. CUB (City Union Bank) and NTB (Nainital Bank) could share this position with TMB in one year each. (Table II).

TABLE II Performance of OPBs in respect Return on Assets (ROA) (2005-2014)

Year	Return on Assets (ROA) (Percent)	
	Benchmark	Best in Class OPBs
2005	1.52	TMB (Tamilnadu Mercantile Bank)
2006	1.67	TMB (Tamilnadu Mercantile Bank)
2007	1.57	TMB (Tamilnadu Mercantile Bank) & CUB (City Union Bank)
2008	1.63	KVB (Karur Vysya Bank)
2009	1.96	RKB (Ratnakar Bank)
2010	1.76	KVB (Karur Vysya Bank)
2011	1.74	TMB (Tamilnadu Mercantile Bank)
2012	1.75	TMB (Tamilnadu Mercantile Bank) & NTB (Nainital Bank)
2013	2.00	TMB (Tamilnadu Mercantile Bank)
2014	1.74	JKB (Jammu & Kashmir Bank)

Source: Compiled from RBI data, Statistical Tables relating to Banks in India.

TABLE III Performance of OPBs in respect HR Productivity (2005-2014)

Year	Profit per Employee (Lakhs)	
	Benchmark	Best in Class OPBs
2005	0.38	KVB (Karur Vysya Bank)
2006	0.47	KVB (Karur Vysya Bank)
2007	0.49	KVB (Karur Vysya Bank)
2008	0.58	KVB (Karur Vysya Bank)
2009	0.69	FB (Federal Bank)
2010	0.81	KVB (Karur Vysya Bank) & SIB (South Indian Bank)
2011	0.99	TMB (Tamilnadu Mercantile Bank)
2012	1.10	TMB (Tamilnadu Mercantile Bank)
2013	1.39	TMB (Tamilnadu Mercantile Bank)
2014	0.90	NTB (Nainital Bank)

Source: Compiled from RBI data, Statistical Tables relating to Banks in India.

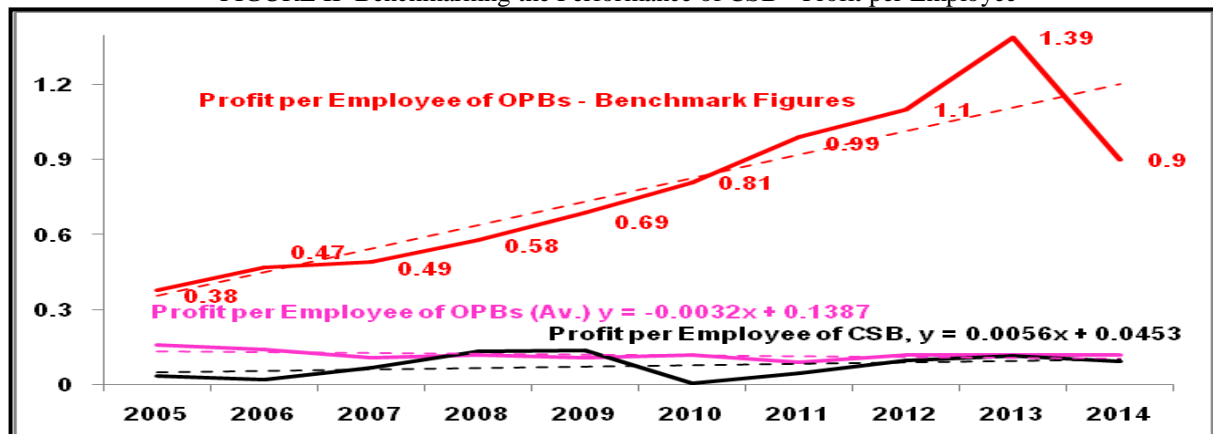
From Table III, it is noted that in respect of Profit per Employee, Karur Vysya Bank (KVB) could attain the ‘Best in Class’ position five times, in 2005, 2006, 2007, 2008, and 2010. Tamilnadu Mercantile Bank (TMB) could attain the best position thrice, in 2011, 2012 and 2013. Federal Bank (FB) and Nainital Bank (NTB) could attain this position once each, in 2009 and 2014. South Indian Bank (SIB) shared this position with KVB in 2010. (Table III).

VIII. RELATIVE PERFORMANCE OF INDIVIDUAL KOPBS AND BENCHMARKING THEIR PERFORMANCE

Overall, it may be noted that TMB could attain ‘Best in Class’ position in respect of both the parameters ROA and Profit per employee in three years out of the total 10 years under study viz. 2011, 2012, and 2013. Then comes Karura Vysya Bank (KVB) which could attain ‘Best in Class’ position in 2008 and also in 2010 (jointly with SIB, in respect of Profit per Employee). Undisputedly, TMB comes first and then comes KVB, in respect of overall performance. Among the Kerala-based OPBs (KOPBs) only two KOPBs viz. Federal Bank (FB) and South Indian Bank (SIB) appear among the ‘Best in Class’ performers in respect of the parameter, Profit per Employee. While FB was best in respect of Profit per Employee in 2009, SIB could share that position in 2010 with KVB. It is noted that none of the KOPBs appear among the ‘Best in Class’ OPBs in respect of the parameter ROA, over the 10 years’ period.

