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Changing Dimensions of Productivity: A Comparative Analysis of Selected Private And Public Sector Banks

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Abstract

Indian Banking Sector has undergone significant transformation since the second phase of economic reforms, i.e., post liberalization era. The recommendations of the Narasimham Committee provide the blueprint of the reforms. The reforms measures were not only aimed at liberalizing the regulatory framework but also keeping them in tune with international standards. The importance of productivity has assumed a critical significance in the changing scenario of banking industry. Productivity is defined as output per unit of input employed for a specific production system. It denotes the efficiency with which the output is produced by the resources utilized. The present paper intends to analyze productivity of two major players of public and private sector banks, i.e., State Bank of India and ICICI, during the second reform phase from 2007-08 to 2011-12. In order to analyse the productivity parameters of branch productivity and employee productivity have been taken up for study. It has been observed that the public sector banks face tough competition from the private sector banks. So the paper focuses on the factors affecting the Employee productivity and Branch productivity of major players of public and private sector banks with reference to Net Profit per Branch, Total Income per Branch, Total Expenditure per Branch, Business per Employee, Spread per Employee and Profit per Employee. The study has revealed that the ICICI is higher than the SBI in both the parameters of Employee Productivity and Branch Productivity. It is only the Spread per Employee where the SBI is found slightly higher than the ICICI. But as the ICICI has higher total expenditure per branch than the SBI, it leads to lower profit for the ICICI. The paper concludes with certain suggestions to improve the productivity of banks.

Keywords: *Productivity, Commercial Banks, Second Reform Phase, Herfindahl's Index of Concentration, Co-efficient of Variation.*

INTRODUCTION

In the Indian context, banking is a mirror of economic growth of the country. To restructure the banking industry the greater need was felt with the initiation of real sector reforms process in 1992. The main aim of these reforms was to induce the financial discipline into the operational system of the banks. The reforms measures were not only aimed at liberalizing the regulatory framework but also at keeping them in tune with international standards. Banking sector reforms are a continuous process and fixed reforms agenda does not help in today's fast changing economic scenario. Prior to the economic reforms, the financial sector of India was on cross roads. To improve the performance of Indian Commercial banks, the first phase of banking sector reforms was introduced in 1991 and after its success, government gave much importance to the second phase of reforms in 1998. The foundation for banking sector reforms was laid down by M. Narasimham Committee with focus on operational flexibility and functional autonomy to enhance the efficiency, productivity and profitability of the financial services system. Productivity is the vital indicator of economic performance of an economy. In simple words, productivity is the output per unit of input employed.

The Indian banking sector has recorded an impressive improvement in productivity over the last 15 years. According to Economic Survey 2011-12, Indian Banking System has successfully passed through various phases of reforms and has also faced the stress tests posed by the global financial turmoil in the recent past. This suggests that the Indian financial system has become even stronger. However, it will be challenging for banks to raise additional capital and liquidity to support higher growth and to comply with Basel III stipulations. The challenge to converge with the International Financial reporting System would require upgrading infrastructure including IT and human resources. Monetary authorities are concerned about the problem of rising costs and their impact on productivity and efficiency. Thus banks have to become more conscious for their productivity. It becomes a vital area of concern for management of banks. Therefore, in the present paper an attempt has been made to determine branch and employee productivity of ICICI and SBI.

REVIEW OF LITERATURE

Various studies relating to productivity have been conducted in India. In some studies banks productivity was measured by a number of financial indicators and compared over categories of banks. Some of the important studies are reviewed here.

Bhattacharya et. al (1997) examine the productive efficiency of 70 Indian Commercial Banks during the early stages (1986-1991) of the ongoing period of liberalization. They use Data Envelopment Analysis to calculate radial technical efficiency score. Stochastic Frontier Analysis is used to attribute variation in the calculated efficiency scores. Paper reveal that publicly owned Indian Banks are more efficient followed by Foreign-owned Banks and privately owned Indian Banks.

Kumbhakar and Kapoor (2003) studie the relationship between deregulation and total factor productivity (TFP) growth in the Indian banking industry using a generalized shadow cost function approach. Data contain 27 PSB and 23 Private Sector Banks over 1985–96 that covers both pre- and post-deregulation periods. The Study reveals that private sector banks have improved their performance mainly due to the freedom to expand output, but the public sector banks have not responded well to the deregulation measures.

