A Thesis

On

Analytical Study Of Labour Productivity And Its Impact On Banking Sector

Submitted To Fulfil Partial Requirement For
Award of Degree of Doctor of Philosophy

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CERTIFICATE

This is to certify that the dissertation entitled "**Analytical Study of Labour Productivity and Its Impact on Banking Sector**" has been prepared by **Mr. Vikramender Singh Balyan** under my guidance and supervision. This is his original research work and is being submitted to the **Department of Economics, Saurashtra University, Rajkot-360005,** for the award of degree of Doctor of Philosophy. This has not been submitted elsewhere for award of any degree or diploma. He has put his sincere and dedicated efforts to complete his research work.

I wish him best of luck and success in life.

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DECLARATION

I the undersigned, **Vikramender Singh Balyan**, a research scholar of Doctor of Philosophy pragramme, hereby declare that the dissertation titled "**Analytical Study of Labour Productivity and Its Impact on Banking Sector**" presented here is my original research work carried out in last two years period. It has been carried out under the guidance of **Dr. RA Joshi, Associate Professor, Department of Economics, Saurashtra University, Rajkot - 360005.** The present research work has not been earlier submitted elsewhere to any other university for award of any degree or diploma.

Date : February, 2011

Place : Rajkot **(Vikramender Singh Balyan)**

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Vikramender Singh Balyan

List of Abbreviation

Abbreviation	Full Form of Abbreviation
ABB	Any Where Banking
ACR	Annual Confidential Reports
AD	After Death
ADCB	Abu Dhabi Commercial Bank
ADRs	American Depositary Receipts
AMC	Asset Management Company
ANZ Bank	Australia and Newzealand Banking Group Limited
AT & T	American Telephone and Telegraph Company
ATMs	Automated Teller Machine
BARS	Behaviourally Anchored Rating Scales
BBL	Banque Bruxelles Lambert
BC	Before Christ
BITCO	Bihar Industrial and Technical Consultancy Organisation Ltd.
BMA	Bombay Management Association
BND	Banque Nationale de Paris
BOB	Bank of Baroda
BPL	British Physical Laboratories Group
BPLR	Benchmark Prime-lending Rate
BPO	Business Process Outsourcing
BPR	Business Process Reengineering
CBI	Corporate & Investment Bank
CBLO	Collateral Borrowing and Lending Obligation
CBS	Core Banking Service
CBS	Core Banking Solution
CCIL	Clearing Corporation of India Ltd.

Abbreviation	Full Form of Abbreviation
CEO	Chief Executive Officer
CFTRI	Central Food Technological Research Institute
CIDC	Construction Industry Development Council
CIS	Council of International School
CIS	Commonwealth of Independent State
CMD	Centre for Management Development
CMD	Chairman and Managing Director
CNEP	Comptoir National d'Escompte de Paris
COFIDES	Compania Espanola de Financiacion DEL Desarrollo
CRM	Customer Relation Manager
CRO	Customer Relation Officer
CRR	Cash Reserve Ratio
DBS	Development Bank of Singapore Limited
DHAN	Development of Human Action
DNV	Det Norske Veritas
EBRD	European Bank for Reconstruction and Development
ECBs	External Commercial Borrowings
ECGC	Export Credit Guarantee Corporation
EME	Emerging Market Economy
EOUs	Export Oriented Units
ETL	Eastern Threads Ltd.
EXIM	Export-Import Bank of India
EXIM-J	Export-Import Bank of Japan
FCNR	Foreign Currency Non-resident
FICCI'S	Federation of Indian Chambers of Commerce & Industries
GDP	Gross Domestic Product
GOI	Government of India

Abbreviation	Full Form of Abbreviation
GPCL	Gujarat Power Corporation Limited
GRCB	Global Retail and Commercial Banking
GTFP	Global Trade Finance Programme
GVA	Gross Value Added
HDFC	Housing Development Finance Corporation
HR	Human Resource
HRM	Human Resource Management
HSBC	Hongkong and Shanghai Banking Corporation
IBI	Imperial Bank of India
IBM	International Business Standard
ICICI	Industrial Credit and Investment Corporation of India Limited
IDBI	Industrial Development Bank of India
IDRBT	Institute for Development and Research in Banking Technology
IFC	International Finance Corporation
IMB	Internet and Mobile Banking
IMF	International Monetary Fund
INFINET	Indian Financial Network
INR	Indian Ruppes
IOB	Indian Overseas Bank
IPO	Initial Public Offer
IRBL	Inrob Tech Ltd.
ISDN	Integrated Service Digital Network
ISO	International Organisation for Standardization
ITPL	Indian Tradition Pvt. Ltd.
J&K Bank	Jammu and Kashmir Bank Limited
KVB	Karur Vysya Bank
LCL	Crédit Lyonnais

Abbreviation	Full Form of Abbreviation
LOC	Loans / Line of Credit
M & A	Mergers and acquisitions
MARDEF	Mahabank Agricultural Research & Rural Development Fund
MBO	Management By Objective
MD	Managing Director
MFIs	Micro Finance Institutions
MoU	Memorandum of Understanding
MSE	Micro and Small Enterprises
M-SETI	Mahabank Self-employment Training Institute
MUV	Multi Utility Vehicle
NABARD	National Bank of Rural Development
NDS	Negotiated Dealing System
NECs	National electronic Clearing Service
NEFT	National Electronic Fund Transfer
NEITCO	North Eastern Industrial and Technical Consultancy Organisation Ltd.
NHB	National Housing Bank
NIBM	National Institute of Bank Management
NPAs	Non-performing Assets
NPCC	National Projects Construction Corporation Limited
NRIs	Non-resident Indians
NSC	National Saving Certificate
NSDL	National Security Depository Services Ltd.
NSE	National Stock Exchange
NTS	Netherlands Trading Society
NYSE	Newyork Stock Exchange
OBC	Oriental Bank of Commerce
OCC	Office of the Comptroller of the Currency

Abbreviation	Full Form of Abbreviation
OECD	Organisation for Economic Co-operation and Development
ONGC	Oil and Natural Gas Corporation Ltd.
P & O	Peninsular and Oriental steam Navigation Company
PEPSU	Patiala and East Punjab State Union
Ph. D	Doctorate of Philosophy
PIN	Personal Identification Number
PLIs	Primary Lending Institutions
PM	Performance Management
PMS	Performance Management System
PNB	Punjab National Bank
RBI	Reserve Bank of India
RTGS	Real Time Gross Settlement
SAIL	Steel Authority of India Ltd.
SARB	South African Reserve Bank
SBBJ	State Bank of Bikaner and Jaipur
SBH	State Bank of Hyderabad
SBI	State Bank of India
SBICI	SBI Commercial and International Bank
SBP	State Bank of Patiala
SBS	State Bank of Saurashtra
SBT	Stare Bank of Travancore
SFAC	Statement of Financial Accounting Concepts
SFC	Security and Futures Commission
SGX	Singapore Exchange
SHCIL	Stock Holding Corporation of India Limited
SIDBI	Small Industries Development Bank of India
SIDF	Saudi Industrial Development Fund

Abbreviation	Full Form of Abbreviation
SMART	Specific, Measurable, Agreed, Realistic, and Time Specific
SPPP	Self-propelled Performance Process
SSIs	Small Scale Industries
STD	Subscriber Trunk Dialing
TCOs	Technical Consultancy Organisations
TDF	Technical Development Fund
TML	Tata Motors Limited
U.S.	United States
UAE	United Arab Emirates
UBI	Union Bank of India
UCO	United Commercial Bank
USA	United State of America
USD	United States Dollar
UTI	Unit Trust of India
VISA	Visitors Intention to Stay Abroad
VRS	Voluntary Retirement Scheme
WAP	Wireless Access Protocol
WTO	World Trade Organisation

List of Tables

List of Charts

List of Diagrams/Pictures

Executive Summary

It is the era of globalization and the business environment is very turbulent. It is changing drastically. In present environment nothing is permanent except changes. Changes are likely to take place but with different pace at different time. External environmental factors like social, cultural, economic, legal, government policies, technology and competition are uncontrollable. Due to these, it has become very difficult to carry out the business activities effectively and efficiently. It is an uphill task to stabilize, grow and excel in the business performance. In this situation, the need for higher level of knowledge and skills are needed. Every organization whether big or small, is using manpower, machine, money and materials. To carry out its tasks these are needed and without these the tasks cannot be completed.

Human resource is the most important component of an organization. Human resource has been defined from national point of view, as the total of knowledge, skills, creative abilities, talents and aptitudes obtained in the population. Whereas from and individual enterprise point of view, they represent the total of inherent abilities, acquired knowledge, skills and aptitudes contained in employees of the enterprise. The human resource is given increasing significance in modern organization. Obviously, a majority of the problems in organizational setting are human and social rather than physical, technical and economic. The failure to recognize this fact causes great loss to the nation, enterprise and the individual. People at work comprise a large number of individuals of different sex, age, education standards and groups. These people at work exhibit not only similar behaviour patterns and characteristics to a certain degree, but they also show many dissimilarities. Each individual who works has his own set of needs, drives, goals and experiences. Management, therefore, must be aware not only the organizational needs but also needs and goals of employees.

In present scenario under liberalization, privatization and globalization the companies are facing stiff competition. It has become very difficult to achieve the objectives and pre decided performance standards. The companies performing better and before others are taking the lead in business. To do so the skilled and motivated employees are strongly needed. They can give more output per person. Their performance can be measured with the help of labour

productivity concept. Productivity is known as output per person or system. Labour productivity is called output per person. It is the ratio of output to input.

$$\text{Labour Productivity} = \frac{\text{Output}}{\text{Input}} \times 100$$

Banking service is related to the topic of the study. Mobilization and proper utilization of resources affects economic growth of a nation. Banks play very important role in the economic life of the nation. The health of the economy is closely related to the soundness of its banking system. Although banks create no new wealth but their borrowing, lending and related activities facilitate the process of production, distribution, exchange and consumption of wealth. In this way they become very effective partners in the process of economic development. Today, modern banks are very useful for the utilization of the resources of the country. The banks are mobilizing the savings of the people for the investment purposes. The savings are encouraged and saving rate increases. If there would be no banks then a great portion of a capital of the country would remain idle.

After independence, the development of banking sector picked up momentum. Since 1991, public and private sector banks are co-exiting and providing banking service to the customers. They are playing very important role for overall economy development. In service sector, involvement of human element is of very high and this is application in banking service too. Attitude, interest, motivation, skills and knowledge, behavior, promptness, response to call etc. all are related to employees. These factors affect the individual and organizational performance. Hence, the concept of labour productivity is banking sector has great significance in present time. In present stiff competitive situation, it has become difficult to attract customers, retain and motivate them for further business. When employees give better performance then only the profitability of the banking unit will go high. Therefore, the output per person matter a lot. So the importance of productivity concept has been felt everywhere. That is why this topic has been selected for study purpose.

Management is putting best efforts to utilize every resource effectively and efficiently and specially the manpower. Management realized the importance of human resource and its better performance at job. The importance of manpower cannot be ignored in present competitive situation. In Indian banking sector public, private, foreign, development and cooperative banks are performing banking service very well under competitive situation. In this situation, for survival and growth management in banks is adopting different strategies to improve labour productivity. It provides one shot solution in the competitive situation. Due to the magnificent contribution of labour productivity on progress I have been attracted by this topic and selected for the research study.

Following are the **objectives** of this study:

(a) To understand the concept of employee/ human resource, importance of human resource performance, factors affecting performance, labour productivity, factors affecting, benefits of higher labour productivity, other related concepts, and concerns of all parties involved.

(b) To study the causes of lower productivity, strategies to improve it and involvement of different parties with concept of labour productivity and their initiatives.

(c) To find out the practices adopted in banking, examine the labour productivity in banking sector and the problem faced regarding labour productivity.

(d) To summarize on the basis of study, the findings and give suggestions for further improvement of labour productivity in banking sector in India.

(e) To meet the requirement of award of Ph. D degree programme.

It is expected the study of this topic would contribute in clarifying the all concepts relating to human resource, performance and labour productivity very well. After study of the topic in depth the fundamental concepts are very clear. The beneficiary from the study of this topic would be first of all self-researcher, academicians, practicing managers, prospects researchers and the banks. If these parties refer this research study in future may take advantage of the finding and suggestions. Academician, practicing managers and research students may take benefits for academic purpose and on the jobs. The banks if feel may implement the suggestions for improvement of performance and productivity of manpower.

Research methodology explains the method of conducting research and shows the logical sequences of the steps involved in research:

(a) Type of Research: It is descriptive research.

(b) Sources of Data: Primary and secondary data have been collected for the study purpose. The primary data collected from employees, their supervisors, managers and customers. The secondary data collected from financial statements of last 5 years from different banks, HR policies of banks and reports of RBI and governments. These data used in combination as per need of the study.

(c) Instruments for data collection: For research study data were collected with the help of instruments. These instruments are questionnaire, interview, telephones/ mobiles, internets etc. These have been used according to the requirements of the study and availability of instruments. These have been used in combination to meet the requirement of the study.

(d) Sampling: For data collection stratified random sampling has been used and data collected from Ahmedabad, Baroda, Surat and Rajkot regions of Gujarat state.From each region the respondents were selected from urban and rural areas randomly. The sample size is selected 500 to ensure that the sample is proper representative of the universe to maintain the accuracy of data and manage the research effectively.

(e) Time Duration: To carry out the study the time permitted by the University for Ph.D. research work is two years and it has been completed and submitted within this time.

To carry out the research study the following limitations were expected and faced:

(a) Availability of secondary data from banks was difficult.

(b) Employees avoided or hesitated to give relevant data.

(c) Management did not like to share their views on the topic.

(d) Time, cost and location factors caused difficulties.

(e) Sample size might not be exact representative of the universe.

However sincere efforts have been put to overcome the limitations faced.

Human resource is the most important resource of the organization. The concepts of human resource, personnel, employees, labour force and manpower are interchangeable. The main objective of human resources management is to utilize the human resources in a most optimal manner so that targets can be achieved very effectively and efficiently. For this purpose managing performance of employees as a whole is very important. Performance management takes care of this function. Performance management maintains, develops and motivates the people at work to give better results. In the present competitive situation the organasation that gives better results can survive, stabilize, grow and excel in the performance. It helps a lot in achieving the objectives of HRM. Performance management includes activities to ensure that goals are consistently being met in an effective and efficient manner. Performance management can focus on performance of the organization, a department, processes to build a product or service, employees, etc. The performance management is mainly concern with the performance of the people, systems and organization. To achieve this objective performance management performs a variety of functions.

After depth study of various organisations, it is found that in every organisation different steps have been taken and there is no similarity in steps in performance management process. It entirely depends upon the requirement of the organisation and the management working pattern. Some organisations take help form the consultants and some are having their own internal experts for scanning the business the business environment, identifying and prioritizing the goals, fixing responsibility and accountability, expected performance standards and many more work related aspects. In large roganisation mostly the below mentioned steps are followed but in small and further smaller organisations some of the steps may be or may not be followed. It is summarised that the steps involved in performance appraisal are planning for objectives and performance standards, communication and guidance, performance appraisal and review of appraisal for development and planning action for future.

"Performance appraisal is a systematic periodic and impartial rating of employee's excellence in matters pertaining to his present job and to his potentialities for a better job." (Flippo) The performance appraisal is an important stage in this process. It shows as per planning of objectives, performance standards and behaviour the communication, counseling, coaching, motivation and feedback have been given or not. Finally to see what is the impact of these planning and action on the performance of the employees. The performance standards regarding quality, quantity, cost and behaviour have been achieved or not. So it becomes necessary to carry out the performance appraisal of every one for smooth working of the organisation. Thus performance appraisal forms an important part of HRM. This necessitates the study of the topic of performance appraisal.