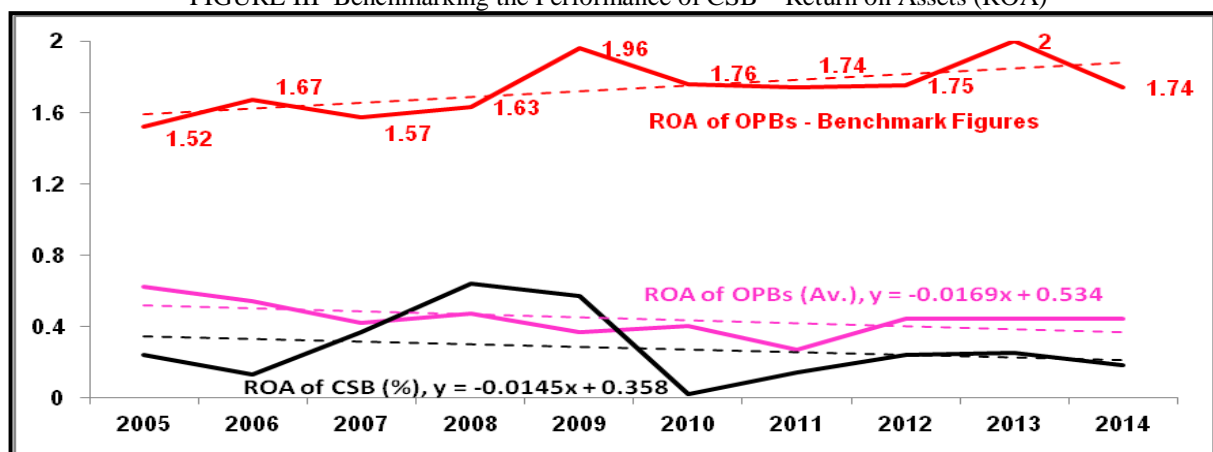
The relative performance of CSB in respect of Profit per Employee vis-à-vis the average for all OPBs in India as well as the Benchmarks (‘Best in Class’ among all OPBs) is attempted here. As shown in Figure II, it is noted that CSB is below average in respect of Profit per Employee compared to OPBs in India, in general. However, while the average performance of OPBs is slowly declining over the years (negative slope, -0.0032) that of CSB is gradually improving at a faster pace (positive slope, +0.0056); thus enabling a convergence of the performance of CSBs with the average of OPBs by the later years (2012 onwards). Needless to mention, the performance of CSB is nowhere near the industry benchmarks. (Figure II).

FIGURE II Benchmarking the Performance of CSB - Profit per Employee



Source: Based on RBI data (2005-2014), Statistical Tables relating to Banks in India.

FIGURE III Benchmarking the Performance of CSB – Return on Assets (ROA)



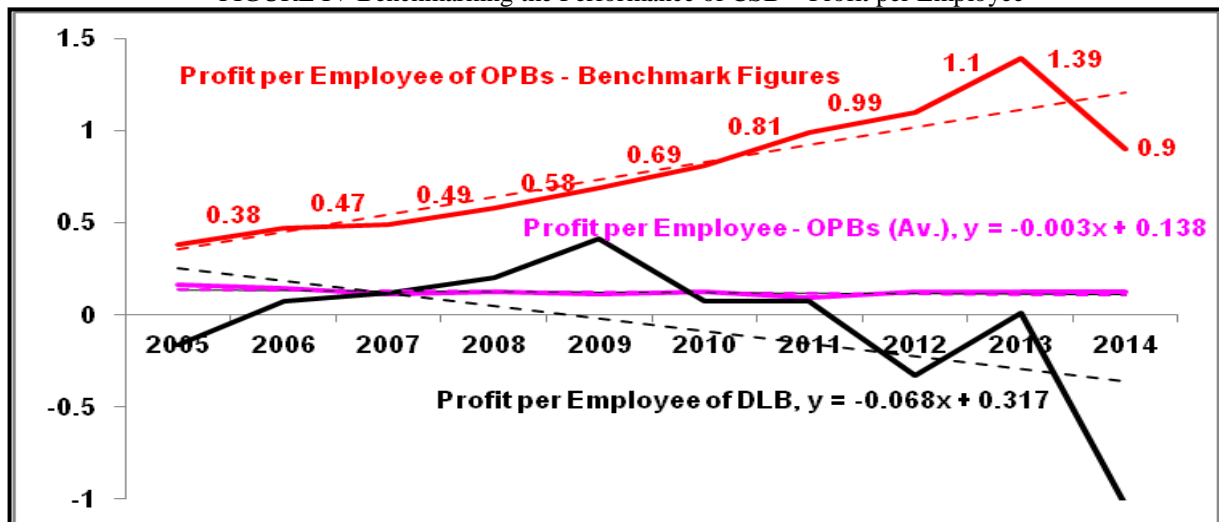
Source: Based on RBI data (2005-2014), Statistical Tables relating to Banks in India.