Ram Mohan and Ray (2004) attempt to examine comparison between PSBs and their private sector counterparts based on measures of productivity. They employ two measures of productivity: Tornqvist and Malmquist total factor productivity growth. They attempt these comparisons over the period 1992-2000, comparing PSBs with both domestic private and foreign banks. The Study reveals that PSBs are seen to be at a disadvantage only in one out of six comparisons.

Reddy (2005) analysed changes in bank productivity growth through employing the Malmquist Total Factor Productivity (TFP) Index. Data used in the study contain 27 public sector banks, 21 old private banks, 6 new private banks and 26 foreign banks totaling 80 banks for the period 1996 to 2002. Overall TFP of banks was almost stagnant during the period. The highest TFP has been observed among public sector banks, followed by old private banks, while both new private banks and foreign banks recorded decline in TFP growth.

Sathye (2005) examines the effect of bank privatization on bank performance and efficiency. For this data published by IBA for five years i.e. 1998-2002 are analysed using the difference of means test. He used Synchronic Approach and compared India's gradual privatization strategy with that of other countries like Poland, Mexico and Mozambique. The result reveals that partially privatized banks performed better than fully public sector banks.

Arora and Verma (2007) studied the relative efficiency of public sector banks from 1991-92 to 2003-04 using the Average Compound Growth Rate (ACGR) method. Operational and productivity parameters are a major concern of public sector banks in India. According to them if public sector banks want to improve their position further they need to greatly improve efficiency through introduction of computer. The Study reveals that Corporation Bank ranks higher in operational and productivity parameters and results in higher efficiency.

Batra and Kapoor (2007) investigate that the impact of technology and cut throat competition from private and foreign banks is paving the way for public sector banks. All the twenty eight public sector banks operating in India have been considered for the productivity analysis. The analysis of employee productivity indicates that Oriental Bank of Commerce has performed well by becoming the top ranker. In terms of branch productivity SBI and Corporation bank are the top rankers. SBI is at top in terms of financial productivity.

Rao (2007) examines the impact of reform measures on the efficiency, profitability and overall performance of banks vis-à-vis bank groups in public and private sector during the period 1992-93 to 2002-03. Study reveals that private sector banks are much ahead of public sector banks in efficiency and in all profitability indices except Net Interest Margin. The analysis also reveals that New Private Sector Banks are better than Old Private Banks and even various groups of Public Sector Banks in Performance.

Zhao et al. (2009) examine the impact of regulatory reform on TFP growth and its sources and on the relationship between ownership and cost efficiency for Indian banks in 1992-2004. The methodology consists of the joint use of parametric and non-parametric techniques to estimate efficiency frontiers. Both approaches show that the Indian banking industry, after an initial adjustment phase, experienced sustained productivity growth driven mainly by technological progress. Results also indicate a changing relationship between cost efficiency and ownership structure along with the reform processes, and decreasing mean cost efficiency at the aggregate industry level.

Bhandari (2010) considered overall (Malmquist) total factor productivity improvement achieved by 68 Indian commercial banks from 1998-99 to 2006-07 by using Data Envelopment Analysis (DEA) methodology. Results suggest that public-sector banks are, on an average, adjusting them to the changing environment better and improving their performance relative to their counterparts under private and foreign ownership. To be specific, the government should approach liberalizing the banking sector more cautiously and should not blindly invite more foreign players to it.

Dangwal and Kapoor (2010) evaluate the financial performance of the nationalised banks in India, with the basic objective of examining the growth index values of various parameters through overall profitability indices. The data for 19 nationalised banks for the post-Reforms period of 2002-2003 to 2006-2007 was taken into account for calculating the indices of spread ratios, burden ratios, and profitability ratios. The result reveals that while four banks have shown the 'excellent performance' level, five banks have achieved 'good performance' level, four banks have shown 'fair performance' level, and six banks have obtained the 'poor performance' level.