Performance appraisal is mainly used for three purposes:

(a) As a basis of reward allocation such as salary increments, promotion and other rewards etc

(b) Performance appraisal will point out the weaknesses of employees and will spot the areas where development efforts are needed

(c) It can be used for the selection and development programme.

Performance appraisal is done by the managers or supervisors. They do this job under different situation, at different place and different state of mind and at different time. Their judgements are likely to be affected. They are human being. Their psychology, liking, disliking, preference, judgement etc. are likely to affect the appraisal of employees. There are chances that errors are likely to take place. But efforts should be there so that these can be minimized. Proper care should be taken to give fair and impartial assessment. There are a number of methods that are used to evaluate employee's performance. It may be evaluated on the basis of his traits and attributes as well as on the basis of his work or results and objectives achieved by him. Thus his performance may be measured in terms of standards of his traits and general behaviour on the job or in terms of results and goals. Some of the common techniques are given below. Each method has its merits and demerits but one thing is clear that the technique employed has to evaluate mainly his job related performance.

The appraisal methods can be classified as follows:

(a) Individual appraisal and group appraisal methods include rating scale, checklist method, forced choice method, critical incident method, field review method, performance test and observation method, annual confidential reports, factors and points method, ranking method, and paired comparison method.

(b) Other methods including MBO system, self-appraisal, appraisal, 360o performance appraisal, behaviourally anchored rating scales,(bars, and cost accounting method

A bank is a financial institution that accepts deposits and channels those deposits into lending activities. Banks primarily provide financial services to customers while enriching investors. Government restrictions on financial activities by banks vary over time and location. Banks are important players in financial markets and offer services such as investment funds and loans Commercial banks offer a wide range of corporate financial services that address the specific needs of private enterprise. They provide deposit, loan and trading facilities but will not service investment activities in financial markets. Commercial banks can be described as a type of financial intermediary. Commercial banks provide a number of import financial and trading documents such as letters of credit, performance bonds, standby letters of credit, security underwriting commitments and various other types of balance sheet guarantees. They also take responsibility for safeguarding such documents and other valuables by safe deposit boxes.

The banking activities started nearly thirty thousand years back It is very difficult to trace the exact year or starting but it can be estimated. From starting to the present modern banking system it has undergone many changes. The Indian Banking Sector is quite different from the banking system in the rest of Asia, because of the distinctive geographic, social and economic characteristics of the country. The banking structure in India is therefore a reflection of the countries socialistic set up. It had to meet the goals set by the five year plans, especially with regard to equitable distribution of wealth, balanced regional economic growth and removing private sector monopolies in trade and industry. For the past three decades India's banking system has several outstanding achievements to its credit. The most striking is its extensive reach. It is no longer confined to only metropolitans or cosmopolitans in India. In fact, Indian banking system has reached even to the remote corners of the country. This is one of the main reasons of India's growth process. The government regular policy for Indian bank since 1969 has paid rich dividends with the nationalisation of 14 major private banks of India.

In the early 1990s, the then Narsimha Rao government embarked on a policy of liberalization, licensing a small number of private banks. This move, along with the rapid growth in the economy of India, revitalized the banking sector in India, which has seen rapid growth with strong contribution from all the three sectors of banks, namely, government banks, private banks and foreign banks. The next stage for the Indian banking has been setup with the proposed relaxation in the norms for Foreign Direct Investment, where all Foreign Investors in banks may be given voting rights which could exceed the present cap of 10%, at present it has gone up to 74% with some restrictions.

At present the Indian financial system consists of public, private, cooperative, development and foreign banks. To control and regulate the operation of all these banks the authority has been vested to Reserve Bank of India and it is the central controlling authority for all banks in India. In banking sector the different types of services are being offered. The owners of the banks are located at one place. But their branches are scattered and located across the country. They jobs of offering the services are assigned to employees. The performance they are giving on the job matters a lot. That affects the customers' satisfaction, getting and retaining existing customers, complaints handling, targets achieved, sales turnover, profits, market shares and good will of the company. The performance of employees is being focused not only in banking but every service sector. The better performance gives satisfaction to the customers. The services are to be provided with minimum processing and waiting time, proper response, promptness and desire to handle more and more customers. With these objectives the employees are selected on merit basis.

Next the other factors like technology, working conditions, location of work, rules and regulations, management approach, business environment etc affect the working of persons. These are to be taken care of. This should not be ignored. Productivity can be improved through different management processes like following scientific management principles. Specifically It includes, production planning, and control, production cost, inventory control, operation research, specialization, cost control, budgetary control, marketing research, matching demand and supply, replacement of old technology, preventive maintenance etc. contribute in improving productivity.

For the research study, from banking sector the leading banks from different categories have been selected. These are nationalized/ public banks, private banks, foreign banks, development banks and cooperative banks. These have been selected from Gujarat only with the assumption that the behaviour of bank customers and practices adopted relating to bank employees are similar across India as prevailing in Gujarat also.

Table of Contents

Chapter 1: Introduction

1. Introduction to the Topic
2. Rationale of the Study
3. Objectives of the Study
4. Scope of the Study
5. Expected Contribution from the Study

Analytical Study of Labour Productivity and Its Impact on Banking Sector

Chapter 1: Introduction

1. Introduction to the Topic

We are in the era of globalization and the business environment is very turbulent. It is changing drastically. In present environment nothing is permanent except changes. Changes are likely to take place but with different pace at different time. External environmental factors like social, cultural, economic, legal, government policies, technology and competition are uncontrollable. Due to these, it has become very difficult to carry out the business activities effectively and efficiently. It is an uphill task to stabilize, grow and excel in the business performance. In this situation, the need for higher level of knowledge and skills are needed. Every organization whether big or small, is using manpower, machine, money and materials. To carry out its tasks these are needed and without these the tasks cannot be completed.

Materials are used for manufacturing and other tasks. Different types of materials like raw materials, semi-finished and finished goods, inflammables, explosives, electrical and electronic items, gasses, chemicals, fuels, cleaning materials, consumables etc, are used as per the need of the organizations. Without these the required functions cannot be performed. Second, resource is finance. Finance is life blood of the business. It works in business like blood in human body. If blood quality and quantity are not proper in our body then many problems are likely to be faced. In shortage of finance the routine, development, payment of workers, payment of bonus, welfare of employees, payment of suppliers, refund of loans, research and development, replacement of old machines and equipment related activities will be hampered. It may lead to make the profit making unit a sick unit. Importance of finance cannot be overlooked. Third, machines or technology play very important role in accomplishment of tasks of the unit as per planning. Without technology the work is done manually. The speed at which the work is done is slow. The out put per worker goes down and simultaneously the quality also goes down. The costs of production and operation increase. The organization cannot have competitive edge over the competitors using advance technology. With technology the performance increases. The productivity, efficiency and profitability of business unit increase. So the use of technology cannot be ignored at any cost in present time. Out of these, human resource is the most important resource because through the combined efforts of men, other resources are utilized for accomplishment of the goals. Without human being other resources will be unproductive. Hence, human resource is the most importance resource that is to be managed properly.

Human resource is the most important component of an organization. Human resource has been defined from national point of view, as the total of knowledge, skills, creative abilities, talents and aptitudes obtained in the population. Whereas from and individual enterprise point of view, they represent the total of inherent abilities, acquired knowledge, skills and aptitudes contained in employees of the enterprise. The human resource is given increasing significance in modern organization. Obviously, a majority of the problems in organizational setting are human and social rather than physical, technical and economic. The failure to recognize this fact causes great loss to the nation, enterprise and the individual. People at work comprise a large number of individuals of different sex, age, education standards and groups. These people at work exhibit not only similar behaviour patterns and characteristics to a certain degree, but they also show many dissimilarities. Each individual who works has his own set of needs, drives, goals and experiences. Management, therefore, must be aware not only the organizational needs but also needs and goals of employees.

The human resources assume importance from an economic standpoint at national, enterprise and individual levels of analysis. Ginzberg pointed out, human resource is the key to economic development. However, they are being wasted through unemployment, disguised unemployment, outdated skills, lack of job opportunities, poor personnel policies and practices and problems of adjusting to changes. There exists a wide scope to increase productivity through their proper development. The physical resources will not give output unless the human resources are applied to them. However, the human resource also has negative aspects. Over population and poorly trained work force may prove disastrous to the national economy. If the national output does not increase faster than its population, the standard of living will decline. At enterprise level, there is also an urgent need for effective utilization of the human resource to attain organizational goals. This can be done by understanding their nature, potentials and limitations of human resource, developing and utilizing it to the optimal ability, maintaining its quality and coordinating it with other resources. From individual point of view, development of employees will get them a source of economic advantage, improves the economic status and living standards.

In present scenario under liberalization, privatization and globalization the companies are facing stiff competition. It has become very difficult to survive, grow, stabilize and excel in the business. The companies performing better and before others are taking the lead in business. To do so the skilled and motivated employees are strongly needed. They can give more output per person. Their performance can be measured with the help of labour productivity concept. Productivity is known as output per person or system. Labour productivity is called output per person. It is the ratio of output to input.

$$\text{Labour Productivity} = \frac{\text{Output}}{\text{Input}} \times 100$$

National Trade Union Congress of Mauritius: "Productivity is a process of continuous improvement in the production/supply of quality output/service through efficient, effective use of inputs, with emphasis on teamwork for the betterment of all."

Asian Productivity Organisation: "Productivity is the belief in human progress. It is a state of mind which aims at perpetual improvement it is a ceaseless effort to apply new technology and new methods for the welfare and happiness of mankind. It is the training of the minds and the development of attitudes of the people as a whole which determines whether the nation will realize high productivity and an affluent life or low productivity and poverty."

NPCC: Productivity then is to do more with less exertion in less time. An analogy is the cart with square wheels carrying a load of round wheels to show that hard work is not necessarily productive work, but smart work.

European Productivity Agency, formulated in Rome, "Productivity is, above all, a state of mind. It is an attitude that seeks the continuous improvement of what exists. It is a conviction that one can do better today than yesterday, and that tomorrow will be better than today. Furthermore, it requires constant efforts to adapt economic activities to ever-changing conditions, and the application of new theories and new methods. It is a firm belief in the progress of humanity."

The labour efficiency can be measured with the help of productivity concept. Nowadays, it is concerned of every body to utilize the labour force properly so the output can be increased. This contributes in progress of employees, employers and the nation as a whole. Higher level of labour productivity satisfies employers and employees psychologically. It gives a great impact on performance of people and progress of business. Service sector across the world is developing very fast. In developed countries the contribution of service sector is more than 50% to the national economy. This trend is taking place is developing countries too. In every economy different types of services like transportation, communication, financial, entertainment, health, medical, education etc. out of these financial services are important. The financial service includes banking, insurance, capital market, mutual funds etc.

Banking service is related to the topic of the study. Mobilization and proper utilization of resources affects economic growth of a nation. Banks play very important role in the economic life of the nation. The health of the economy is closely related to the soundness of its banking system. Although banks create no new wealth but their borrowing, lending and related activities facilitate the process of production, distribution, exchange and consumption of wealth. In this way they become very effective partners in the process of economic development. Today, modern banks are very useful for the utilization of the resources of the country. The banks are mobilizing the savings of the people for the investment purposes. The savings are encouraged and saving rate increases. If there would be no banks then a great portion of a capital of the country would remain idle.

A bank as a matter of fact is just like a heart in the economic structure and the Capital provided by it is like blood in it. As long as blood is in circulation the organs will remain sound and healthy. If the blood is not supplied to any organ then that part would become useless. So if the finance is not provided to Agriculture sector or industrial sector, it will be destroyed. Loan facility provided by banks works as an incentive to the producer to increase the production. Financial institutions provide finance at convenience of the customers. Banks provide the service to people to deposit their surplus money to earn interest. Further, it extends loan to the needy person at higher rate of interest. Banking sector started its development almost a century back.

The Indian banking can be broadly categorized into nationalized (government owned), private banks and specialized banking institutions. The Reserve Bank of India acts a centralized body monitoring any discrepancies and shortcoming in the system. Since the nationalization of banks in 1969, the public sector banks or the nationalized banks have acquired a place of prominence and have since then seen tremendous progress. The need to become highly customer focused has forced the slow-moving public sector banks to adopt a fast track approach. Further the focus of government policy was to develop cooperative sector and rural areas. At present the Indian financial system consists of public, private, cooperative, development and foreign banks. Reserve Bank of India is the central controlling authority for all banks in India.

After independence, the development of banking sector picked up momentum. Since 1991, public and private sector banks are co-exiting and providing banking service to the customers. They are playing very important role for overall economy development. In service sector, involvement of human element is of very high and this is application in banking service too. Attitude, interest, motivation, skills and knowledge, behavior, promptness, response to call etc. all are related to employees. These factors affect the individual and organizational performance. Hence, the concept of labour productivity is banking sector has great significance in present time. In present stiff competitive situation, it has become difficult to attract customers, retain and motivate them for further business. When employees give better performance then only the profitability of the banking unit will go high. Therefore, the out put per person matter a lot. So the importance of productivity concept has been felt everywhere. That is why this topic has selected for study purpose.

2. Rationale of the Study

In present situation, not only in banking sector but also all sectors, tough competition is being faced and need for higher labour productivity is felt. It is difficult to an organization to do the business as it wants. It is not possible to produce and sell as it wants. Every organization is putting its efforts but the result is not in favour of every one. The organization that does the things better and before others can avail the opportunity. That will become the leader in the market. To provide the products and services better to customers and serve then in better way, the skill and commitment of employees is needed. High quality and better performance of every individual is needed to contribute in attaining the objectives of the organization. Therefore, output per person, system, machine etc. is required and that is called productivity.

Management is putting best efforts to utilize every resource effectively and efficiently and specially the manpower. Management realized the importance of human resource and its better performance at job. Due to motivated and talented manpower the banking sector is giving good results every year. The importance of manpower cannot be ignored in present competitive situation. Over and above the output given by them contribute a lot in the progress of the banking sector. In Indian banking sector public, private, foreign, development and cooperative banks are performing banking service very well under competitive situation. In this situation, for survival and growth management in banks is adopting different strategies to improve labour productivity. It provides one shot solution in the competitive situation. Due to the magnificent contribution of labour productivity on progress I have been attracted by this topic and selected for the research study.

3. Objectives of the Study

Following are the objectives of this study:

(a) To understand the concept of employee/ human resource, importance of human resource performance, factors affecting performance, labour productivity, factors affecting, benefits of higher, labour productivity, other related concepts, and concerns of all parties involved.

(b) To study the causes of lower productivity, strategies to improve it and involvement of different parties with concept of labour productivity and their initiatives.

(c) To find out the practices adopted in banking, examine the labour productivity in banking sector and the problem faced regarding labour productivity.

(d) To summarize on the basis of study, the findings and give suggestions for further improvement of labour productivity in banking sector in India.

(e) To meet the requirement of award of Ph. D degree programme.

4. Scope of the Study

Every organization is utilizing resources like men, machine, money, materials and information to carry out their business effectively and efficiently. Out of these resources the manpower is the most important resource. That is why this resource is focused and this study is limited to manpower or human resource only. This study is relating to labour or human resource and its productivity in banking sector in India. Further, the relation of labour productivity and its impact on business performance of bank will be studied. It can be summarized that this study scope will include the areas of productivity, labour productivity, impact on performance and progress of banking sector in India. For study purpose Gujarat region has been selected with the assumption that similar practices are used in banking throughout India.