The performance of CSB in respect of Return on Assets (ROA) vis-à-vis the average for all OPBs in India and the Benchmarks (‘Best in Class’ among OPBs) is considered. As shown in Figure III, it is noted that CSB is below average in respect of ROA compared to OPBs in India, in general. The average performance of OPBs is slowly declining over the years (negative slope, -0.0169) while that of CSB is also slowly declining though at a slightly slower pace (negative slope, -0.0145).

In general, performance of CSB lags behind the industry average by 0.18 to 0.2 percent. CSB is nowhere near the industry benchmarks and the large gap is widening. (Figure III).

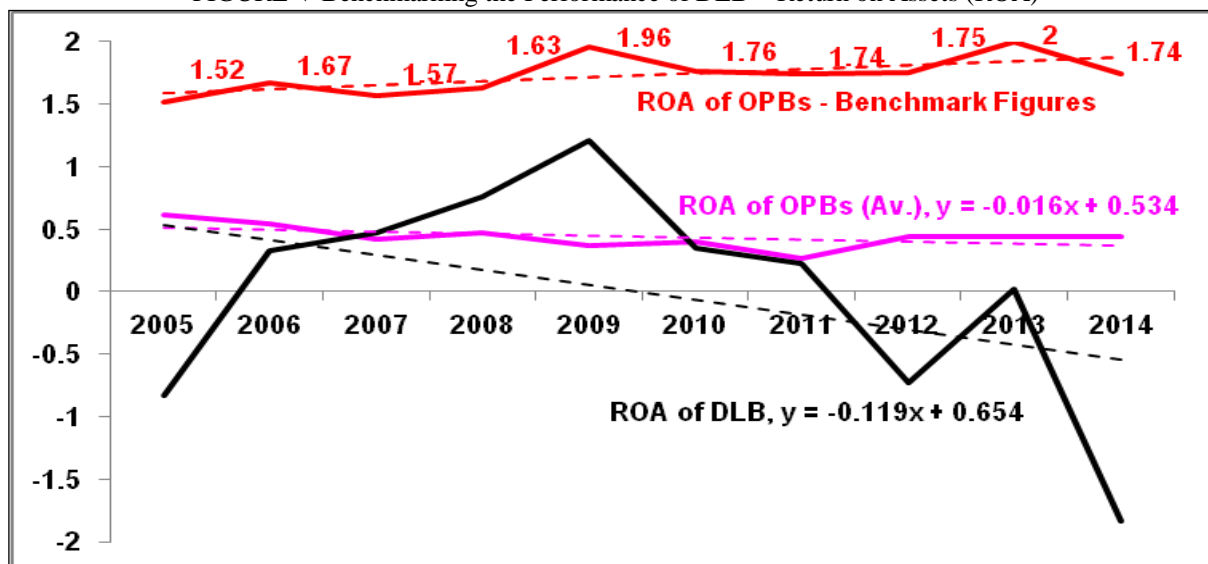
The relative performance of DLB in respect of Profit per Employee vis-à-vis the average for all OPBs in India as well as the Benchmarks ('Best in Class' among OPBs) is attempted here. As shown in Figure IV, in respect of Profit per Employee it is noted that DLB is very much below the average scores compared to OPBs in India, in general. Moreover, while the average performance of OPBs is slowly declining over the years (negative slope, -0.0032) that of DLP is fast declining at much faster pace (negative slope, -0.068); thus making a fast widening gap between the performance of DLB vis-à-vis the OPBs as a whole. Needless to mention, the performance of DLB is nowhere near the industry benchmarks. Moreover, there is a very large and fast widening gap in DLB's performance vis-à-vis benchmarks and industry averages. (Figure IV).

FIGURE IV Benchmarking the Performance of CSB – Profit per Employee



Source: Based on RBI data (2005-2014), Statistical Tables relating to Banks in India.