Dangwal et al. (2011) studied the changes in the Total Factor Productivity (TFP) of 19 Nationalised banks for the post-reform period 2003-2008. TFP indices are estimated using Malmquist productivity index approach through Data Envelopment Analysis. The result reveals that, on an average, the TFP growth is more due to technological change than efficiency change. The analysis reveals that the Nationalised banks have experienced efficiency change as well as technical change.

Rajan and Reddy (2011) attempt to examine technical efficiency and productivity performance of Indian Scheduled Commercial banks, for the period 1979-2008 using the asset approach, under which bank output is measured as quantum of bank revenue (loans and investments). Technical efficiency measure has been examined, using semi parametric PSS efficient estimates. The Study reveals that the PSB are more efficient compared to domestic private banks and foreign banks.

Dangwal and Kapoor (2012) assessed the profitability of four major banks in India, namely, PNB, SBI, ICICI and Federal bank during the post-reforms period from 2004 to 2009. The paper seeks to examine the factors affecting the profitability of these banks with the help of correlation co-efficient matrix and univariate regression analysis. The study has revealed that while the average profitability was highest in the case of ICICI Bank, it was lowest in Federal Bank. On the basis of empirical result the paper suggests the measures to be taken to curtail the burden and to augment the fund-based activities to increase the level of spread.

Yadagiri and Srinivas (2012) analysed the financial performance of Indian Public Sector Banks with reference to Deposits, Advances, Business Per Employee, Profit Per Employee, Return on Assets and Capital adequacy Ratio etc. The Study includes 28 public sector banks operating in India. On the basis of results, the paper suggest that performance of public sector banks can be enhanced by introducing good governance through articulating corporate values, code of conduct etc.

The above review of literature indicates that no study has been conducted with reference to major players of public and private sector banks i.e. SBI and ICICI on productivity aspect after Second Phase of Economic Reforms in India. However, there are studies related to productivity aspect before 2007-08 so there is a need to conduct a systematic research for the period 2007-08 to 2011-2012 to fill the gap. The previous studies have been reviewed critically to identify the gaps that existed in the literature in this area. Hence the proposed study has been selected for the research purpose.

OBJECTIVES OF THE STUDY

The main objectives of the study are as follows:

- To evaluate the Branch Productivity of State Bank of India and ICICI during the Second Phase of Reforms in India, i.e., 2007-08 to 2011-12.

- To examine the Employee Productivity of State Bank of India and ICICI during the period selected for study.
- To investigate the factors affecting the Branch Productivity and Employee Productivity of both the banks.

RESEARCH METHODOLOGY

Sample Size

The major players of public and private sector banks, i.e., State Bank of India and ICICI have been taken up for the study purpose during the period from 2007-08 to 2011-12.

Data Collection

The study is based on the secondary data. The data are collected through Report on Trend and Progress of Banking in India, Statistical Tables relating to Banks in India, Annual Reports of SBI and ICICI and Reserve Bank of India Annual Reports.

Tools of Analysis

To evaluate the Branch and Employee Productivity, Mean, Standard Deviation, Co-efficient of Variation, Growth Rate and Herfindahl's Index of Concentration were applied. To analyze Branch Productivity the following three parameters have been selected :

1. Net Profit per Branch
2. Total Income per Branch
3. Total Expenditure per Branch

In order to analyze Employee Productivity the following three parameters have been taken up for study:

1. Business per Employee
2. Spread per Employee
3. Profit per Employee

DATA ANALYSIS AND FINDINGS

Branch Productivity of SBI and ICICI

Net Profit per Branch over the Years

Net profit is a measure of the profitability of a venture after accounting for all costs. In accounting, net profit is equal to the gross profit minus overheads minus interest payable for a given time period (usually: accounting period). Table 1 shows that the Net Profit per Branch in terms of average was high in the ICICI bank (253.74 lakhs) as compared to the State Bank of India (71.89 lakhs). Moreover, the variation in ICICI, i.e., 18.72% is more than the SBI, i.e., 12.60%. The growth rate of SBI in 2011-12 is 25.2% and the growth rate of ICICI has declined, i.e., -28.7% in 2011-12. As shown in Table 2, concentration index has moved from 0.72325 to 0.61631. The maximum share to overall index is made by ICICI in 2007-08 and 2011-12, i.e., 96.20% and 89.13% respectively.