5. Expected Contribution from the Study

It is expected the study of this topic would contribute in clarifying the all concepts relating to human resource, performance and labour productivity very well. After study of the topic in depth the fundamental concepts are very clear. The beneficiary from the study of this topic would be first of all self-researcher, academicians, practicing managers, prospects researchers and the banks. If these parties refer this research study in future may take advantage of the finding and suggestions. Academician, practicing managers and research students may take benefits for academic purpose and on the jobs. The banks if feel may implement the suggestions for improvement of performance and productivity of manpower. It can be said the benefits would be multidimensional for above mentioned parties.

Chapter 2: Research Methodology

1. Type of Research
2. Sources of Data
3. Instruments for Data Collection
4. Research Methods
5. Research Methods
6. Limitations of the Study

Chapter 2: Research Methodology

Research methodology explains the method of conducting research and shows the logical sequences of the steps involved in research. Research methodology includes the following:

1. Type of Research

This research is descriptive research. The topic is theoretical and relating to this the data are collected from banking sector from different banks. The practices followed in different banks relating to manpower, performance and labour productivity are studied intensively. The descriptive research is most suitable to the topic selected.

2. Sources of Data

For the study purpose both primary and secondary data are used. The primary data collected from employees, their supervisors, managers and customers. The secondary data will be collected from financial statements of last 5 years from different banks, HR policies of banks and reports of RBI and governments. These data used in combination as per need of the study. These data having different merits and demerits and will serve our purpose of the research study. These are explained below:

(a) Primary Data

Primary data are information collected by a researcher specifically for a research assignment. In other words, primary data are information that a company must gather because no one has compiled and published the information in a forum accessible to the public. Companies generally take the time and allocate the resources required to gather primary data only when a question, issue or problem presents itself that is sufficiently important or unique that it warrants the expenditure necessary to gather the primary data. Primary data are original in nature and directly related to the issue or problem and current data. Primary data are the data which the researcher collects through various methods like interviews, surveys, questionnaires etc. The primary data have own advantages and disadvantages.

(i) The advantages are as follows:

- The primary data are original and relevant to the topic of the research study so the degree of accuracy is very high.
- Primary data is that it can be collected from a number of ways like interviews, telephone surveys, focus groups etc. It can be also collected across the national borders through emails and posts. It can include a large population and wide geographical coverage.
- Moreover, primary data is current and it can better give a realistic view to the researcher about the topic under consideration.
- Reliability of primary data is very high because these are collected by the concerned and reliable party.

(ii) Disadvantages of primary data are:

- For collection of primary data where interview is to be conducted the coverage is limited and for wider coverage a more number of researchers are required.
- A lot of time and efforts are required for data collection. By the time the data collected, analysed and report is ready the problem of the research becomes very serious or out dated. So the purpose of the research may be defeated.
- It has design problems like how to design the surveys. The questions must be simple to understand and respond.
- Some respondents do not give timely responses. Sometimes, the respondents may give fake, socially acceptable and sweet answers and try to cover up the realities.
- With more people, time and efforts involvement the cost of the data collection goes high.

  The importance of the research may go down.
- In some primary data collection methods there is no control over the data collection. Incomplete questionnaire always give a negative impact on research.
- Trained persons are required for data collection. In experienced person in data collection may give inadequate data of the research.

(b) Secondary Data

Secondary data are the data collected by a party not related to the research study but collected these data for some other purpose and at different time in the past. If the researcher uses these data then these become secondary data for the current users. These may be available in written, typed or in electronic forms. A variety of secondary information sources is available to the researcher gathering data on an industry, potential product applications and the market place. Secondary data is also used to gain initial insight into the research problem. Secondary data is classified in terms of its source – either internal or external. Internal, or in-house data, is secondary information acquired within the organization where research is being carried out. External secondary data is obtained from outside sources. There are various advantages and disadvantages of using secondary data.

(i) Advantages of secondary data

- The primary advantage of secondary data is that it is cheaper and faster to access.
- Secondly, it provides a way to access the work of the best scholars all over the world.
- Thirdly, secondary data gives a frame of mind to the researcher that in which direction he/she should go for the specific research.
- Fourthly secondary data save time, efforts and money and add to the value of the research study.

(ii) Disadvantages of secondary data

- The data collected by the third party may not be a reliable party so the reliability and accuracy of data go down.
- Data collected in one location may not be suitable for the other one due variable environmental factor.
- With the passage of time the data becomes obsolete and very old
- Secondary data collections can distort the results of the research. For using secondary data a special care is required to amend or modify for use.
- Secondary data can also raise issues of authenticity and copyright.

Keeping in view the advantages and disadvantages of sources of data requirement of the research study and time factor, both sources of data i.e. primary and secondary data have been selected. These are used in combination to give proper coverage to the topic.

3. Instruments for Data Collection

For collection of data the following instruments have been used:

(a) Questionnaire

Questionnaire is a set of questions has been prepared to ask a number of questions and collect answers from respondents relating to the research topic. A number of questions usually in printed or electronic form are to be answered by the individuals. The forms often have blank spaces in which the answers can be written. Sets of such forms are distributed to groups and the answers are collected relating to research topic. A questionnaire is a series of questions asked to individuals to obtain statistically useful information about a given topic. When properly constructed and responsibly administered, questionnaires become a vital instrument by which statements can be made about specific groups or people or entire populations. Inappropriate questions, incorrect ordering of questions, incorrect scaling, or bad questionnaire format can make the survey valueless, as it may not accurately reflect the views and opinions of the participants.

A useful method for checking a questionnaire and making sure it is accurately capturing the intended information is to pretest among a smaller subset of target respondents. In a research or survey questions asked to respondents, and designed to extract specific information. It serves four basic purposes: to (1) collect the appropriate data, (2) make data comparable and amenable to analysis, (3) minimize bias in formulating and asking question, and (4) to make questions engaging and varied. For our study purpose a set of questions has been prepared to collect information relating to the topic of the study. In this study a structured questionnaire has been used with different types of questions such as closed ended and open ended. Special case has been taken to select the scales for the questions for collection of responses very effectively.

(b) Telephone, Mobile Phone and Facsimile

Telephone and other devices can be used for collecting data verbally and written on fax from respondents located away from the researcher and having these facilities plus the researcher having their contact numbers. Use of interviewers encourages sample persons to respond, leading to higher response rates. Interviewers can increase comprehension of questions by answering respondents' questions. It is fairly cost efficient, depending on local call charge structure. It is good for large national or international respondents and gives wider coverage. It cannot be used for non-audio information (graphics, demonstrations, taste/smell samples) this instrument is not suitable for the respondents where the telephone facility is not available.

(c) Mail

For collection of data from the respondents who are located at a long distance and do not have any communication facility. They can be contacted through mailed questionnaire. Only thing is required that the researcher should have the postal addresses of the respondents. The questionnaire may be handed to the respondents or mailed to them, but in all cases they are returned to the researcher via mail. The cost involved is very less but no clarification can be given to the respondents if required. Respondents can answer at their own convenience. The respondents cannot be biased by the researchers and the detail information can be collected for the research purpose. Only one disadvantage this instrument gives is that the response rate is very less due to lack of interest in the topic of respondents and low literacy rate.

(d) Interview

In this method the interviewer personally meets the informants and asks necessary questions to them regarding the subject of enquiry. Usually a set of questions or a questionnaire is carried by him and questions are also asked according to that. The interviewer efficiently collects the data from the informants by cross examining them. The interviewer must be very efficient and tactful to get the accurate and relevant data from the informants. Interviews like personal interview/depth interview or telephone interview can be conducted as per the need of the study.

(i) Advantages

- In this method information can be gathered from illiterate people too.
- There are no chances of non-response as the interviewer personally collects data.
- The collected data is very reliable since the interviewer tactfully collects the data by cross examining the responders.

(ii) Disadvantages

- There is a chance of bias.
- The informants may not answer some personal questions.
- It is a time-consuming process.
- Money and manpower requirements are very high.
- Some time the interviewers are involved in pressurising respondents to share their personal information.

To study the topic of the research out of available instruments for research mainly questionnaire, interview and telephone/mobile phones have been used because these instruments were found suitable for data collection purpose. Mailed questionnaire has not been used because the need has not been felt during the study.

4. Research Methods

For collection of primary data for this research work survey and observation methods have been used. Experimental method is not found suitable for this study because the topic is a theoretical topic and there is no need to have experiments. These two methods are explained below:

(a) Survey Method

Survey is used to collect quantitative information about items in a population. Surveys are used in different areas for collecting the data even in public and private sectors. A survey may be conducted in the field by the researcher. The respondents are contacted by the research person personally, telephonically or through mail. This method takes a lot of time, efforts and money but the data collected are of high accuracy, current and relevant to the topic. When the questions are administered by a researcher, the survey is called a structured interview or a researcher-administered survey. When the questions are administered by the respondent, the survey is referred to as a questionnaire or a self-administered survey. It is an efficient way of collecting information from a large number of respondents. Very large samples are possible. Statistical techniques can be used to determine validity, reliability, and statistical significance. Surveys are flexible in the sense that a wide range of information can be collected. They can be used to study attitudes, values, beliefs, and past behaviors. Because they are standardized, they are relatively free from several types of errors. There is an economy in data collection due to the focus provided by standardized questions. Only questions of interest to the researcher are asked, recorded, codified, and analyzed.

(b) Observation Method

Observation is a complex research method because it often requires the researcher to play a number of roles and to use a number of techniques; including her/his five senses, to collect data. The observer puts himself in the actual situation and watch carefully. On the basis of his knowledge, skills and experience he collects the data without contacting the respondents. The results of observation entirely depend on the talents of the researcher. This method can be used only by expert persons in the research. Observation methods have been developed with the objective of 'observing people in their natural setting - as they go about their everyday lives. Observation methods can overcome some of the criticisms of quantitative research methods (Validity, bias etc.) and can be useful when its subject can't provide information, or can only provide inaccurate information. Out of available methods for collecting primary data, survey and observation methods have been found suitable for the topic study. These have fulfilled the requirements for data collection properly.

5. Sampling

(a) Introduction

The research is a systematic study to examine or investigate the issue or problem and find out the relevant information for solution. For study data are collected from the respondents. It is not possible to collect data from everyone of the population. Population is a very large number of persons or objects or items which is not feasible to manage. A population is a group of individuals, persons, objects, or items from which samples are taken for measurement. For research purpose a part of the population is selected. Sampling is the process in which a representative part of a population for the purpose of determining parameters or characteristics of the whole population is selected. This is called a sample. It is easier to contact a smaller part of the population for data collection. It can be done within a limited time, efforts and with minimum cost.

For selection of a sample special care has been taken that the sample is proper representative of the whole population. Every segment of the population is included but the number is not very large which may become difficult to manage within time and cost limits. For this research study purpose out of different sampling methods the stratified random sampling has been selected. The universe includes employees of different levels of selected banks located in different parts of Gujarat region. Out of Gujarat region main cities like Ahmedabad, Vadodara, Surat, Rajkot and Bhavnagar have been selected. Some of branches of various banks have been selected from urban and rural areas of these cities. Further, employees have been divided on the basis of jobs and then from each jobs persons have been selected as per availability at the time of visits. So stratified random sampling has been used for the study. Keeping in view the proper representation of every segment of population and manageable size of the sample, the sample size selected is 500.

(b) Time Duration

To carry out the study the time permitted by the University for Ph.D. research work is two years and it has been completed and submitted within the permitted time period.

(c) Statistical Tools for Data Analysis

For data analysis measures of central tendency, average, variance, percentage etc have been used. For testing of hypothesis Chi-square has been used.

(d) Hypotheses

The following hypotheses have been tested with the help of statistical tools:

(i) Null Hypotheses:

- There is no significant difference amongst selected banks regarding labour productivity ratio.
- There is no significant impact of labour productivity on business performance of selected banks.

(ii) Alternative Hypotheses:

- There is significant difference amongst selected banks regarding labour productivity ratio.
- There is significant impact of labour productivity on business performance of selected banks.

(e) Assumption

It has been assumed that the behavior of customer, employees and bank managers across India is similar. Keeping in view this assumption, data for research purpose have been collected from Gujarat region. On the basis of study conducted in Gujarat region the findings and suggestions are given.

6. Limitations of the Study

To carry out the research study the following limitations were expected and faced:

(a) Availability of secondary data from banks was difficult.

(b) Employees avoided or hesitated to give relevant data.

(c) Management did not like to share their views on the topic.

(d) Time, cost and location factors caused difficulties.

(e) Sample size might not be exact representative of the universe.

However sincere efforts have been put to overcome the limitations faced.

Chapter 3: Literature Review: Performance /Employees Productivity Management

Chapter 3.1: Performance Management

1. **Introduction**
2. **Human Resource or Employees**
3. **Definition of Employee under Various Acts**
4. **Main Characteristics**
5. **Employee Performance**
6. **Advantages of Higher Employees' Performance**
7. **Performance Management**
8. **Functions of Performance Management**
9. **Concerns of Performance Management**
10. **Benefits of Performance Management**
11. **Performance Management and Performance Appraisal**
12. **Principles of Performance Management Plan**

Chapter 3.1: Performance Management

1. Introduction

Every organization performs its task with the help of resources as men, machine, materials and money. Except manpower other resources are non-living but manpower is a live and generating resource. Manpower utilizes other resources and gives output. If manpower is not available then other resources are useless and cannot produce any thing. Out of all the factors of production manpower has the highest priority and is the most significant factor of production and plays a pivotal role in areas of productivity and quality. In case, lack of attention to the other factors those are non-living may result in reduction of profitability to some extent. But ignoring the human resource can prove to be disastrous. In a country where human resource is abundant, it is a pity that they remain under-utilized. In wording of Oliver Sheldon "No industry can be rendered efficient so long as the basic fact remains unrecognized that is human." The people at work comprise a large number of individuals of different sex, age, socio-religious group and different educational or literacy standards. These individuals in the work place exhibit not only similar behaviour patterns and characteristics to a certain degree but also they show much dissimilarity. Technology alone, however, cannot bring about desired change in economic performance of the country unless human potential is fully utilized for production. The management must therefore be aware not only organization but also employees and their needs.

The human resource is critical and difficult to manage. It is because human behaviour is highly unpredictable. It differs not only from individual to individual but often on the part of same individual at different points of time. In spite of biological and cultural similarities, human beings not only differ in their appearance but also in their capabilities based on their background, training and experience. Human resource or a person at work is the most important component of the undertaking. Management cannot afford to ignore human resource at any cost. Management is the process of efficiently getting activities completed with and through other people. The management process includes planning. Organizing, leading and controlling activities those take place to accomplish objectives. Being a branch of management, personnel management also performs the same functions towards the achievement of objectives. Different terms are used for personnel management. The different terms are labour management, labour administration, labour management relations, employee-employer relations, personnel administration, human assets management, human resources management etc. In simple sense, human resource management means employing people, developing them, utilizing, compensating and maintaining their services in tune with the job and organizational requirements.

2. Human Resource or Employees

The principal component of an organisation is its human resources or `People at work'. Human resources have been defined from the national point of view as, "the knowledge, skills, creative abilities, talents and aptitudes obtained in the population: whereas from the view point of the individual enterprise, they represent the total of the inherent abilities, acquired knowledge and skills as exemplified in the talents and aptitudes of its employees". Jucius calls these resources `human factors' which refer to "a whole consisting of inter-related, inter-dependent and interacting physiological, psychological and ethical components.