FIGURE V Benchmarking the Performance of DLB – Return on Assets (ROA)

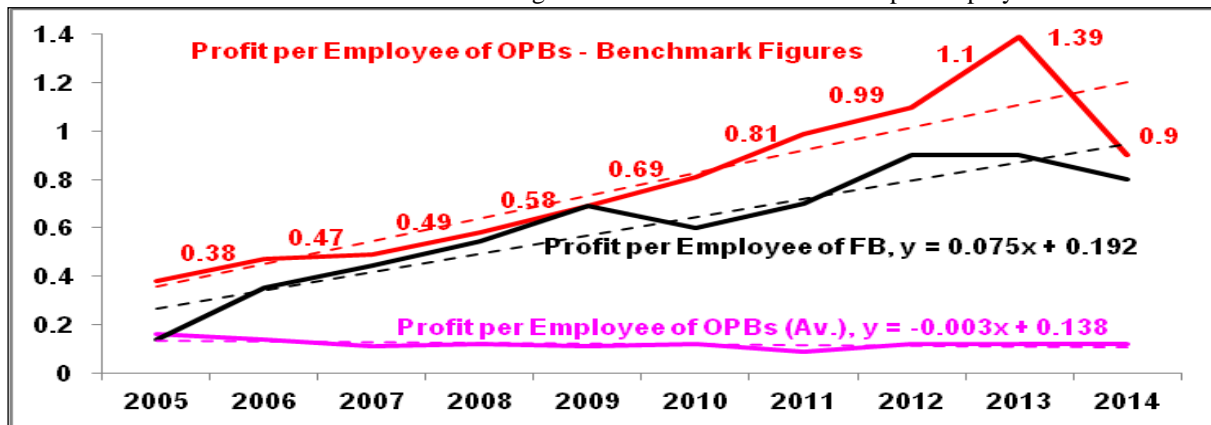


Source: Based on RBI data (2005-2014), Statistical Tables relating to Banks in India.

The relative performance of DLB in respect of ROA vis-à-vis the average for all OPBs in India as well as the Benchmarks ('Best in Class' among OPBs) may be considered now. As shown in Figure V, in respect of ROA it is noted that DLB is very much below the average scores compared to OPBs in India, in general. Moreover, while the average performance of OPBs is slowly declining over the years (negative slope, -0.016) that of DLB is fast declining at much faster pace (negative slope, -0.119); thus making a fast widening gap between the performance of DLB vis-à-vis the OPBs as a whole. Needless to mention, the performance of DLB is nowhere near the industry benchmarks. Moreover, there is a very large and fast widening gap in DLB's performance vis-à-vis benchmarks and industry averages. (Figure V).

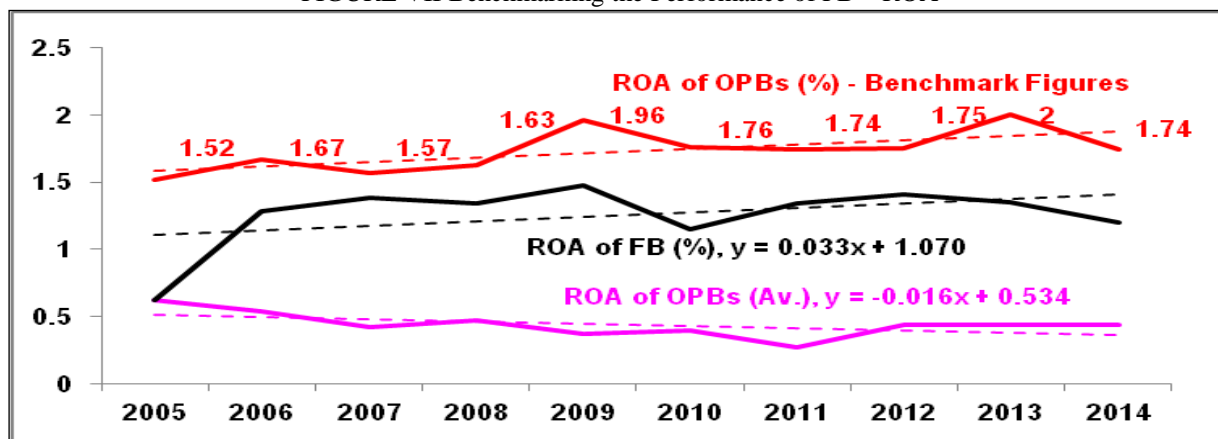
The relative performance of FB in respect of Profit per Employee vis-à-vis the average for all OPBs in India as well as the Benchmarks ('Best in Class' among OPBs) is considered now. As shown in Figure VI, in respect of Profit per Employee it is noted that FB is very much above the average scores in respect of OPBs in India, in general. Moreover, while the average performance of OPBs is slowly declining over the years (negative slope, -0.003) that of FB is fast improving at a much faster pace (positive slope, +0.075); thus making a fast widening gap between the performance of FB vis-à-vis the OPBs as a whole. Furthermore, the performance of FB is comparable with the industry benchmarks and in 2009 FB itself is the benchmark. Thus, the performance of FB is quite superior and is at par with the 'Best in Class' of OPBs. (Figure VI).

FIGURE VI Benchmarking the Performance of FB – Profit per Employee



Source: Based on RBI data (2005-2014), Statistical Tables relating to Banks in India.