Table 1: Net Profit per Branch of State Bank of India and ICICI

(Rs. In Lakhs)

S.N.	Banks	2007-08	2008-09	2009-10	2010-11	2011-12	Mean	S.D	C.V.	Growth Rate % 2008-09	2009-10	2010-11	2011-12
1	SBI	65.52	79.04	72.53	60.34	82.04	71.89	9.06	12.60	20.6	10.7	7.9	25.2
2	ICICI	329.45	264.84	235.79	203.69	234.93	253.74	47.52	18.72	- 19.6	- 28.4	- 38.2	- 28.7
	TOTAL	197.48	171.94	154.16	132.01	158.48	162.81	28.29	15.66	0.5	-8.85	-15.1	-1.75

Source: Compiled from the Annual Reports of the SBI and ICICI

Table 2: Concentration Index with Percentage Share of Net Profit per Branch

	Year	2007-08		2008-09		2009-10		2010-11		2011-12	
S.N.	Banks	C.I.	%	C.I.	%	C.I	%	C.I.	%	C.I.	%
1	SBI	0.02751	3.8	0.05283	8.18	0.05533	8.64	0.05222	8.07	0.06698	10.87
2	ICICI	0.69574	96.20	0.59313	91.82	0.58485	91.36	0.59515	91.93	0.54933	89.13
	TOTAL	0.72325	100	0.64596	100	0.64018	100	0.64737	100	0.61631	100

Source: Calculated

Total Income per Branch- SBI and ICICI

The status of the total income per branch is shown in Tables 3 and 4. Total income includes interest income and non-interest income. Higher total income leads to higher profits. Table 3 shows that Total Income per Branch in terms of average was high in the ICICI bank (2118 .04 lakhs) as compared to the State Bank of India (692.19 lakhs).The data reveal that the variation in ICICI, i.e., 37.47% is more than the SBI i.e. 14.87%.The Growth Rate of the SBI in 2011-12 is 50.9% and the ICICI growth rate has dropped down to -52.3% in 2011-12. It is observed from the data of the Table 4 that the concentration index has moved from 0.74256 to 0.53795. In 2007-08 and 2011-12, the maximum share to overall index is made by the ICICI, i.e., 96.9% and 75.61% respectively.

Table 3: State Bank of India and ICICI- Total Income per Branch

(Rs. In Lakhs)

S.N.	Banks	2007-08	2008-09	2009-10	2010-11	2011-12	Mean	S.D	C.V.	Growth Rate % 2008-09	2009-10	2010-11	2011-12
1	SBI	561.29	662.73	680.19	709.73	847.04	692.19	102.99	14.87	18.1	21.2	26.4	50.9
2	ICICI	3137.80	2727	1944.03	1289.91	1491.48	2118.04	793.63	37.47	- 13.1	- 38	- 58.9	- 52.3
	TOTAL	1849.54	1694.86	1312.11	999.82	1169.26	1405.11	448.31	26.17	7.5	-8.4	-16.2	-0.7

Source: Compiled from the Annual Reports of the SBI and ICICI

Table 4: Concentration Index with Percentage Share of Total Income per Branch

	Year	*2007-08*		*2008-09*		*2009-10*		*2010-11*		*2011-12*	
S.N.	*Banks*	*C.I.*	*%*	*C.I.*	*%*	*C.I*	*%*	*C.I.*	*%*	*C.I.*	*%*
1	SBI	0.02302	3.1	0.03822	5.58	0.06717	10.90	0.12596	23.24	0.13119	24.39
2	ICICI	0.71954	96.9	0.64718	94.42	0.54878	89.10	0.41611	76.76	0.40676	75.61
	TOTAL	0.74256	100	0.6854	100	0.61595	100	0.54207	100	0.53795	100

Source: Calculated

Total Expenditure per Branch of Both the Banks

The relevant data of total expenditure per branch is presented in Tables 5 and 6. The total expenditure refers to interest expenditure, operating expenditure and provisions and contingencies. The higher total expenditure leads to lower profits. As given in Table 5, the Total Expenditure per Branch in terms of average was high in the ICICI bank (1864.31 lakhs) as compared to the State Bank of India (620.30 lakhs). The Growth Rate of SBI in 2011-12 is 54.3% and the ICICI growth rate has dropped down to -55.2% in 2011-12. Moreover, the variation in ICICI, i.e., 40.21% is more than the SBI, i.e., 15.87%. Table 6 reveals that the concentration index has moved from 0.74492 to 0.52954. In 2007-08 and 2011-12 the maximum share to overall index is made by the ICICI is 96.98% and 72.96% respectively.