It is this human resource which is of paramount importance in the success of any organisation because most of the problems in organigational settings are human and social rather than physical, technical or economic. Failure to recognise this fact causes immense loss to the nation, enterprise and to the individual. In the words of Olivery Sheldon, "No industry can be rendered efficient so long as the basic fact remains unrecognized that it is principally human. It is not a mass of machines and technical processes but a body of men. It is not a complex of matter, but a complex of humanity. It fulfils its function not by virtue of some impersonal force, but by human energy."

People at work comprise a large number of individual of different sex, age, socio-religious group and different educational or literacy standards. These individuals in the work place exhibit not only similar behaviour patterns and characteristics to a certain degree but they also show much dissimilarity. The term `human resources' at the macro level spells out the total sum of all the components possessed by all the people, where as the term `personnel' even at the macro level is limited to all the employees of an organisation. Human resources even at the organisational level include all the component resources of all employees like managing director, board of directors, persons who work on honorary basis, experts drawn from various organisations and those people influencing the human resources of all the former groups. In short, it includes the resources of all the people who contribute their services in the attainment of organisational goals and others who contribute their services in the attainment of organisational goals.

The concepts of human resource, personnel, employees, labour force and manpower are interchangeable. We frequently use these terms one in place of the others. The term employee is most widely used and it has been defined by different authors and laws as follows:

(a) A person who is hired to provide services to a company on a regular basis in exchange for compensation and who does not provide these services as part of an independent business.

(b) Individual who works part time or full time under a contract of employment, whether oral or written, express or implied, and has recognized rights and duties is called a worker.

(c) Employment is a contract between two parties, one being the employer and the other being the employee. An employee may be defined as: "A person in the service of another under any contract of hire, express or implied, oral or written, where the employer has the power or right to control and direct the employee in the material details of how the work is to be performed." (Black's Law Dictionary, 1979).

(d) An employee contributes labor and expertise to an endeavour. Employees perform the discrete activity of economic production. Of the three factors of production, employees usually provide the labor.

(e) Specifically, an employee is any person hired by an employer to do a specific "job". In most modern economies, the term employee refers to a specific defined relationship between an individual and a corporation, which differs from those of customer, or client. Most individuals attain the status of employee after a job interview with a company. If the individual is determined to be a satisfactory fit for the position, he or she is given an official offer of employment within that company for a defined starting salary and position. This individual then has all the rights and privileges of an employee, which may include medical benefits and vacation days. The relationship between a corporation and its employees is usually handled through the human resources department, which handles the incorporation of new hires, and the disbursement of any benefits which the employee may be entitled, or any grievances that employee may have.

(f) Employee is a person who is hired for a wage, salary, fee or payment to perform work for an employer. This is important to determine if one is acting as employee when injured (for worker's compensation) or when he/she causes damage to another, thereby making the employer liable for damages to the injured party.

3. Definition of Employee under Various Acts

Employment Exchanges (Compulsory Notification of Vacancies) Act, 1959 -2B Any person who is employed in an establishment to do any work for remuneration

(a) Employee's Provident Fund and Miscellaneous Provisions Act, 1952 -2F Any person who is employed for wages in any kind of work, manual or otherwise, in or in connection with the work of an establishment, and who gets his wages directly or indirectly from the employer, and includes any person- (i) employed by or through a contractor in or in connection with the work of the establishment; (ii) engaged as an apprentice, not being an apprentice engaged under the Apprentices Act, 1961, or under the standing orders of the establishment.

(b) Employees Provident Fund Scheme, 1952 2F Excluded (i) an employee who, having been a Member of the fund, withdrew the full amount of his accumulations in the Fund under clause (a) or (c) of sub-paragraph (1) of Paragraph 69; (ii) an employee whose pay at the time he is otherwise entitled to become a Member of the Fund, exceeds five thousand rupees per month; Explanation.-"Pay" includes basic wages with dearness allowance, retaining allowance (if any) and cash value of food concessions admissible thereon (iii) (iv) an apprentice; Explanation.-An apprentice means a person who, according to the certified standing orders applicable to the factory or establishment, is an apprentice, or who is declared to be an apprentice by the authority specified in this behalf by the appropriate Government.

(c) Employee State Insurance (General Provident Fund) Rules, 1950 2(e) "Employee means a person appointed to or borne on the cadre of the staff of the Corporation, other than persons on deputation".

(d) Employee State Insurance Act, 1948, 2(10) Exempted Employee: An employee who is not liable under this Act to pay the employee's contribution; 2(9) Employee Any person employed for wages in or in connection with the work of a factory or establishment to which this Act applies and- (i) who is directly employed by the principal employer on any work of, or incidental or preliminary to or connected with the work of, the factory or establishment, whether such work is done by the employee in the factory or establishment or elsewhere; or (ii) who is employed by or through an immediate employer on the premises of the factory or establishment or under the supervision of the principal employer or his agent on work which is ordinarily part of the work of the factory or establishment or which is preliminary to the work carried on in or incidental to the purpose of the factory or establishment; or (iii) whose services are temporarily lent or let on hire to the principal employer by the person with whom the person whose services are so lent or let on hire has entered into a contract of service; and includes any person employed for wages on any work connected with the administration of the factory or establishment or any part, department or branch thereof or with the purchase of raw materials for, or the distribution or sale of the products of, the factory or establishment or any person engaged as an apprentice, not being an apprentice engaged under the Apprentices Act, 1961 (52 of 1961), or under the standing orders of the establishment; but does not include- (i) any member of the Indian naval, military or air forces; or (ii) any person so employed whose wages (excluding remuneration for overtime work) exceed such wages as may be prescribed by the Central Government a month: Provided that an employee whose wages (excluding remuneration for overtime work) exceed such wages as may be prescribed by the Central Government a month at any time after and not before the beginning of the contribution period, shall continue to be an employee until the end of the period;

(e) Minimum Wages Act, 1948. 2I Any person who is employed for hire or reward to do any work, skilled or unskilled, manual or clerical, in a scheduled employment in respect of which minimum rates of wages have been fixed; and includes an out-worker to whom any articles or materials are given out by another person to be made up, cleaned, washed, altered, ornamented, finished, repaired, adapted or otherwise processed for sale for the purposes of the trade or business of that other person where the process is to be carried out either in the home of the out-worker or in some other premises not being premises under the control and management of that other person; and also includes an employee declared to be an employee by the appropriate Government; but does not include any member of the Armed Forces of the Union.

(f) Payment of Bonus Act, 1965. 2(13) Any person (other than an apprentice) employed on a salary or wage not exceeding three thousand and five hundred rupees per mensem in any industry to do any skilled or unskilled manual, supervisory, managerial, administrative, technical or clerical work of hire or reward, whether the terms of employment be express of implied

(g) Payment of Gratuity Act, 1972. 2E Any person (other than an apprentice) employed on wages, in any establishment, factory, mine, oilfield, plantation, port, railway company or shop, to do any skilled, semiskilled, or unskilled, manual, supervisory, technical or clerical work, whether the terms of such employment are express or implied, and whether or not such person is employed in a managerial or administrative capacity, but does not include any such person who holds a post under the Central Government or a State Government and is governed by any other Act or by any rules providing for payment of gratuity.

(h) The Sales Promotion Employees (Conditions Of Service) Act , 1976 2D Sales promotion Employees Any person by whatever name called (including an apprentice) employed or engaged in any establishment for hire or reward to do any work relating to promotion of sales or business, or both, but does not include any such person- (i) who, being employed or engaged in a supervisory capacity, draws wages exceeding sixteen hundred rupees per mensem; or (ii) who is employed or engaged mainly in a managerial or administrative capacity Explanation.--- For the purposes of this clause, the wages per mensem of a person shall be deemed to be the amount equal to thirty times his total wages (whether or not including, or comprising only of, commission) in respect of the continuous period of his service falling within the period of twelve months immediately preceding the date with reference to which the calculation is to be made, divided by the number of days comprising that period of service

(i) Working Journalists and Other Newspaper Employees (Conditions of Service) and Miscellaneous Provisions Act , 1955 2(c) News Paper Employee "newspaper employee" means any working journalist, and includes any other person employed to do any work in, or in relation to, any newspaper establishment;

4. Main Characteristics

From the study of the above mentioned definitions of employee the following are the main characteristics:

(a) A person renders his or her service which is surplus with the person.

(b) Person offers the service under the terms and conditions of employment.

(c) The person gets remuneration in lieu of the services offered to employer.

(d) A variety of services are being offered by the employees as per their knowledge and skills.

On the basis of their skills and job the employees may be called unskilled, semi-skilled and skilled employees. Further as per the nature of the job performed they are classified as technical and non-technical employees.

5. Employee Performance

Every organization has been established with certain objectives to achieve. These objectives can be achieved by utilizing the resources like men, machines, materials and money. All these resources are important but out of these the manpower is the most important. It plays an important role in performing tasks for accomplishing the goals. The question arises that how these resources are utilizes by manpower. Further, the business environment is changing drastically. The environmental factors are uncontrollable. These are beyond control of management of the firms. One has to adjust with the external factors to do the business in the market. Every environmental factor like social, cultural, legal, political, economic, technology and competition gets changed very fast. For effective working the knowledge of these factors is must otherwise the plan will misfire. In present situation it is difficult to predict about anything. It is uncertain to say that what will happen tomorrow. Again the need for highly skilled and dedicated manpower is felt who can give the best output. Nowadays the markets are also very competitive and there is cut throat competition. For every organization it is difficult to start, survive, stabilize and excel in the business. The firm that gets the advantage over other competitors through their talented and dedicated manpower can take the lead in the market. The contribution of employees on job is the most important factor for development and excellence in business. The performance of employees on different jobs in close coordination is needed for success of the unit.

Employees are performing different jobs in an organization depending upon the nature of the organization. They mainly perform tasks like production, storage, manufacturing, transportation, marketing, purchasing, distribution, promotion of business, finance and accounting, human resource, research and public relations. All these activities are inter-related to achieve the targets. These are to be performed by the employees properly so they can give their best out put at the job. This will have great impact on the total production, sales, profit, progress and market position of the company in the market. Various factors like skills, training, motivation, dedication, welfare, management policies, fringe benefits, salary and packages, promotion, communication etc. are responsible to encourage the people to work sincerely and give their best output. The importance of employees' performance must be understood by the management and sincere efforts must be put in that direction. The management of the company taking timely steps in that direction will be in position to develop and motivate the people to do so. Finally the company may take the lead the market and grab the opportunities available in the market.

6. Advantages of Higher Employees' Performance

Following are advantages of higher performance to the individuals, organization, society and nation as a whole:

(a) The productivity of individual on job increases.
(b) Employee gets job satisfaction at job.
(c) Psychological problems of employees come to low level.
(d) Involvement of employees in their jobs increases.
(e) A sense of commitment and loyalty among employees develop.

(f) Employees get higher salaries and incentives on production basis.

(g) Quality and quantity of the total production increase.

(h) Sales and market shares of the company in the market improves.

(i) Profit improves and that leads to progress of the business.

(j) Good will of the organization goes high.

(k) All these contribute in the development of national economy and living standard of the society as a whole.

7. Performance Management

The main objective of human resources management is to utilize the human resources in a most optimal manner so that targets can be achieved very effectively and efficiently. For this purpose managing performance of employees as a whole is very important. Performance management takes care of this function. Performance management maintain, develop and motivate the people at work to give better results. In the present competitive situation the organasation that gives better results can survive, stabilize, grow and excel in the performance. It helps a lot in achieving the objectives of HRM. Performance management includes activities to ensure that goals are consistently being met in an effective and efficient manner. Performance management can focus on performance of the organization, a department, processes to build a product or service, employees, etc. This concept has been defined by various authors as follows:

(a) Performance management is the process of creating a work environment or setting in which people are enabled to perform to the best of their abilities. Performance management is a whole work system that begins when a job is defined as needed. It ends when an employee leaves your organization. Many writers and consultants are using the term "performance management" as a substitution for the traditional appraisal system. A performance management system includes the following actions:

(i) Develop clear job descriptions.

(ii) Select appropriate people with an appropriate selection process.

(iii) Negotiate requirements and accomplishment-based performance standards, outcomes, and measures.

(iv) Provide effective orientation, education, and training.

(v) Provide on-going coaching and feedback.

(vi) Conduct quarterly performance development discussions.

(vii) Design effective compensation and recognition systems that reward people for their contributions.

(ix) Provide promotional/career development opportunities for staff.

(x) Assist with exit interviews to understand WHY valued employees leave the organization.

(b) Performance management is the larger process of defining what employees should be doing, ongoing communication during the year, linking of individual performance to organization needs, and the evaluating of appraising of performance.

(c) Performance management involves enabling people to perform their work to the best of their ability, meeting and perhaps exceeding targets and standards. For successful performance management, a culture of collective and individual responsibility for the continuing improvement of business processes needs to be established, and individual skills and contributions need to be encouraged and nurtured. Where organizations are concerned, performance management is usually known as company performance and is monitored through business appraisal.

(d) Performance management: A framework that identifies opportunities for performance improvement through use of performance measures such as standards and indicators.

(e) Performance measurement: a process of assessing the achievement of pre-determined goals and objectives through the measurement of the following types of indicators: inputs, processes of delivery of activities and services outputs, and outcomes. .

(f) Performance management: Using a set of tools and approaches to measure, improve, monitor and sustain the key indicators of a business.

(g) Performance management: The process of quantifying, measuring, correcting and reporting system service levels.

(h) Performance management: An empirically based approach to evaluating operational, clinical and financial segments of a provider. It is a program evaluation methodology to measuring results by benchmarking internal statistics against those of empirically based standards

(i) Performance management system (PMS) is the heart of any “people management " process in organization. Organizations exist to perform. If people do not perform organizations don't survive. If people perform at their peak level organization can compete and create waves. -TVS Rao

(j) Armstrong and Baron (1998) defined it as “A strategic and integrated approach to increasing the effectiveness of organizations by improving the performance of the people who work in them and by developing the capabilities of teams and individual contributors”

(k) Performance management is ‘The development of individuals with competence and commitment, working towards the achievement of shared meaningful objectives within an organisation which supports and encourages their achievement’ (Lockett,).

a.

(l) ‘Performance management is managing the business’ (Mohrman and Mohrman,).

(m) Performance management is the process of ‘directing and supporting employees to work as effectively and efficiently as possible in line with the needs of the organisation’ (Walters,).

(n) Performance management is the process of creating a work environment or setting in which people are enabled to perform to the best of their abilities. Performance management is a whole work system that begins when a job is defined as needed. It ends when an employee leaves your organization.

The PM approach is used most often in the workplace but applies wherever people interact—schools, churches, community meetings, sports teams, health setting, governmental agencies, and even political settings. PM principles are needed wherever in the world people interact with their environments to produce desired effects. Cultures are different but the laws of behavior are the same worldwide.

8. Functions of Performance Management

The performance management is mainly concern with the performance of the people, systems and organization. To achieve this objective performance management performs a variety of functions. These functions are summarized below:

(a) Create Healthy Work Environment

HR or performance manager works with the people. Their objective is to create an environment of openness, trust, mutual understanding, team spirit and cooperation. In this environment only the manpower can be utilize more effectively to contribute to organizational goals. They create environment with the help of HR policies, day to day dealing, rules and regulations regarding leaves, welfare, promotion, discipline, incentives, training etc. It creates confidence in persons to work without worry.

(b) Develop Performance Plans

Management goes for planning of the job, competencies required for performing the jobs and standards required for performance of the jobs. It includes job description, job specification and fixation of job performance standard. Through these plans only the type of person required can be ascertained.