FIGURE VII Benchmarking the Performance of FB – ROA

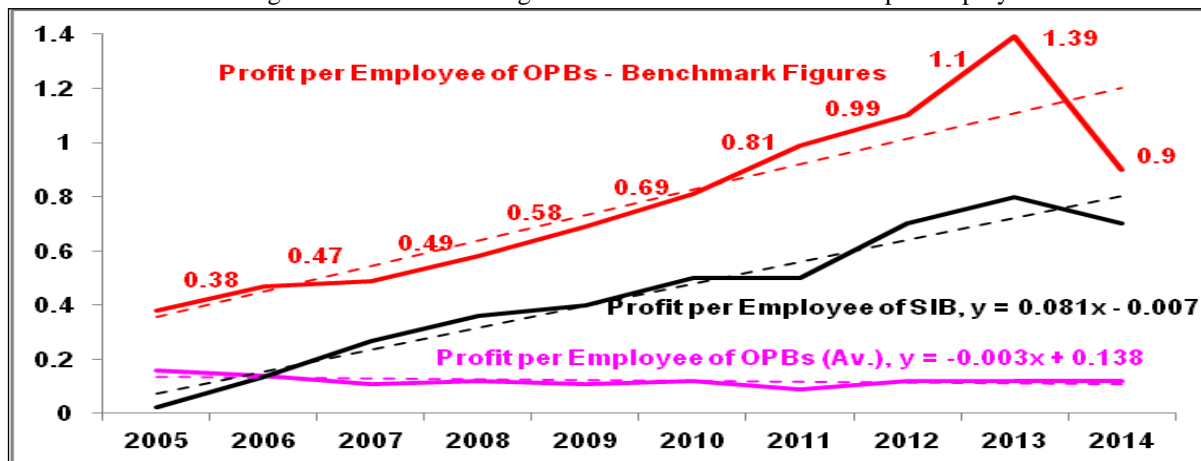


Source: Based on RBI data (2005-2014), Statistical Tables relating to Banks in India.

The performance of FB in respect of ROA vis-à-vis the average for all OPBs in India as well as the Benchmarks ('Best in Class' among OPBs) is analysed here. As shown in Figure VII, in respect of ROA it is noted that FB is very much above the average scores in respect of all OPBs in India, in general. While the average performance of OPBs is slowly declining over the years (negative slope, -0.016) that of FB is improving fast (positive slope, +0.033); thus making a widening gap between the performance of FB vis-à-vis the OPBs as a whole. The performance of FB is lower than the industry benchmarks always, but somewhat comparable. (Figure VII).

The relative performance of SIB in respect of Profit per Employee vis-à-vis the average for all OPBs in India as well as the Benchmarks ('Best in Class' among OPBs) is analyzed here. As shown in Figure VIII, in respect of Profit per Employee it is noted that SIB is quite above the average scores in respect of OPBs in India, in general. Moreover, while the average performance of OPBs is slowly declining over the years (negative slope, -0.003) that of SIB is fast improving at a much faster pace (positive slope, +0.081); thus making a fast widening gap between the performance of SIB vis-à-vis the OPBs as a whole. Furthermore, the performance of SIB is comparable with the industry benchmarks. (Figure VIII).

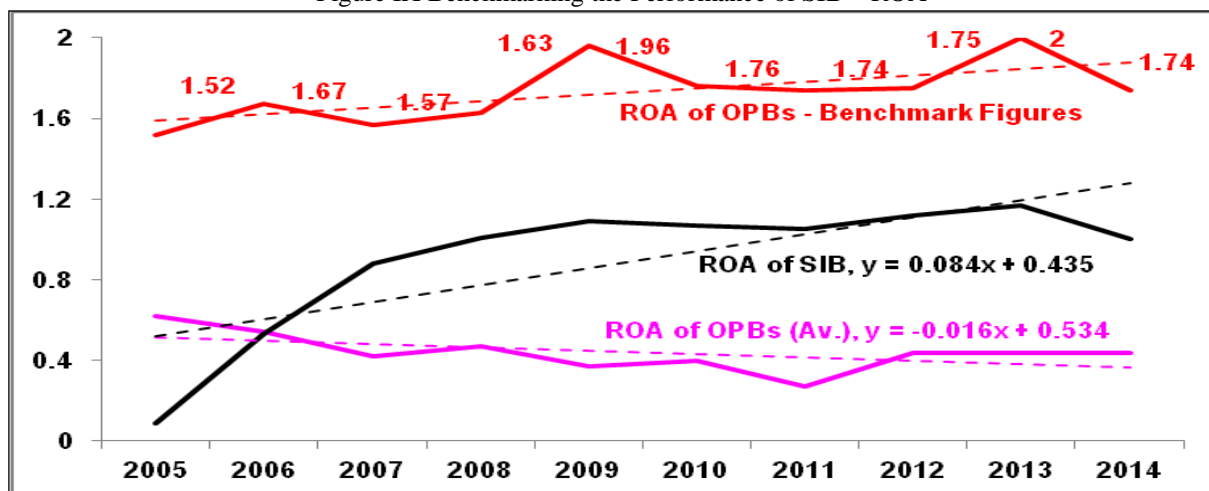
Figure VIII Benchmarking the Performance of SIB – Profit per Employee



Source: Based on RBI data (2005-2014), Statistical Tables relating to Banks in India.