Table 5: Total Expenditure per Branch

(Rs. In Lakhs)

S.N.	*Banks*	*2007-08*	*2008-09*	*2009-10*	*2010-11*	*2011-12*	*Mean*	*S.D*	*C.V.*	*Growth Rate %* 2008-09	2009-10	2010-11	2011-12
1	SBI	495.77	583.69	607.66	649.39	765	620.30	98.48	15.87	17.7	22.6	30.9	54.3
2	ICICI	2808.35	2462.17	1708.24	1086.22	1256.55	1864.31	749.63	40.21	-12.3	- 39.2	- 61.3	- 55.2
	TOTAL	1652.06	1522.93	1157.95	867.80	1010.77	1242.30	424.05	28.04	2.7	-8.3	-15.2	-0.45

Source: Compiled from the Annual Reports of the SBI and ICICI

Table 6: Concentration Index with percentage share of Total Expenditure per Branch

	Year	*2007-08*		*2008-09*		*2009-10*		*2010-11*		*2011-12*	
S.N.	*Banks*	*C.I.*	*%*	*C.I.*	*%*	*C.I*	*%*	*C.I.*	*%*	*C.I.*	*%*
1	SBI	0.02251	3.02	0.03672	5.32	0.06884	11.23	0.13998	26.33	0.14320	27.04
2	ICICI	0.72241	96.98	0.65344	94.68	0.54406	88.77	0.39167	73.67	0.38634	72.96
	TOTAL	0.74492	100	0.69016	100	0.61290	100	0.53165	100	0.52954	100

Source: Calculated

Employee Productivity – State Bank of India and ICICI

Business per Employee during the Period Selected for Study

The business per employee measures efficiency of bank employees in generating business for the bank. The data relating to business per employee are presented in Tables 7 and 8. It is observed from the table that total business per employee in terms of average was high in the ICICI bank (926.8 lakhs) as compared to the State Bank of India (630.2 lakhs).The growth Rate of the SBI in 2011-12 is 75% and the ICICI growth rate has dropped down to -29.8% in 2011-12. Moreover, the variation in the ICICI (21.12%) is slightly higher than SBI (20.93%). As shown in Table 8 the concentration index has moved from 0.57106 to 0.501775. In 2007-08 the maximum share to overall index is made by the ICICI (83.01%) and the SBI acquired higher share in overall index in 2011-12 (55.96%).

Table 7: State Bank of India and ICICI- Business per Employee

(Rs. In Lakhs)

S.N.	*Banks*	*2007-08*	*2008-09*	*2009-10*	*2010-11*	*2011-12*	*Mean*	*S.D*	*C.V.*	*Growth Rate %* 2008-09	2009-10	2010-11	2011-12	
1	SBI	456	556	636	705	798	630.2	131.94	20.93	21.9	39.4	54.6	75	75
2	ICICI	1008	1154	1029	735	708	926.8	195.78	21.12	14.5	2.1	- 27.1	- 29.8	
TOTAL	732	855	832.5	720	753	778.5	163.86	21.02	18.2	20.75	13.75	22.6		

Source: Compiled from the Annual Reports of the SBI and ICICI

Table 8: Concentration Index with percentage share of Business per Employee

Year		*2007-08*		*2008-09*		*2009-10*		*2010-11*		*2011-12*	
S.N.	*Banks*	*C.I.*	*%*	*C.I.*	*%*	*C.I*	*%*	*C.I.*	*%*	*C.I.*	*%*
1	SBI	0.09701	16.99	0.10571	18.84	0.14590	27.64	0.23968	47.78	0.280772	55.96
2	ICICI	0.47405	83.01	0.45542	81.16	0.38193	72.36	0.26051	52.22	0.221003	44.04
TOTAL	0.57106	100	0.56113	100	0.52783	100	0.49883	100	0.501775	100	