(c) Selection of Appropriate People

To carry out the various types of jobs in the organization manpower is needed. The required type and number of people are to be selected from the aspirants. So they may be made available at right place in right time for accomplishment of the tasks at required time. This is possible through proper recruitment and selection of employees.

(d) Decision Regarding Performance Standard

Performance management as a function of human resource management, The management takes decision regarding the required standards of the performance in consultation with top level management, head of departments and experts or consultants. They consider the lowest, highest and average performance of the people at work. After detail discussion the most realistic standards are fixed by the management.

(e) Plans for Development of Employees

Performance management is interested for development of both employees and organization. With the development of one is the development of both. He conducts orientation of the persons, provides education, and finds out the need for training and conduct training programme for development of skills, knowledge and competencies. This can contribute in improvement of the performance of persons and company.

(f) Measurement of Performance

After planning and development activities the next task of performance management is to measure the performance of the people at work. For measurement of performance the different criteria has been fixed such as output per hour/shift quality of work, behaviour, discipline, level of commitment etc. This helps to find out the poor and good performers out of the lot. On the basis of the measurement of performance further remedial action can be taken.

(g) Conducts Performance Feedback

After measurement of performance of all employees the management finds the slow moving persons. The objective of performance management is to find out the reasons for slow going. They conduct coaching session for such people and give feed back to them. They suggest ways to improve their performance also. This clarifies many doubts of the employees. It helps a lot the persons to understand their caliber and difficulties. Through the coaching and counseling session the attitude of the employees is changed positive.

(h) Design Compensation, Recognition and Reward System

Through performance appraisal system the slow and fast working persons are identified. As per the output the management designs the compensation, recognition and reward system. For good performers the incentives are designed as per the output. They are given better incentives whereas slow working persons may be given less incentives or may be denied. Good performers' tasks are recognized by giving appreciation letter, prizes or rewards. Sometime they may be considered for further promotion also. This keeps on motivating the people whether a slow or fast working person.

(i) Contributes in developing good will

By performing the functions like creating good working environment, planning for performance, measuring performance, providing performance feedback, designing suitable compensation, recognition and reward system the management helps in improvement of the performance as a whole. The work related employees problems are shorted out. IT gives a sense of confidence and motivation among persons. These persons create publicity by words of mouth in side and in the public out side. It contributes a lot in creating high goodwill of the company. Provide promotional/career development opportunities for staff.

According to TVS Rao the performance management system includes the following actions:

(i) Identifying the parameters of performance and stating them very clear.

(ii) Setting performance standards

(iii) Planning in participative ways where appropriate, performance of all constituents

(iv) Identifying competencies and competency gaps that contribute/hinder to performance

(v) Planning performance development activities

(vi) Creating ownership

(vii) Recognizing and promoting performance culture

9. Concerns of Performance Management

Performance management is an important function of human resource management. HRM is mainly interested for proper utilization of manpower and contribute to a good extent in achieving the objectives of the organization. In nutshell, it can be said that through better performance it is to make the organization more effective in the present competitive situation. The following are the main concerns of performance management:

(a) Concern with Productivity

It is first of all concerned with the out put per person/system/machine/group It is concerned with the results achieved, the performance of activities, competencies needed to perform these activities from every individual, group or tem/ department and organization as a whole. In present uncontrollable, risky and rapidly changing environment it is difficult for every one3 to survive, stabilize, grow and excel in their performance. Those who are in position to give excellent performance they are leader in the market. They are only grabbing maximum opportunities. Performance management is mainly concerned for better result through processes, input and required competencies. It is possible through planning, developing, measuring and review of the performance of every one. Performance management plays an important role for effective working of HR management.

(b) Concern with Planning of Performance

Performance management is concerned with planning of the performance of people at work for better result in future. This means defining expectations expressed as objectives and in business plans. It plans the roles of everyone, standards of performance to be given in advance so that the actual performance can be compared with these standards. The performance of individual or group is aligned with the goals of the organization.

(c) Concern with Performance Measurement and Review

The next concerned of it is to measure the output of individuals and systems periodically. Further it is to compare with the standards already fixed . This shows the position of the performance whether the result is in the required direction or not. If the result is as per the planning then it is to be maintained otherwise it needs the remedial action for improvement. This position must be reviewed further for better result also Though this concern many irregularities will be removed and there may be better and smooth performance of everyone concerned in achieving the objective of the organization.

(d) Interest in Continuous Improvement

Performance management philosophy is based on innovation in every area of the organization. Concern with continuous improvement is based on the belief that continually striving to reach higher and higher standards in every part of the organization will provide better performance and will be in position to give competitive advantage to the organization over its competitors This means clarifying what organizational, team and individual effectiveness look like and taking steps to ensure that those defined levels of effectiveness are achieved. As Armstrong and Murlis said that helps in establishing a culture in which managers, individuals and groups take responsibility for the continuous improvement of business processes and of their own skills, competencies and contribution.'

(e) Concern with Continuous Development

It follows the Japanese concept of Kaizen. Performance management is concerned with creating a culture in which organizational and individual learning and development is a continuous process. HR managers are putting their efforts for creating a healthy working environment for every one. That is very helpful for learning and work. People learn from success and face the challenges in their routine functioning.

10. Benefits of Performance Management

Performance management is a very important part of human resource management. The focus of it is on development aspects of individual and organisation performance. The approach of performance management is positive. In present highly competitive environment, a high degree of skill and commitment is needed to understand the environment and perform accordingly. Everybody is benefited by actions of performance management. It is bit difficult to summarise the benefits of it in detail. It is possible to get all employees to reconcile personal goals with organizational goals. One can increase productivity and profitability for any organization and that leads to progress of the organisation. It can be applied by organisations or a single department or section inside an organisation as well as an individual person.

The process is a natural, self-inspired performance process and appropriately named the self-propelled performance process (SPPP).It is claimed that the self-propelled performance management system is:

(a) The fastest known method for career promotion;

(b) The quickest way for career advancement;

(c) The surest way for career progress;

(d) The best ingredient in career path planning;

(e) The only true and lasting virtue for career success;

(f) The most neglected part in teachings about management and leadership principles;

(g) The most complete and sophisticated application of performance management;

(h) The best integration of human behaviour research findings, with the latest management, leadership and organisational development principles;

(i) The best automated method for organisational change, development, growth, performance and profit;

(j) The quickest way for career building, career development and moving up on the stepping stones of the corporate career ladder;

(k) The surest and fastest way for increased motivation, productivity, growth, performance and profitability for both the individual and the organisation;

(l) The best career builder and career booster for any career; and inspirational, as it gets people moving, makes them self-starters in utilising own talents and initiative, automatically like magic.

It helps in creating good working environment of openness, mutual trust, cooperation and team spirit. People work with their high degree of motivation and without work stress. In healthy working environment people work in team and that leads to multidimensional benefits to individuals, teams, departments, sections, divisions and organisation as a whole.. The benefits of it are numerous and these are financial and non-financial both. Managing employee or system performance facilitates the effective delivery of strategic and operational goals. Following are the gains from performance management:

(a) Financial Gains

Financial gains from performance management are following:

(i) Improve productivity and production of the company.

(ii) Reduce costs due to sincere and skilled manpower.

(iii) Complete the projects well in time because every one is giving his best performance at work.

(iv) Aligns the organizational and individuals goals and that avoids all delays in performance.

(v) Through proper and timely communication the objectives are clarified and desired action can be achieved from employees as management wants.

(b) Non-Financial Gains

Following are non-financial gains from performance management:

(i) Healthy working environment avoids work stress of the employees,

(ii) Optimizes incentive plans to specific goals for over achievement, not just business as usual

(iii) Employees feel satisfied when the working environment is friendly.

(iv) Employees get chance for further career development, training and promotion etc.

(v) A sense of belongingness, attachment and commitment develops among employees.

(vi) It leads to a high degree of motivation in employees and further creates a sense of loyalty towards the organisation.

(vii) Persons understand the importance of their roles and get engaged in contributing to the organisational goals.

(viii) Create transparency in approach and dealing among employees.

(ix) High confidence in organisation and its different processes like salary, bonus, promotion etc.

(c) Effective Management Control

(i) Approach of person is flexible, responsive to management needs and performing the tasks.

(ii) Displays better data relationships

(iii) Helps to comply in inspection, audit and other legal

(iv) Simplifies communication of strategic goals and gets involvement of lower level employees too.

11. Performance Management and Performance Appraisal

Performance is often defined simply in output term that is needed for achievement of pre-decided goals. Performance is concerned what job is done, how it is done and what has been achieved. The Oxford English Dictionary confirms this by including the phrase ‘carrying out’ in its definition of performance: ‘The accomplishment, execution, carrying out, working out of anything ordered or undertaken.’ High performance is the outcome for positive behaviour, proper use of knowledge, skills, ability, capability and competencies. Performance management must examine how results are attained because this provides the information necessary to consider what needs to be done to improve those results. The concept of performance has been expressed by Brumbach as follows: ‘Performance means both behaviours and results. Behaviours are the product of mental and physical efforts applied to tasks and that can be observed apart from the result from the job. This definition of performance concludes that when managing performance both inputs (behaviour) and outputs (results) need to be considered. In present turbulent and highly competitive business environment the question of survive and grow matters a lot. Management is under pressure to increase the productivity of everyone so that competitive advantage over competitors can be achieved. This is the main objective of performance management.

Performance management is a process for establishing a shared understanding about what is to be achieved and an approach to managing people that increases the probability of achieving success (Weiss & Hartle).

It is about the everyday actions and behaviors people use to improve performance in themselves and others. It cannot be divorced from the management processes that pervade the organization. Performance management is the process of creating a work environment or setting in which people are enabled to perform to the best of their abilities. Performance management is a whole work system that begins when a job is defined as needed. It ends when an employee leaves your organization. The overall goal of performance management is to ensure that the organization and all of its subsystems (processes, departments, teams, employees, etc.) are working together in an optimum fashion to achieve the results desired by the organization. Performance management strives to optimize results of everyone and results of the organization. Any focus of performance management within the organization (whether on department, process, employees, etc.) should ultimately affect overall organizational performance management as well.

Achieving the overall goal requires several ongoing activities, including identification and prioritization of desired results, established means to measure progress toward those results, setting standards for assessing how well results are achieved, tracking and measuring progress toward results, exchanging ongoing feedback among those participants working to achieve results, periodically reviewing progress, reinforcing activities that achieve results and interviewing are also measures. Organisation is established to achieve certain objectives. Achievement of goals or targets depends upon the performance of individual employees. Hence it **is** quite necessary to understand as to what extent employees have been successful at their jobs for achievement of their goals. Thus performance appraisal forms an important part of HRM. This necessitates the study of the topic of performance appraisal.

"It is the evaluation or appraisal of the relative worth to the company of a man's services on his job." (Alford and Beatty)

"Performance appraisal is a systematic periodic and impartial rating of employee's excellence in matters pertaining to his present job and to his potentialities for a better job." (Flippo)

Performance appraisal is mainly used for three purposes. (i) As a basis of reward allocation such as salary increments, promotion and other rewards etc. (ii) Performance appraisal will point out the weaknesses of employees and will spot the areas where development efforts are needed. Performance appraisal is a tool for identification of deficiencies. (iii) It can be used for the selection and development programme. It will differentiate satisfactory performers from unsatisfactory ones. The performance appraisal will help the management to perform functions relating to selection, development, salary, promotion, penalties, lay-off and retrenchment.

It is sometimes assumed that performance appraisal is the same thing as performance management. But there are significant differences. Performance appraisal can be defined as the formal and periodical assessment and rating or ranking of individuals by their managers or immediate supervisors at, usually, an annual review meeting. Where as performance management is a continuous, broader, more comprehensive and natural process of management that clarifies mutual expectations, emphasizes the support role of managers who are expected to act as coaches rather than judges and focuses on the future. Performance appraisal has been criticized by people because here approach is like bureaucratic and top- down under the control of human resource managers. It was often backward looking, concentrating on what had gone wrong, rather than looking forward to future development needs. Performance appraisal schemes existed in isolation. There was little or no link between them and the needs of the business. Line managers have frequently rejected performance appraisal schemes as being time consuming and irrelevant. Employees have resented the superficial nature with which appraisals have been conducted by managers who lack the skills required, tend to be biased and are simply going through the motions. As Armstrong and Murlis assert, performance appraisal too often degenerated into 'a dishonest annual ritual'. The differences between them as summed up by Armstrong and Baron (4) are set out in Table 1.1.

Table 3.1.1 : Performance Appraisal & Performance Management

Performance appraisal	Performance management
(a) Top-down assessment	Joint process through dialogue
(b) Annual appraisal meeting	Continuous review with one or more formal reviews
(c) It is a part of performance management process	It is a wider concept than appraisal
(d) Use of ratings and ranking	Ratings less common
(e) Monolithic system	Flexible process
(f) Focus on quantified objectives	Focus on values and behaviour as well as objectives
(g) Looks back to find out what has gone wrong in performance.	Looks forward for further development
(h) Often linked to pay	Less likely to be a direct link to pay
(i) Bureaucratic paperwork	Documentation kept to a minimum
(j) It is carried out by immediate Supervisors	Line managers are involved and in discussion with experts and consultants

12. Principles of Performance Management Plan

For effective working of performance management, management must keep certain guidelines in mind. These guidelines may help in proper working and avoid much confusion during work. Experts have suggested the following principles:

(a) Continuous Coaching, Feedback and Communication

Performance management is considered a continuous process, not an event. For its proper and effective working the principles of continuous coaching and feedback are integral to success. These will definitely coordinate the related activities properly.

(b) Effective Communication

The Performance Management Plan gets involved line managers, supervisors, experts and consultants. To coordinate between them a proper timely and effective communication is needed. If is not there the objective of the plan will be defeated. It will ensure mutual understanding of work responsibilities, priorities, and performance standards and measurements.

(c) Discussion and Evaluation

Discussion and evaluation of specific job should be there. The discussion and evaluation should be regarding nature of jobs, tasks, competencies needed to perform these jobs, major duties and responsibilities and the performance standards. These must be specifically defined and communicated as the first step in the process.

(d) Performance Standards

Performance standards for each major duty / responsibility must be defined and communicated to all concerned. These standards are to be decided in mutual discussion with line managers, manager in charge of the job, persons performing the jobs, in house experts and consultants. Through detailed discussion the lowest, highest and average performance of the performers are to be taken in to account before finalizing the performance standard. These must be feasible to achieve by an average performer.

(e) Employee Involvement and Development

The performance management revolves around the manpower. The management must kept in mind that they must be involved the it and efforts must be there for their development and improvement of performance at work They must be motivated to develop their competencies, involve in the jobs and give best output to contribute in achievement of the organizational goals. Without proper involvement and development of employees it is not at all effective.

(f) Fair Performance Evaluation

The evaluation of the performance of people at work should be carried out timely. It should be fair without favour and fear. If it is done so then the exact poison of the performance given by the employees will be clear. Otherwise misguiding result will be there. The very objective of the performance measurement will not be served. The performance evaluation should not be frequent but at least annually it should be carried out because it is time and efforts consuming.

(g) Proper Documentation

The principle of proper documentation should be considered an important principle for effective working of the plan. The plan should be drawn and documents should be prepared. It should be communicated for all concerned who have been identified. The development, recognition, compensation and reward plan should be in black and white. Proper records are to be maintained. Further, proper documents of performance appraisal are needed for further remedial action. It these are not prepared then whenever confusion is there the documentary evidence cannot be given and management has nothing to refer in case of doubts arise regarding past decisions taken

(h) Performance Evaluation for Every One

The performance appraisal of all employees should be carried out. It is not only applicable to lower and middle levels. It should be applied to the top level also. The senior level performs must be evaluation on the basis of the successful administration of the plan and ongoing performance management responsibilities

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(i) Training for Managers, Supervisors and Employees

The training should be made available for everyone in the organization. It should be encouraged. It will keep the knowledge of the persons up to date. With changing technology, working procedures and new methods the present competencies becomes outdated. This has the effect on the performance. Special importance must be given for training of all levels people.