The performance of SIB in respect of ROA vis-à-vis the average for all OPBs and industry Benchmarks (‘Best in Class’) is analysed here. As shown in Figure VIII, in respect of ROA SIB is quite above the average scores of OPBs, in general. While the average performance of OPBs is slowly declining over the years (negative slope, -0.016) that of SIB is improving fast (positive slope, +0.084); thus making a widening gap between the performance of SIB vis-à-vis the OPBs as a whole. The performance of SIB is lower than the industry benchmarks always, but there is a growing convergence over the years. (Figure IX).

Figure IX Benchmarking the Performance of SIB – ROA

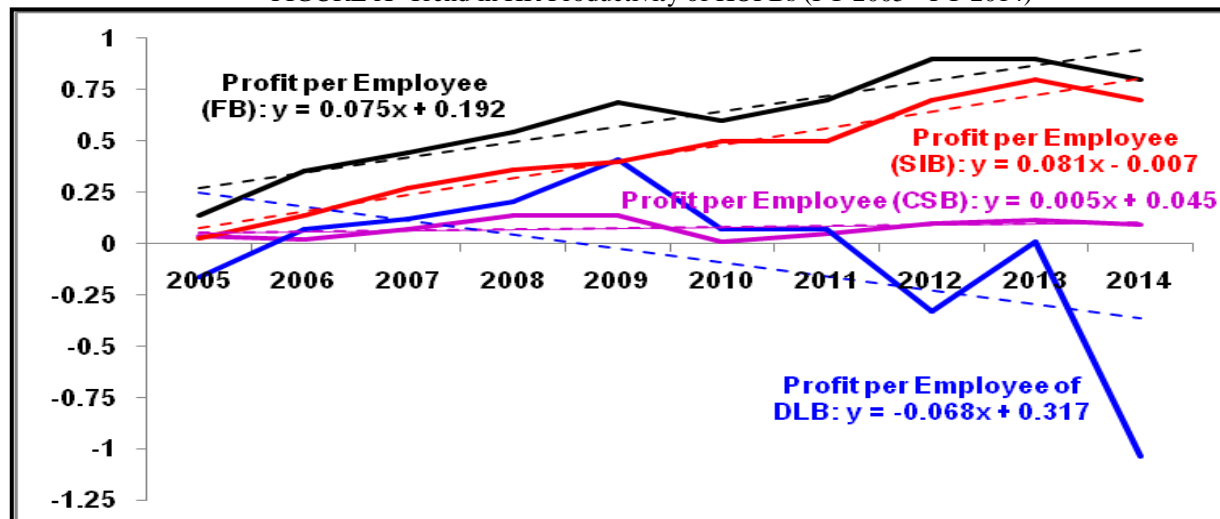


Source: Based on RBI data (2005-2014), Statistical Tables relating to Banks in India.

IX. TESTING AND HYPOTHESIS

Testing of Hypothesis – I: It is hypothesized that there is an increasing trend in HR productivity in respect of KOPBs. This hypothesis is sought to be tested here. From Figure X, it is noted that there is a clearly increasing trend (positive slope of the trend lines) in respect of all KOPBs except DLB. So, the first hypothesis is accepted, with the exception of DLB.

FIGURE X Trend in HR Productivity of KOPBs (FY 2005 - FY 2014)



Source: Based on RBI data (2005-2014), *Statistical Tables relating to Banks in India*.

Testing of Hypothesis – II: It is hypothesized that there is a positive association between HR Productivity and ROA of KOPBs; HR Productivity being measured in terms of Profit per Employee and Financial performance in terms of ROA. (Table IV).

Table IV Relation between Profit per Employee and ROA of KOPBs (2005-2014)

CSB		DLB		FB		SIB	
Profit per Employee	ROA	Profit per Employee	ROA	Profit per Employee	ROA	Profit per Employee	ROA
0.037	0.24	-0.165	-0.83	0.139	0.62	0.024	0.09
0.022	0.13	0.072	0.33	0.354	1.28	0.137	0.53
0.068	0.37	0.118	0.47	0.443	1.38	0.269	0.88
0.134	0.64	0.202	0.76	0.543	1.34	0.359	1.01
0.139	0.57	0.41	1.21	0.69	1.48	0.4	1.09
0.006	0.02	0.071	0.35	0.601	1.15	0.5	1.07
0.045	0.14	0.071	0.23	0.7	1.34	0.5	1.05
0.097	0.24	-0.333	-0.73	0.9	1.41	0.7	1.12
0.116	0.25	0.01	0.02	0.9	1.35	0.8	1.17
0.094	0.18	-1.037	-1.84	0.8	1.2	0.7	1
Correlation Co-efficient = 0.80		Correlation Co-efficient = 0.96		Correlation Co-efficient = 0.66		Correlation Co-efficient = 0.83	
Co-efficient of Detmn. = 0.64		Co-efficient of Detmn. = 0.92		Co-efficient of Detmn. = 0.44		Co-efficient of Detmn. = 0.69	

Source: Based on RBI data (2005-2014), *Statistical Tables relating to Banks in India*.