Source: Calculated

Profit per Employee- SBI and ICICI

Generally the profit per employee measures the efficiency of all the employees of a bank at the branch level. The higher value indicates higher efficiency of the bank. The relevant data pertaining to profit per employee are presented in Tables 9 and 10. The data reveal that the total profit per employee in terms of average was high in the ICICI bank (10.8 lakhs) as compared to the State Bank of India (4.42 lakhs). The data reveal that the variation in the SBI (14.75%) is higher than the ICICI (7.74%). The growth rate of SBI (42.7%) is higher in 2011-12, as compared to the growth rate of the ICICI (10%). Table 10 shows that the concentration index has moved from 0.60474 to 0.56086. The ICICI acquired maximum share in overall index in 2011-12, i.e., 81.11% and in 2007-08, i.e., 87.85%.

Table 9: Profit per Employee of Both the Banks

(Rs. In Lakhs)

S.N.	Banks	2007-08	2008-09	2009-10	2010-11	2011-12	Mean	S.D	C.V.	Growth Rate % 2008-09	2009-10	2010-11	2011-12
1	SBI	3.72	4.74	4.46	3.85	5.31	4.42	0.65	14.75	2.74	19.9	3.5	42.7
2	ICICI	10	11	12	10	11	10.8	0.83	7.74	10	20	0	10
TOTAL	6.86	7.87	8.23	6.92	8.15	7.61	0.74	11.24	6.37	19.95	1.75	26.35	

Source: Compiled from the Annual Reports of the SBI and ICICI

Table 10: Concentration Index with percentage share of Profit per Employee

S.N.	Year / Banks	2007-08 C.I.	%	2008-09 C.I.	%	2009-10 C.I	%	2010-11 C.I.	%	2011-12 C.I.	%
1	SBI	0.07351	12.15	0.09068	15.66	0.07341	12.13	0.07726	12.91	0.10598	18.89
2	ICICI	0.53123	87.85	0.48839	84.34	0.53149	87.87	0.52131	87.09	0.45488	81.11
TOTAL	0.60474	100	0.57907	100	0.60490	100	0.59857	100	0.56086	100	

Source: Calculated

SBI and ICICI-Spread per Employee

Spread is the difference between interest earned (on loans and advances) and interest paid (on deposits and borrowings) by the banks. Higher the spread, greater is the profit margin for the banks. The relevant data pertaining to spread per employee are presented in Tables 11 and 12.The data reveal that spread per employee in terms of average was slightly high in the SBI (13.23 lakhs) as compared to the ICICI (12.80 lakhs). It has also been observed that the variation in the SBI, i.e., 32.61% is higher than the ICICI, i.e., 17.5%. The growth rate of SBI in 2011-12 is 111.7% and ICICI growth rate has declined drastically (-27.4%). Table 12 shows that the concentration index has moved from 0.51955 to 0.55215. The SBI acquired maximum share in overall index in 2011-12 (79.25%) and the ICICI has its maximum share in 2007-08 (69.04%).

Table 11: Spread per Employee for the Period Selected

(Rs. In Lakhs)

S.N.	Banks	2007-08	2008-09	2009-10	2010-11	2011-12	Mean	S.D	C.V.	Growth Rate % 2008-09	2009-10	2010-11	2011-12
1	SBI	9.49	10.14	11.82	14.59	20.09	13.23	4.31	32.61	6.8	24.5	53.7	111.7
2	ICICI	14.17	14.86	14.25	10.46	10.28	12.80	2.24	17.5	4.9	0.6	-26.2	-27.4
TOTAL	11.83	12.5	13.03	12.52	15.18	13.01	3.27	25.05	5.85	12.55	13.75	42.15	

Source: Compiled from the Annual Reports of the SBI and ICICI

Table 12: Concentration Index with percentage share of Spread per Employee

	Year	*2007-08*		*2008-09*		*2009-10*		*2010-11*		*2011-12*	
S.N.	*Banks*	*C.I.*	*%*	*C.I.*	*%*	*C.I*	*%*	*C.I.*	*%*	*C.I.*	*%*
1	SBI	0.16087	30.96	0.16451	31.77	0.20556	40.76	0.33922	66.05	0.43758	79.25
2	ICICI	0.35868	69.04	0.35331	68.23	0.29877	59.24	0.17435	33.95	0.11457	20.75
	TOTAL	0.51955	100	0.51782	100	0.50433	100	0.51357	100	0.55215	100