(j) Consistent Performance Management Plan

The plan should be consistent. It should not be changed frequently. Further, should be consistent with federal and state laws. If proper attention is not given to this principle then confusion can be created among people those who are involved in performance management directly or indirectly.

3.2: Performance Management Process

1. **Introduction**
2. **Steps in Performance Management Process**
3. **Characteristics of Performance Management Process**
4. **Roles of Supervisors, Employees and Reviewers**

3.2: Performance Management Process

1. Introduction

Process can be explained as a set of activities and these activities are arranged in a logical sequence of occurring. The sequence of activities cannot be disturbed. If it is disturbed then the function cannot be performed out of sub activities performed. The activities in performance management are similar to the other process in organisation like planning, organising, controlling and management by objectives. In it a set of activities are involved. To perform the functions of performance management these activities are to be carried out in their required sequence. The performance management process requires many ongoing activities in the organization.. This includes identifying and prioritizing goals, defining what constitutes progress towards goals, setting standards for measuring results, and monitoring performance, counseling, coaching, communication, motivation and feedback of performance to employees, review of performance, development plans, implementing effective goal-oriented activities, and intervening to create improvements when needed. For effective working of this process, business performance management software is mainly used in organizations.

The performance management process focuses on overall performance of the unit. Great importance is given to the activities above mentioned for effective accomplishment of the goals of the organization on the methods In most of the orgnisations these activities are performed but it is not hard and fast for every organization. The steps in the performance management process may vary from one organization to another organization. But special focus will be given to the activities of higher priority. Most programs include certain core activities working from the highest level of the organization down to the smaller components. The performance management process can be explained the diagram shown below:

2. Steps in Performance Management Process

After depth study of various organisations, it is found that in every organisation different steps have been taken and there is no similarity in steps in performance management process. It entirely depends upon the requirement of the organisation and the management working pattern. Some organisations take help form the consultants and some are having their own internal experts for scanning the business the business environment, identifying and prioritizing the goals, fixing responsibility and accountability, expected performance standards and many more work related aspects. In large roganisation mostly the below mentioned steps are followed but in small and further smaller organisations some of the steps may be or may not be followed. It is summarised that the following steps have been involved in different organisations in general but exactly not similar in all:

(a) Step 1: Planning

Planning is the process in which the future course of actions has been decided in advance. This helps in giving the direction while performing the tasks. Without planning the objective of doing the work will not be clear. There may be many confusions such as what is to be done, how it is to be done, when it is to be done etc. That is why to go for performance management process the first step will be planning. The first step during which the supervisor and employee accomplish will discuss regarding current business environment, mission of the organization, present goals, and jobs to be performed for achieving goals. Methods of performing the jobs, competencies needed performance standards and assigning the responsibility and accountability of employees. Planning stage will make the whole process working smoothly. In the beginning the performance management will go for planning of the following items:

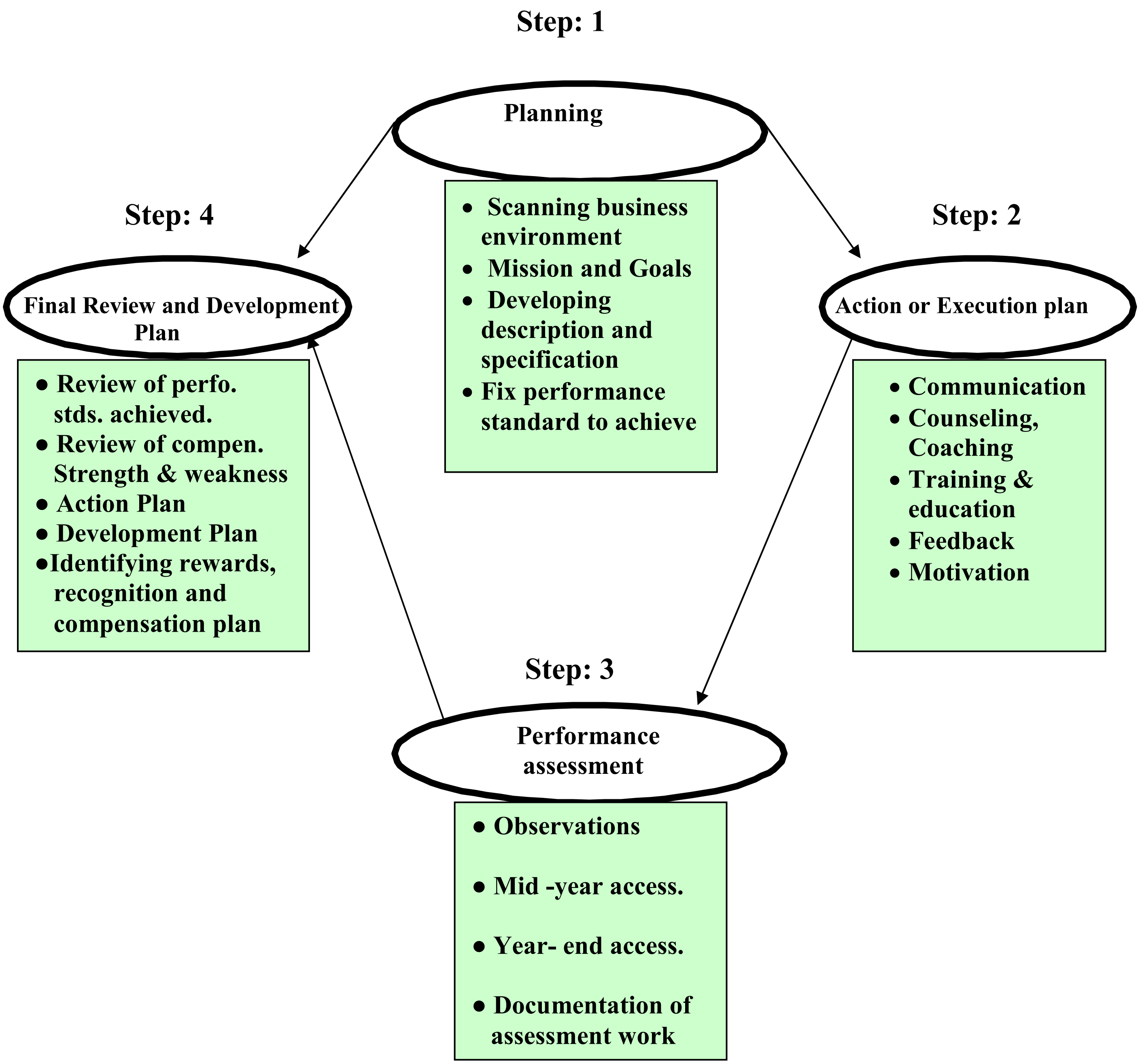


Diagram 3.2.1: Performance Management Process

(i) Scanning of business environment: Every business is carried in an atmosphere or surrounding. That is called business environment. There are internal and internal factors of it. The internal environmental factors are within control of the management where as the external factors like social, cultural, economic, legal, political, technology and competition etc, are beyond control of management. These factors are uncontrollable and out of reach of management to control. They change very rapidly and create a lot of uncertainty. A high degree of risk is involved in the business. For proper and effective planning the study of environment becomes inevitable. The study of these factors is to be carried out and try to find out the threats and opportunities for the business of the company. This will provide inputs to the planning for performance management.

(ii) Mission and goals: Every organisation has been established with an objective in the business. The mission shows the objective of existence in the business. To achieve the objectives the certain goals or targets are to be fulfilled. The goals are to be decided for everyone concerned. The goals can be for individuals, team, section, department and organisation as a whole. The managers, supervisors, and employees through discussion will agree for the goals to be achieved. The special care should be taken that the goals should be realistic and feasible to achieve. These should not be beyond capacity to achieve.

(iii) Developing job-description and job specification: To fulfil the goal requirement the certain tasks are to be decided. What jobs are to be performed and how these will be performed. First of all the jobs profile is to be prepared. The work, jobs and tasks are to ascertained. The decision is to be taken regarding the major work, its components, level of responsibility, reporting system, location of the jobs and sub jobs etc. Next, the procedure or method of doing the jobs is to be finalized. In method the involvement of manpower, machines, equipments and steps for performance of jobs are to be decided. After finalizing jobs and methods of doing the jobs, the job specification is to be finalized. For performing the skills, knowledge, educational qualification, work experience, attitude, ability, capability, the level of risk involved etc. are to be discussed and finalized. If the required competencies are available then it is alright. Otherwise efforts should be there to find out how the required competencies can be acquired and developed. Finally in this the job responsibility and accountability of everyone is to be agreed and fixed. This will give the clear guidelines regarding the jobs is to be performed, method of performing the job, competencies required for performing the jobs, responsibility and accountability of the jobs.

(iv) Fixing performance standard: For accomplishment of the goals the jobs are to be performed. Now, what level of performance is expected from the employees is to be discussed. For fixing the performance standard the comprehensive discussion should be there among managers, supervisors, employees, experts in house and consultants. The performance standard should be feasible to achieve. These should not be very low or high. The performance of slow, fast performer may not be suitable for everyone. That is why the average performance should be taken into account. Performance Standards are the statements that specify what constitutes good work. The all concerned persons involved in fixing performance standards develop the list of specific job tasks, and then they write statements that specify how the quality of the work will be determined. The performance standards should be specific, measurable, attainable, relevant and time-based. The performance standards should be decided regarding the quality of work, quantity of output, with reference to the time taken, manners of work performed, method of doing the tasks, behaviour and costs involved in performing the jobs. These will give a clear idea to the supervisors and performers regarding what are expected from them on job.

(b) Action or Execution of Plan

After planning of performance management the next step is action or execution of the plan. If the plan is good and not implemented properly the result will be poor and poor plan implemented strongly then many irregularities can be overcome. This stage is very important. In execution stage, the actions are to be taken simultaneously with work. The action regarding communication of performance plan, coaching, training and education, motivation and feedback of the performance should be taken by the managers or supervisors responsible for the jobs. Whatever has been planned by the authority, must be communicated to all concerned regarding objectives, jobs, methods or procedures, competencies, goals, responsibility and accountability and performance standards expected from the performers. This will help a lot in understanding the requirements and confusions will be avoided. This will help to get the support of everyone concerned. The objective of the planning will be made easier to achieve if proper, purposeful and timely communication has taken place. When the need for training and education has been identified, the sincere efforts should be put to train and educate the people on and off the jobs. This will help to develop knowledge, skills and competencies of the employees. The trained people will get confidence in the jobs, confidence will give better performance and it will give further the job satisfaction to the job performer.

During the work there may be many difficulties faced by the employees. The manager or supervisor must coach and guide the persons if any problem is faced. The problems are to be solved on the spot. The proper coaching must be carried out regarding the system, its parts, performance procedure, and most likely difficulties faced on the jobs. This will avoid confusion on the spot and performance will improve. This finally will give job confidence and satisfaction to the performers. Another important action during the work is motivation of the employees. They employees must be motivated by the managers and supervisors by giving timely support, proper behavior of supervisors showing interest in jobs of juniors, rules and regulation are implemented with human touch. The motivational aspects will create a desire to work strongly on the job. It will contribute to improve the performance standard related to quality and quantity of output, time, cost and manners. This is the ultimate goal of the performance management process.

Talented and motivated workforce can create a wonder for the organization. This may give the multidimensional benefits to the organization. Finally the image of the unit may be created and developed further. When the persons are assigned the jobs and they start performing, they themselves do not know how they are performing. Time to time they must be informed by the supervisors regarding what they are doing and how they are doing. Getting feedback the confusions can be clarified. If any problem is faced or confusion is there then action can be taken by them during the work. This problem will not prolong. People will work without any work stress. If the managers and supervisors are taking these actions in time, the ultimate goal of improving the performance will be achieved undoubtedly.

(c) Performance Assessment

The next phase will be performance assessment or appraisal. After planning and execution of the plan it becomes necessary to see whether the job is performed as per the planning and guideline. The performance is to be reviewed. If it is not done then the employees and managers will not take interest in the whole process of performance management. The performance will be assessed during the work, mid of the year and finally at the end of the year. It is a difficult work to be done properly. The following jobs are to be done in the assessment of performance:

(i) Observation: Under planning the works have been assigned to the employees. The employees have been communicated, guided, motivated and feedback taken time to time from them. Further, it is to be seen whether they are doing the work as per expectation and goals set. The managers and supervisors will observe the working on day to day basis. Whenever they visit to the work, discuss the issues with the employees or interacting, they must observe the attitude, interest, manner, approach, involvement and out put given on shift or daily basis. When employees interact with their peers, supervisors, managers, vendors, clients and other staff members, the information should be gathered on day to day basis regarding their behaviour and performance. This will help in assessing the performance of the employees.

(ii) Mid year assessment: The performance review takes place twice during the year. During the Mid-Year Review, performance is reviewed almost after six months. It is to be done without writing down the comments in the assessment report. At this stage no documentation is required formally. During the review the work done by the person, difficulties faced during the work, competencies shown, discipline, type of behaviour expressed and level of commitment give should be recorded. Through observation the information gathered will help the supervisor toe prepare the mid year assessment report. After report a review meeting is to be conducted. For this it should be communicated to all concerned. Through mutual discussion the date and time for the review meeting will be decided. It should be communicated to all concerned .At the specified date, time and venue the review meeting will be conducted. The focus of the review meeting will be on overall performance and interruption will not be allowed during discussion. The supervisor should explain the purpose of conducting the meeting, present overall assessment of employees. During discussion if any doubt is there then it should be clarified. At the end of the meeting the supervisor should assure the employees for help regarding the assessment problems and must thank to all participants for their participation. After the meeting the final performance review form is to be filled up and the responses and comments from supervisors and employees should be summarized. The members should be encouraged to give if they have any other comments. Finally, the complete report is to be signed by the supervisor and members. T he proper file is to be maintained for further reference.

(iii) Year end assessment: On completion of the year the performance assessment is to be carried out. In every organization the appraisal practice is adopted. This brings the success, failure and obstacles faced during the year to the knowledge of managers and employees. All work related aspects are considered for evaluation of the performance. The performance appraisal is generally done by supervisors, self, peers, juniors and all who are directly or indirectly attached to the employees relating to the work. The major difference between the two review is that that no results or ratings are put on the paper in mid year review. The supervisor should tell the employee that the mid-Year review explains the present result and it is the preparation for the final assessment. For year end assessment the supervisor should collect the information and motivate the members to get involved actively so that the better result can be achieved. They can raise questions regarding new ideas for development of performance, career development and examples for achievements. The employees should explain the situations beyond control of the employees and these should not be considered for appraisal. For final appraisal different criteria like job proficiency, attitude, discipline, behaviour with other persons, competencies on job, leadership, team-spirit etc. are generally considered. These may vary from organization to organization. Supervisor must motivate the persons for self-appraisal. The appraisal form will be filled by the supervisor. He must take proper time to study the work of every one before giving result or rating. Proper care should be taken to give fair and impartial assessment. Generally the **following errors** are likely to take place in assessment:

- **General bias errors** – It depends upon the attitude of the assessor. Some may be very strict and other may be very liberal during the assessment work. They may not consider the actual performance of the employees for assessment work. It affects everyone in general.
- **Halo effect** – During assessment when the assessor considers or gives importance to one criterion of the assessment and ignoring the other factor, the error is likely to take place.. This is called halo effect. It gives wrong assessment of the employees.
- **Relation rating error** –When one task is related to another task then the assessor gives importance to that logical relationship more.. It creates the error in the assessment.
- C**ontrast and similarity errors-** The assessors assess the other employees based on their own assessment. The assessment may be similar or contrast to assessment of the employees.
- **Central tendency errors-** When the evaluator does not take the extreme steps for evaluation. He avoids the extreme two ends. He follows the central path and gives and average rating for the performance. The range of assessment is very narrow. It dissatisfies the excellent performers but protect the poor performers also.
- **Proximity errors** - when raters assess one high side then he assesses others also high side this is called proximity error. He wants to justice with every one but in the beginning he has done the assessment on wrong side and that affects the whole assessment.
- **Rating inflation-** when supervisor's rating goes very high without any reason is called inflated rating. The supervisor should make that the ratings are on fact basis and not based on emotions or feeling of individuals.