From Table IV, it may be noted that there is a strong correlation between HR Productivity (in terms of Profit per Employee) and Financial Performance (in terms of ROA) with respect to all KOPBs. The highest correlation is in respect of DLB (96 per cent) followed by SIB (83 per cent), CSB (80 per cent) and lastly FB (66 per cent). The corresponding Co-efficient of Determination values (percentage of variation in dependent variable that is explained by the respective independent variable) are 92 per cent (DLB), 69 per cent (SIB), 64 per cent (CSB) and FB 44 per cent. (Table IV). In short, HR productivity (like, profit per employee) is a significant determinant of financial performance of KOPBs. Hence the second hypothesis is also accepted.

X. ISSUE AND CHALLENGES OF HRM IN KOPBs: FINDING FROM THE INTERVIEW WITH PRINCIPLE OFFICERS

- (i) Retention of the young and talented workforce: The fresh recruits are often quite talented and techno-savvy, and have superior interactional skills, customer service orientation. At the managerial level, most of them have professional qualifications like MBA, MCA etc. But, retention of such people is often difficult, as they frequently hope jobs and the competitors often lure them to their organizations.
- (ii) Training requirements of the relatively older staff are on the higher side, as they need to be made more technologically-adaptive and customer-focused. Such staff often lack the initiative and drive to garner business, unlike the fresh recruits because they are already used to the prevailing systems and procedures. Training costs are on the rise. Training expenses on fresh recruits are often wasted as they frequently switch jobs and go to other organizations.

- (iii) Growing salary bills on the one hand and thinning margins on the other hand in view of cut-throat competition in the industry result in HR managers under pressure to optimize HR costs on payrolls, training & development etc.
- (iv) Lack of an organization-wide performance culture makes performance appraisal difficult. The orientation of the employees towards enhanced business and productivity needs to be developed, as in the case of foreign banks and the high-tech new generation private sector banks.
- (v) Exodus of skilled experienced employees to new generation private sector banks and foreign banks, because of the higher pay packets and better perquisites offered by them coupled with higher-end technological platforms.
- (vi) Large banks, particularly the public sector banks (PSBs) are often preferred by the old generation because of their wider network of branches. Employees lack the customer relation skills to attract and retain such traditional customers.

XI. SUGGESTIONS FOR BETTER PERFORMANCE OF KOPBS BASED ON THE FINDINGS OF THE STUDY

- Focus on ongoing training and development of employees, so as to make them abreast of the changes particularly in the technology front.
- Special focus on skill development of employees, that is towards making them capable of providing enhanced customer service.
- Inculcating an organization-wide performance culture and making all people accountable for maintaining and improving productivity on an ongoing basis.
- The very orientation of the employees towards enhanced business and productivity needs to be developed, as in the case of foreign banks and the high-tech new generation private sector banks.
- Added investment in the ICT (Information and Communication Technology), including providing skill development of employees at all levels in the effective use of ICT.
- Widespread use of ICT-based delivery channels, customer service etc. for attaining the twin purpose of (i) enhanced customer service, and (ii) reduced operational expenses. Both these outcomes of ICT would support enhanced financial performance and operational efficiency of banks.

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ANNEXURES

ANNEXURE – I

Concepts of Reforms Era, Old Private Sector Banks (OPBs) and Kerala based OPBs (KOPBs)

- (1) Reforms era: This refers to the ongoing era of financial sector deregulation in India that has commenced in 1991, wherein there has been far reaching changes in the financial sector.
- (2) Old Private sector Banks (OPBs): These are private sector banks which have been operating in India even before the commencement of the financial sector reforms in 1991. Their technological base, mandatory social obligations (like, priority sector lending) etc. are similar to that of public sector banks (ie. Government owned) in India. There were 15 OPBs in India till recently. These are: Catholic Syrian Bank (CSB), Dhanalakshmi Bank (DB), Federal Bank (FB), South Indian Bank (SIB), Bank of Rajasthan (BOR), City Union Bank (CUB), Jammu & Kashmir Bank (JKB), Karnataka Bank (KKB), Karur Vysya Bank (KVB), Lakshmi Vilas Bank (LVB), Nainital Bank (NTB), Ratnakar Bank (RKB), SBI Commercial & International Bank (SBC), Tamilnadu Mercantile Bank (TMB) and ING Vysya Bank (IVB). Of these 15 OPBs, two OPBs viz. BOR and SBC have succumbed to competitive pressures. Only 13 OPBs are existing at present and these 13 OPBs which have been functioning throughout the 10-years' study period (FY 2005 to 2014) are considered for the purpose of this study (2016); as was the case with the 2014 study by the present author viz. Manoj P K (2014) [12]. Kerala based OPBs are the OPBs having registration in the Kerala state of Indian union. There are four KOPBs now. (See Annexure II).