Source: Calculated

Conclusion

The productivity of banks assumes greater significance after Second Phase of Economic Reforms in India. The present study indicates that the Branch Productivity in all the three aspects, i.e., Net Profit per Branch, Total Income per Branch and Total Expenditure per Branch is much higher for the ICICI as compared to the SBI. But as Total Expenditure per branch is high for the ICICI, it leads to lower profit. The analysis reveals that maximum share to overall Concentration Index is made by the ICICI in the entire period of study i.e. 2007-08 to 2011-12 in relation to Net Profit per Branch, Total Income per Branch and Total Expenditure per Branch. In the case of the Employee Productivity in terms of Business per Employee, the ICICI is performing better than the SBI except in 2011-12 where the SBI was higher than the ICICI. Profit per Employee of the ICICI is greater than the SBI in the entire period of study. The SBI is slightly higher than the ICICI in terms of average with respect to Spread per Employee. The Study indicates that the ICICI has maximum share to Concentration Index in terms of Business per Employee during the period of study, except in 2011-12. The analysis also indicates that the ICICI has maximum share to Concentration Index in terms of Profit per Employee during the period of study. The SBI has maximum share to Concentration Index in relation to aspect Spread per Employee in 2010-11 and 2011-12.

The study concludes that the ICICI is performing better than the SBI in both the parameters of Employee Productivity and Branch Productivity. It is only the Spread per Employee where the SBI is slightly higher than the ICICI and as the ICICI has higher total expenditure per branch than the SBI it leads to lower profit. Following suggestions are recommended in order to improve the productivity of the SBI: there is lack of autonomy in the SBI because of which it is not able to operate its business activities purely on commercial lines, so government should reduce its interference in their operational activities. One of the major obstacles affecting productivity of the SBI is higher operating cost. Unproductive competition also affects productivity, as the SBI and its associates and other public sector banks spend considerable time competing among themselves without increasing the total benefit to the system. In SBI the proportion of wage bill is higher than the ICICI as a result business per employee and profit per employee is low for the SBI as compared to the ICICI. Taking a cue from the private sector banks, the finance ministry is finalizing the new policy that will provide a fixed five year term for public sector bank chiefs. The move is aimed at providing continuity in top jobs at the state run banks, where most chairmen get one or two years term. Short tenures are seen as a major hurdle for long-term planning and strategy implementation, prompting the government to rework the appointment policy. The ICICI bank gave Chanda Kochhar a five year term in 2009. In contrast, the SBI Chairman Pratip C Chaudhuri has a tenure of over two years, leaving his predecessor O P Bhatt's five year term longest ever. The State Bank of India should alter its talent strategies to focus on the performance and employee engagement. The bank is also lining up incentives such as paid holidays abroad, leadership and training programmes at top b-schools.

The public sector banks are in trouble and have betrayed this fact by objecting to the recommendations made by Reserve Bank of India's committee on loan restructuring. The Mahapatra Committee set up by the central bank had suggested the abolition of regulatory forbearance while recasting debt after two years. If implemented, this would mean that all restructured loans will have to be classified as NPAs (non-performing assets). Credit rating agency Crisil has revised its loan recast figure to Rs 3.25 lakh crore for 2012-13 which is a sharp rise from Rs 2.18 lakh crore for 2011-12. Nearly 80 per cent of these loans are in the books of public sector banks. To get a perspective of the size of NPAs, as per data collected by Business Standard Research Bureau, the consolidated net profit of all listed public sector banks in financial year 2012 was only Rs 53,000 crore, and the total net worth of all these banks together was Rs 3.53 lakh crore. These numbers reveal the fact that the foundations of public sector banks could be on the verge of collapse, unless drastic steps are taken. But at last, the ICICI should work to reduce its total expenditure per branch which is the major hurdle in its growth and leads to lower productivity.

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