There is no hard and fast rule that these errors will take place with every assessor. But these are like to affect the assessment work of the assessors .The assessors should keep these points in mind and review the rating errors on regular basis. If the proper care is taken then the assessment work will be adequate. Accountability can be rated as, does not meet standards, needs improvement, meets standards or exceeds standards. One each rating the assessor is supposed to give clear comments on the appraisal form. For example if the person exceeds standard them comment should be," very good, keep it up in future also". Similarly the other criteria like behaviour, leadership, quantity and quality of output, discipline, commitment to the work, level of competencies etc. are to be rated. Finally the overall performance of the employees is to be rated. It should be followed by the comments from the assessor. The assessor is to sign the assessment form and submit to the concerned cell in HR department.

(iv) Documentation of assessment: In performance assessment stage the final activity is to be performed is documentation. This activity is very important. In this the assessors have to fill up the assessment form. It should signed and if needed should be sealed. The rating of the performance is to be kept confidential. Proper care should be taken so that the documents should not be tempered or altered by anybody. This document will be reference for review meeting for development plan preparation. The remedial or development action will be taken on the basis of the assessment report. The assessment report should be in black and white. The oral assessment report is not going to serve the purpose. The person who is experienced in maintaining the documents must be consulted. Further, the storage of the documents also should be taken care of. If proper care is taken in preparation, signature, communication and storage of documents the further planning work will become very easy.

(d) Final Review and Development Plan

After performance assessment at the end of year the management go for final review of the performance They review of responsibility and accountability, performance standard achieved, the competencies the employees possess, leadership quality shown, discipline during work, team work, level of commitment and comments from supervisors and employees will be studies in detail. The efforts should be put by the management to find out the weak point s in the process and work on that so that for future there should not be any problem. The very objectives of the performance management should be achieved. Timely and prompt action can be initiated to control the problem in the beginning itself. The management should have the proactive approach regarding the performance management process. The final review and development stage must involve the following activities:

(i) Review of performance standard achieved: In the performance assessment the appraisal has been done. That performance will be reviewed. There may be better performance standard the employees have achieved but management is having innovative approach to look forward and find out how the performance can be achieved better over the present performance standard.

The jobs have been assigned to the employees to perform. There accountability has been fixed to perform and they are answerable to the management. How far they have achieved or fulfilled the responsibility. The standards of the performance in terms of quality, quantity, discipline, leadership, initiative in problem solving, costs etc. will be reviewed. The comparative study will be carried out to find out the deficiencies in these criteria. The management will suggest the points to improve further if any deficiency is found in the assessment. Further the management will review the consequences of the present performance in future in highly competitive situation in the markets. Management is not interested to take any chance of failure in the efforts.

(ii) Review of competency strengths and weakness: The different types of jobs are being done in an organization as per nature and size of the organization. To perform these jobs a set of competencies is required. In competency we may include skills, knowledge of job, ability, capability, attitude, behaviour etc. Management will see that the people selected for the jobs to perform are right type of people. They are having these competencies or not. If they are having then they expressed these during the work or not. The difficulties faced by the employees during the year while performing the jobs will be reviewed. They will find out why the difficulty has been faced and who faced on which job. Further, the areas where the employees have shown their required competencies and did not face the problems will be reviewed. From these review the management will pin point the areas where the development is needed. The suitable steps will be taken or suggested for improvement.

(iii) Action plan: On the basis of performance assessment the review committee will have the input relating to the performance standard, competencies, difficulties, behaviour, discipline, commitment, initiative etc. On the review of these where the deficiencies are found out the action plan will be prepared. If the performance standard has not been achieved the jobs and performs will be under the action plan for improvement. The plan will be prepared for improvement in standard on the job and of individuals. If any person is not having good behaviour, discipline or initiative in the work then the corrective action will be suggested against those persons. If the competencies are not shown by the persons then steps will be initiated against them to correct them. If there is not problem with the manpower but problem is found out with the machines then the corrective steps will be suggested to improve the availability of the machines for use through proper maintenance of the machines. The action plans will be prepared to remove the problems with the machines, materials, manpower, and working procedures.

(iv) Development plan: From the review of the performance assessment or appraisal the review committee gets the input for development plan. The experts are having the prevailing knowledge of the prevailing market conditions and business environment. They get the update knowledge about environmental factors like social, legal, economic, political, cultural, technology and competition. They are informed regarding the threats and opportunities for the company business in the national and international markets. To survive in new business, grow and stabilize in the existing business and further where the company is doing well to excel in performance, the development plans are prepared by the review committee. The committee can prepare development plans for training, education of employees, arranging refresher courses for existing employees, changing of working procedure, on replacement of technology totally fresh training programme, leadership development programme, customer orientation programme and many more programmes can be included in the development plan as per the need of the time. The main objective of development plan is to keep the organization young and more effective to do the business effectively and efficiently in the present cut throat competitive market situation.

(v) Identifying rewards, recognition and compensation plan: During the work assessment some of the employees have achieved the standard more than expectation. They must be identified and plan for their rewards and recognition should be prepared. Their efforts should not go unnoticed. Their efforts should be recognized and accordingly they should be appreciated. Further the compensation plan also should be prepared. The company is getting better results, sales and profits. Out of these the employees should be paid. The payment can be made in different forms. It depends on the compensation plan of the review committee. This will contribute to improve the morale and motivation of the people. This will enable them to create interest to do the work. The many labour problems can be avoided. Further it will make the things easier for the management to achieve the standard of performance. Ultimately it will contribute a lot in accomplishment of goals of the organization decided. The objective of the organization will be fulfilled.

3. Characteristics of Performance Management Process

From the study of performance management definitions and steps involved in performance management process, nature and practices followed in different organization in different sectors and sizes the following characteristics have been found:

(a) Continuous Process

The performance management is a continuous process. It involves communication from top to bottom and feedback from bottom to top. It takes place round the year. The process cannot be completed with in a short period. When one year performance process is completed then it starts for the next year. It is a never ending process. There are continuous dialogues between supervisors, managers and employees regarding communication, coaching, counseling, motivation and feedback. The objective behind these dialogues is to make the people to understand and perform as per the expectation so that the goals can be achieved.

(b) Use of Ranking and Ratings

In this process for evaluation purpose repeatedly and ranking and ratings have been used for different factors. The ranking and ratings are used for communication, coaching, performance standards, behaviour, discipline, level of commitment to achieve the tasks, leadership quality shown, initiatives taken for problem solving etc. There are different ratings and rankings required for completion of the assessment work. For example meets standards/ does not meet standards/ exceeds standards or first, second, third, fourth ranking in the lot.

(c) Focus on Behaviors

The tasks have been assigned to the employees and their accountability has been fixed. While performing the tasks the employees express their actions and reaction relating to the work. It is called the behaviour of the persons at work. It is very important aspect and management give special focus on it, During work employees shows different aspects of behaviour such as happy, unhappy, like, does not like, arguments, not arguments, obey, disobey, support, does not support, cooperate, does not cooperate, initiatives, not initiatives, discipline, indiscipline, commitment , no commitment etc. There are many aspects like this. Here some of them are mentioned. For evaluation purpose different agencies have developed different performance appraisal system. The employees are rated on the basis of these factors.

(d) Cooperative Approach

The performance management process involves a cooperative approach between managers, supervisors employee, focusing on regular discussions about responsibility, accountabilities, performance standards expectations, performance appraisal, review of action, development and compensation plans.. They begin the year with an extensive discussion regarding these points time to time. All concerned persons take initiatives for giving expected performance standards and better behavours during the work. The approach among them is very cooperative and contributes in accomplishment of the targets fixed.

(e) Training for All Concerned

Training provides knowledge, skills and contributes in development of overall competencies of the persons. The training is needed for all persons working at different levels. For managers they should be trained in planning process and communication. The supervisor will be required to go through a training program for conselling, coaching, motivation and performance appraisals. They should be trained regarding these points so that he can do the needful to help the employees whenever they need the help. It will solve many problems and employees can be guided and motivated to do the work so the expected results can be easily achieved.

(f) Scope for Performance Improvement

In performance management process the efforts have been put to find out the strengths and weakness of all concerned so that the action and development plans can be prepared. This will help in overcoming the problems and strengths will be further strengthened. Ultimately the performance of everyone will improve. Further, the companies are facing tough competition in the markets. The company which gives better performance will take the competitive advantages over their competitors. So the focus is to improve the performance with better team work. Management is looking forward for further improvement repeatedly.

4. Roles of Supervisors, Employees and Reviewers

Several people share the responsibility in performance management process activities like planning, communication, coaching, feedback, training and education, motivation, feedback, assessment of performance, review of plans etc. The detailed descriptions of the roles played by the people in this process are explained below:

(a) Roles of Manager and Supervisor

Coaching:

- Conduct conselling and provide coaching whenever required to the employees whose performances are below standards.
- Identify and suggest ways to the employee for improvement in performance. Accept suggestions from employees for motivation and active roles for further planning of development plans.
- Timely communicate to employees regarding better opportunities and improved procedure for improving the work Create confidence among employees for suggestions for further improvement in performance
- Make proper observations regarding the performance of the employees and the gathered information that help them in mid year, final assessment at the end of the year and other planning work
- Keep records of achievements and complaints got from customers regarding employees work.

Review:

- Maintain the records about the employee's performance and on the basis of that final assessment of performance is done.
- Ask the employee for feedback regarding their good and poor performances, and problems faced that may affect their working efficiency.
- Complete appraisal form and discuss ratings and comments with the employee.

(b) Role of Employees

Planning:

- Meeting and discussion with their managers and supervisors in the beginning.

- Regarding accountability, performance standards and behaviour.
- Give suggestions for better performance to the managers.
- Discussion with managers about expectation from them relating to accountability, performance standards and behaviour.
- Clarification of doubts if exist from managers and supervisors about accountability, performance standards and behavour at work.
- For better performance they discuss with their managers and supervisors
- Regarding managers' and customers' expectations, job priorities and budget etc.

Coaching:

- Accept their responsibilities for continuous improvement, development, accountability, performance standards, behaviour etc.
- Considering the periodical feedback from seniors as suggestion for further
- Improvement in performance and not to take it in negative way. It should be taken as opportunity to learn more and improve skills
- Discuss with them regarding their progress at work and difficulties faced during the work for getting coaching from supervisors for improvement in performance
- Inform managers when they perform their work properly and fulfil the required standards. It should be known to them regarding their achievements.
- As and when required, they ask for meeting with supervisors for problem solution and suggestions for further improvements.
- Remember the points discussed in planning meeting regarding the accountability, performance standards and behaviour time to time.

Review:

- Monitor their performance, ask others and keep records of their progress.
- Prepare for review discussion with the support of their notes on performance.

- Participation in the review meeting and highlight their accomplishments and suggestions made by them to the supervisors in appraisal form.

(c) Role of Reviewers

Planning:

- Discuss with the managers and supervisors regarding how their Planning meeting was planned and conducted.
- Check the ratings for the accountability and performance standards whether these are feasible to achieve or not.
- Make sure that the planning points discussed in the meeting have been communicated to the employees or not and find out the point of disagreement also during planning meeting.

Coaching:

- Cross check with the managers and supervisors whether the counseling and coaching sessions have been conducted or not.
- Discuss with supervisors regarding the progress of various employees, their involvement and helping the weak performers

Review:

- Discuss with supervisors regarding review meeting and type of feedback they are going to give.
- After every planning and review meeting, they should sign the minutes of the meetings and ask the supervisors also to do the same thing properly.
- Check the filled up appraisal form, the entries made by supervisors and employees, rating and results given by the supervisors. Ask the supervisor how the appraisal process was conducted and suggestion for improvement for future.
- Make sure supervisor has discussed with employees each rating and rankings with written comments wherever applicable in the result part of the form.

- Check the consistency of supervisors and managers in performance appraisal, use of appraisal system, appraisal of number of employees, explanation of ratings to employees
- Discuss with the supervisor regarding the type of feedback given to the employees regarding their performance. It may be oral or written.
- Remind them to praise the performs if not done because it may encourage the employees to do better in future.

3.3: Employees / Labour Productivity

1. **Meaning and Definitions of Productivity**
2. **Labour Productivity Measurement**
3. **Objectives of Productivity Measurement**
4. **Productivity Measurement Issues**
5. **Factors Affecting Performance/ Productivity**
6. **Production and Productivity**
7. **Higher Productivity and Progress**
8. **Forms of Productivity**
9. **Uses of Productivity Measure**
10. **Productivity Improvement**
11. **Role of Employees in Service Sector**

3.3: Employees/Labour Productivity

1. Meaning and Definitions of Productivity

(a) Meaning

The terms production and productivity are often used interchangeably. But there is difference between the two. Production refers to the total output of all employees at a point of time. Productivity refers to the output relative to the inputs per person or system with reference to a point of time. Stated more clearly, productivity refers to the amount of goods and services produced with the resources used. Productivity is measured with the help of a formula which runs as follows:

$$\text{Productivity} = \frac{\text{Quantity of goods and services produced}}{\text{Amount of resource used}}$$

If it is required to know the result in percentage then it is to be multiplied by 100. It gives the clear idea about the output because we are more familiar with percentage. Productivity is the efficiency with which output is produced by a given set of inputs. Productivity is generally measured by the ratio of output to input. An increase in the ratio indicates an increase in productivity. Conversely, a decrease in the output/input ratio indicates a decline in productivity. time. For example, labor productivity is typically measured as a ratio of output of labour per into account both the monetary value (price) of what is produced and the cost of inputs used, and also distinct from metrics of profitability, Productivity is the relationship between production of an output to one or more or all of the resources inputs used in accomplishing the assigned task. It is measured as a ratio of output per unit of input over time. It is a measure of efficiency and is time. If not done so then the objective of measuring productivity is defeated.

Production and productivity are two different concepts and these are explained below:

Production – The total quantity of goods and services produced by utilizing different resources is called production.

Productivity - The amount of output that is produced per unit of input; usually expressed in terms of output per unit of time

(b) Definitions

The experts, consultants, academician and practitioners have expressed their views on productivity. Some of the accepted definitions of productivity are given below:

(i) Productivity is a measure relating a quantity or quality of output to the inputs required to produce it. Often means labor productivity, which is can be measured by quantity of output per time spent or numbers employed. Could be measured in monetary term like rupees per hour—Dictionary

(ii) From Wikipedia, the free encyclopedia, productivity is a measure of output from a production process, per unit of input. For example, labor productivity is typically measured as a ratio of output per labor-hour, an input. Productivity may be conceived of as a metric of the technical or engineering efficiency of production.