ANNEXURE – II

List of Old Private Sector Banks (OPBs) in India (as of March 2014)

Sl.No	Name of the Bank	Abbreviation	Remarks
01.	Catholic Syrian Bank	CSB	A Kerala-based OPB (KOPB) registered in the year 1918
02.	Dhanalakshmi Bank	DB	A Kerala-based OPB (KOPB) registered in the year 1927
03.	South Indian Bank	SIB	A Kerala-based OPB (KOPB) registered in the year 1929
04.	Federal Bank	FB	A Kerala-based OPB (KOPB) registered in the year 1931
05.	City Union Bank	CUB	One of the best performing OPBs based in Tamil Nadu (1904)
06.	Jammu & Kashmir Bank	JKB	A Jammu & Kashmir-based OPB was founded in Kashmir in 1938
07.	Karnataka Bank	KKB	A Karnataka-based OPB (Mangalore) founded in the year 1924
08.	Karur Vysya Bank	KVB	A Tamil Nadu-based OPB; one of the best performing OPBs (1969)
09.	Lakshmi Vilas Bank	LVB	A Tamil Nadu-based OPB founded at Karur in the year 1926.
10.	Nainital Bank	NTB	A Uttarakhand-based OPB (1954)–Subsidiary of BOB since 1975
11.	Ratnakar Bank	RKB	A Maharashtra-based (Kolhapur) OPB started in the year 1943.
12.	Tamilnadu Mercantile Bank	TMB	A Tamil Nadu-based OPB; one of the best performing OPBs (1921)
13.	ING-Vysya Bank	IVB	An OPB formed with the acquisition of Vysya Bank by ING (2002)
14.	Bank of Rajasthan Ltd.	BOR	Not in existence since Aug. 2010. See Annexure III.
15.	SBI Comm. and Int. Bank Ltd	SBC	Not in existence since July 2011. See Annexure III.

Source: Compiled by the Author

ANNEXURE – III

Two Old Private Sector Banks (OPBs) in India which vanished in the recent past.

Sl.No	Name of the Bank	Abbreviation	Remarks
01.	Bank of Rajasthan Ltd.	BOR [#]	A Rajasthan-based OPB was acquired by ICICI Bank as per a scheme of amalgamation between BOR and ICICI approved by the RBI dated 12 August 2010. This amalgamation was with effect from 12.08.2010.
02.	SBI Commercial and International Bank Ltd.	SBC [#]	SBC was a subsidiary of SBI. Its merger with its own parent (SBI) was approved by the Government 21.07.2011. The reason was that “the existing business model of SBC and returns generated by it does not justify capital infusion”. (The capital of SBC was Rs.100 Crore, when the minimum required as per the RBI guidelines was Rs.300 Crore).

Source: Compiled by the Author

Note:[#] Both these two OPBs were included in the earlier research study by the present author (Manoj P K, 2010) [9]. As both these OPBs have succumbed to competitive pressures in due course, as noted in Annexure III, they are no more in existence. So the total number of OPBs in the 2014 study and the present study (2016) is 13 as against 15 in the 2010 study.

AUTHOR(S) PROFILE



Dr. Manoj P K, received his M.B.A and M.Tech degrees from Cochin University of Science and Technology (CUSAT), Kerala. He has additional P.G degrees of M.Com and M.A (Economics) from IGNOU. He qualified his CAIIB Examination from IIBF, Mumbai in First Class with Distinction. He has Ph.D degree in Management from YCMOU, Maharashtra; Ph.D degree in Economics from M.G University, Kerala; and D.Litt degree in Economics from North Orissa University, Odisha. Dr. Manoj P K has passed UGC-NET in Management, Commerce, Economics and HRM disciplines and GATE in Production and Industrial Engineering. He has about 8 years' experience as Bank Officer (Canara Bank Home Finance) and Bank Manager (Oriental Bank of Commerce, Regional Office, Mumbai). He is in CUSAT service as a Faculty Member (Finance / Econometrics) since 2004. He has got over 100 research publications (of which over 30 are in SCI Journals) and has more than 200 Citations by others. At present, his RG-Score is over 25 with Impact points of over 47. He has completed three Major Research Projects in Management, two sponsored by the ICSSR and one by the UGC; all these being in the area of banking & finance (housing finance, residential real estate etc.) He is a recipient of many honours and awards, including the K.N Raj National Research Fellowship for Teachers in 2013.