(iii) Relative measure of the efficiency of a person, machine, factory, system, etc., in converting inputs into useful outputs. Computed by dividing average output per period by the total costs incurred or resources (capital, energy, material, personnel) consumed in that period, productivity is a critical determinant of cost efficiency. -- Business Dictionary

(iv) Productivity is a measurement of the output produced using a quantity of inputs. The production process is a representation of the relationship between outputs and the inputs used to produce them. –Diane Huber

(v) Labor productivity is the amount of goods and services that a labourer produces in a given amount of time. It is one of several types of productivity that economists measure. Labour productivity can be measured for an individual, a firm, a process or a country- www.wikipedia.org

(vi) The quantity of goods and services that someone can produce with a given expenditure of effort, usually measured or averaged out in terms of time spent working or labour time.— Web.ict.ac.za.

(vii) The OECD defines it as "the ratio of a volume measure of output to a volume measure of input". Volume measures of output are normally gross domestic product (GDP) or gross value added (GVA), expressed at constant prices i.e. adjusted for inflation. The three most commonly used measures of input are: hours worked; workforce jobs; and number of people in employment.

(viii) Productivity is the amount of work produced in a given period of time. Productivity relates to the person's ability to produce the standard amount or number of products, services or outcomes as described in a work description. It is not considered in isolation but is considered based on the interrelationship with, performance and profitability.

Labour productivity is the value added per employee divided by the average number of employees during the year converted into full-time equivalents. The quantity of goods and services that someone can produce with a given expenditure of effort, usually measured or averaged out in terms of time spent working or labour time. It is the ratio of the amount produced to the amount of labour put in it, measured as product per person-hour or person-year. Productivity growth reflects growth in output not attributable to growth in inputs (such as labour, capital and natural resources). Increases in productivity can be driven by technological advances (through innovation and increases in skills) or improvements in efficiency (making better use of existing technology). Over the long term, productivity improvements are considered to be the main contributor to higher results, profitability, earning and rising living standards.

.Measured labour productivity will vary as a function of both other input factors and the efficiency with which the factors of production are used (total factor productivity). So two firms or countries may have equal total factor productivity (productive technologies) but because one has more capital to use, labour productivity will be higher. Output per worker corresponds to the "average product of labour" and can be contrasted with the marginal product of labour, which refers to the *increase* in output that resulted from a corresponding (marginal) *increase* in labour input.

Labor productivity is average real output per hour of labor. The growth of labor productivity is defined as the growth of real output that is not explained by the growth of labor input alone. *Total factor productivity* is average real output per unit of combined labor and capital inputs. The growth of total factor productivity is defined as the growth of real output that is not explained by the growth of labor and capital. Labor productivity and total factor productivity differ in that increases in capital per worker raise labor productivity but not total factor productivity.

2. Labour Productivity Measurement

Labour productivity is the measure of efficiency at which the inputs are converted into out put through various manufacturing processes. To know the relative worthiness the measurement is necessary. This measurement is very helpful for the management for future planning and actions. The measurement can be carried out as per the need of the organization. There are the following ways of measuring labour productivity:

(a) Output per Man-Hour

$$\text{Labour Productivity} = \frac{\text{Output}}{\text{Man-hours used}}$$

It can be known that whether the performance is going as per the pre-decided standards or not. Labour productivity only partially reflects the productivity of labour in terms of the personal capacities of workers or the intensity of their effort. The ratio between output and labour input depends to a large degree on the presence of other inputs, as indicated above. Gross-output based labour productivity traces the labour requirements per unit of (physical) output. It affects the change in the input coefficient of labour by industry and can help in the analysis of labour requirements by industry. Advantages of it are ease of measurement and readability. In particular, the gross-output measure requires only prices indices on gross output, not on intermediate inputs as is the case for the value-added based measure. Limitation of labour productivity is a partial productivity measure and reflects the joint influence of a host of factors. It is easily misinterpreted as technical change or as the productivity of the individuals. In this method the total output given by employees is divided by total man hours. We get the labour force productivity.

(b) Labour Hours per Unit Output

$$\text{Labour Productivity} = \frac{\text{Total labour hours used}}{\text{Output}}$$

In second method the total labour hour are divided by total output given by the employees. From this the labour hours taken for production of one unit of output is calculated. From this method the labour hours planning can be done so that the target orders can be supplied in time to meet the customers’ requirements.

(c) Added Value per Unit of Labour Cost

$$\text{Labour Productivity} = \frac{\text{Added value for the products}}{\text{Total wages}}$$

3. Objectives of Productivity Measurement

Productivity is a measure of efficiency and defined as a ratio of output t to input use. There are not differences over this definition among scholars, consultants, experts, and practitioners. There are different measures of productivity. The objectives of productivity are also general and not special. These are explained below:

(a) Search for Suitable Technology

Technology can be defined as a tool, technique, system, design and a process that has been utilized for production of products or services. It has been utilized to convert the resources into output s(products and services) as planned by the management of the company. There are three components of technology. These are hardware, software and brain ware. These three elements together are utilized to get the finished output. To do this work the search is there is find out the suitable method that can meet the requirement in the present competitive situation so that the company can get competitive edge in the business .The technology giving or contributing in providing the higher productivity is the only choice. For that reason also the productivity is measured. The technology needs a huge capital to invest and if proper care is not taken then it may not meet the requirement of the company. In future it becomes very difficult to replace it. Further, the existing technology productivity is also measured to find out whether it is as per the requirement of time. If not meeting the required level of productivity then the existing technology might be replaced by the new one. Due to these reasons the productivity has been measured.

(b) Improve Working Efficiency

The present scenario across the world is drastically changing. In this situation the changes are taking place very rapidly. The condition is very risky and uncertain. Over and above stiff competition is being faced in the market worldwide. Every firm is putting its best efforts to perform the work better and before other. This is the only mantra in present situation for survival, grow, stabilize and excel in the business. Efforts are put to increase the quality, quantity, decrease the time taken and cost involved. This improves the efficiency. To know whether their efficiency is high or low, it is measure. The productivity is the measure of efficiency. Efficiency is the ability to perform the tasks with available resources i. e. manpower, machine, money and materials .With the help of productivity measurement the remedial and improvement actions can be planned by the management so that their working ability stay in tune with the need of the time to fulfil the objectives. That is why the productivity is measured.

(c) Reduce Production Costs

For carrying out a smallest task resources are needed. Without resources the tasks can not be completed. In every organization different types of big and small jobs are being performed. The list of those jobs is very big. All these need resources like manpower, machines, money, materials and information. In purchasing or acquiring these resources a lot of capital is need .Now the question arises how these resources are being used. If the resources are used properly then total cost would go high and it would have effect on the profitability of the company. When the resources are utilized properly, there is not waste of any type then the total cost would be less. When the production cost is high, the products or services would be available in the market at the higher price .But we may get products of competitors at lower prices in the market. This situation would not be favourable for the company because it would have deterrent effect on the sales of the company. To improve the profitability the costs are to be reduced. The costs can be reduced by finding out the productivity of every person, system, plant and job. The unwanted activity and unwanted time are to be identified and eliminated. This is possible by measuring the productivity of all concerned persons and system. That is why it is needed to reduce the total operation costs. This is a step ahead of cost control.

(d) Benchmark Production Process

In competitive markets there is need to improve the production quantity and quality. A comparative study in the industry is being carried out to find out the inefficiencies in the total production system. A leading company from the global or national market is selected. The products, production system, employees' performance and facilities are compared with the selected company. The products and production system of the selected company is considered as bench mark in the market. With the help of the comparison the company finds out the position of the products of the company in the market. On the basis of comparison the weak areas are identified and management takes remedial action for improvement. To do all these things the productivity is to be measured otherwise this comparative study cannot be carried out. That why the productivity is measured

(e) Assessment of Living Standards

To find out the living standard at national level the level of per capita income is to be found out. The income of individual reflects the living standard level. As per income everyone spend on the requirement of life. The per capita income is the measure for living standards. When the productivity of the individual is high their earning also go high. Out of higher income a person spends on their day to day requirement like food, clothes, shelter, education, medical, entertainment and luxury items .It reflects on the living standards. The higher living standard would affect the growth of the economy also. When the authority is interested to know the level of living standard the productivity at individual, division, department and organizational level are required to be measured. For having the clear idea of income and living standards of people the need for productivity measure is strongly felt. The living standard of different countries' people is measured on the basis of productivity and income level. .This is the clear indicator of living standard.

4. Productivity Measurement Issues

Labour productivity can be measured in physical terms in numbers. Meter, liter, Further if required it can be measured in money term like price, profit and cost. The measurement can be carried out as per the requirement of the organization. But, for this there is no hard and fast rule for measuring unit. The out put varies as per the industry. In some the out put is easily measured but in some cases the out put cannot be measured. The quantitative dimensions can be measured easily but where the qualitative dimensions are there the measurement is not possible. Where we go for different or heterogeneous labour it is more difficult to measure the productivity. Measurement of productivity involves the problem of expressing the related factors numerically to arrive at the mathematical expression of productivity. The main objective behind productivity measurement is to provide management with a concise and accurate base for comparison of actual result with expected levels of productivity. It shows the relative worth of employee to the organization. However, in measuring actual productivity, the following problems are generally encountered:

(a) The quality and intensity of labour-efforts cannot be measured because these are qualitative aspects of productivity. The rough estimates can be done. The fair justice cannot be done in this case.

(b) Where creativity aspect **is** involved in performance of the job to produce innovative product or development of new design and model of products. This takes time and there is no guarantee of the result. The result may be or may not be there at a particular point of time.

(c) Where the output is resulted due to different systems of management, organization, co-ordination or engineering. The more number of teams are involved. In this case it is difficult to measure the efficiency of individual or a team.

(d) When the result is due to different labour, the effect of one on other labour form, the results cannot be measured for one type of labour separately.

(e) Work manufacturing processes are complex and uncommon. It is bit difficult to understand these by other than expert persons.

(f) Proper care is to be taken for selection of productivity measures. There are different measures used for different industries and jobs. The experts are to be consulted for selection purpose. Over and above the legal requirements are to be fulfilled. The regulations relating to health, safety and pollution are to be complied without fail. The selection process for productivity measure becomes a bit difficult

(g) It is very difficult to develop productivity measures for multi-products with multi-inputs are used. Further the productivity measures also vary with the changing time and how these are going to affect productivity in future.

(h) Further, in case of service sector the output cannot be measured properly. It cannot be said that how much has been produced by one person or team. The out put can be measured in number of customers contacted, complaints attended, customers added etc. So for service sector the out put can be measured in different form. That is different from manufacturing sector.

(i) Management might me interested for productivity of their employees but it is very difficult to know the productivity of management itself. Modern management experts focus on effect of organizational culture on productivity. But, again it is difficult to say that how much is the impact of culture on productivity and production.

When the productivity in different counties is compared on the basis of working hours and price, it is difficult to give the right comparison. The working hours may vary from country to country. Where the working hours is longer the result will b e different from the country where working hours are short. Further, foreign exchange rate also varies time to time. In these cases the productivity measurement and comparison both are a bit difficult.

5. Factors Affecting Performance / Productivity

The productivity is affected by multiple factors. Some time one or more factors play there role to increase or decrease the labour productivity. The factors those affect the performance or productivity are the same. Because when the productivity of individual is increased automatically his performance is also increased. We should not get confused with the factors affecting productivity or performance.

The management experts have classified these factors under following heads:

(a) Physical, organisational, location, and technological.

(b) Cultural and behavioural.

(c) Global influences, innovativeness, strategic alliances, liberalized policies etc.

(d) Managerial and organizational business environment.

(e) Levels of flexibility in internal labour markets and the organization of work activities – e.g. the presence or absence of traditional craft demarcation lines and barriers to occupational entry.

(f) individual rewards and payment systems, and the effectiveness of personnel managers and others in recruiting, training, communicating with, and performance-motivating employees on the basis of pay and other incentives.

The individual factors those affect the performance or productivity are listed below:

(a) Working conditions

(b) Working hours

(c) Nature of job.

(d) Employees competencies.

(e) Job security.

(f) Welfare and social security.

(g) Training of employees.

(h) Salary packages.

(i) Liberty at work to perform.

(j) Quality of leadership.

(k) Motivation of employees.

(l) Career development opportunities.

(m) Rewards, recognition and incentives (n) Organisational culture.

(o) Behaviour of employees. (p) Location of work.

(q) Management approach. (r) HR policies.

(s) Technology at work. (t) Business environment.

(u) Level of competition in market.

Out of the above mentioned factors some are controllable and some are uncontrollable. The controllable factors are to be managed in line with the uncontrollable factors. There should be proper match between these two then only the productivity can be improved or maintained further. Otherwise the objective of improving productivity can not be fulfilled. Special care is to be taken for uncontrollable factors like business environment, government policies and competition. The suitable strategy is needed to match the two types of factors. If the company wants to stay in the market the knowledge of uncontrollable factors is necessary and further strategy is to be designed to maintain controllable factors in line with environmental factors. The factors are to be managed as discussed in the following paragraphs.

Companies focus their attention on increasing productivity. It has become more mechanical process. The first and foremost thing for improving productivity, the management should understand the factors those affect the work, behaviour of workers at work and environment in which the work is being carried out. There are many factors those influence productivity. The pattern of influence on productivity should be understood. By increasing the workers efforts the productivity cannot be increased significantly in long run. The direct and indirect impact of factors on productivity in long run should be clearly identified.

Human resource is the most important resource that affects productivity. A company may purchase or acquire the best technology and manpower. But manpower without interest to work, dedication to organization, and commitment to duty can not give the expected performance. The job performance depends upon their competencies and motivation. The management should change their mind set and consider manpower as the most important resource and should be taken care of properly. It is only manpower that makes the difference in the performance. Efforts should be put to maintain talented, motivated and committed man power in the organization.

Next the other factors like technology, working conditions, location of work, rules and regulations, management approach, business environment etc affect the working of persons. These are to be taken care of. This should not be ignored. Productivity can be improved through different management processes like following scientific management principles. Specifically It includes, production planning, and control, production cost, inventory control, operation research, specialization, cost control, budgetary control, marketing research, matching demand and supply, replacement of old technology, preventive maintenance etc. contribute in improving productivity.

It can be concluded that there are different factors influencing the productivity. The list of some of the factors is given above but still there can be other factors also. At a particular time a one factor may play role and at other time the other factor may be responsible. Again it is difficult to say which factor has contributed how much. The approximately estimates can be made. Generally the factors affecting the productivity play their role collectively. If the factors above mentioned taken care of and the situation is favourable then the productivity can be increased. If the factors are not taken care of or ignored then they may play in different way and the productivity might be affected adversely. The management should take special care otherwise it may be counter productive also.

6. Production and Productivity

These two concepts seem to be similar but these are two different concepts. On cannot be replaced by the other. Production is the process through which the inputs are used in the machine and through manufacturing process the values are added to the inputs. Finally it gives the finished products or services. This is called production. As per the information from research work, the demands of the products are identified in the market. Accordingly the products are identified for manufacturing. The item in demand or in short supply is to be considered for manufacturing. This will be in position to serve the target customers in appropriate way. If not taken care of then there are chances of misfiring the planning. The inputs are arranged for manufacturing purpose. In inputs we can include manpower, machines, materials, money and information. These are made available as per the need and work starts. According the needs of the products the technology is arranged. The manufacturing processes are performed and values are added to the inputs. This is called the products or services. The total output given by the total manpower employed is called the production. Where as productivity is the ratio of output per person or machine or system with reference to a point of time to the given input. The confusion should not be there. When we take the total quantity of products produced in a day by all employees is called production. When we take the quantity of output of one person in a day is called productivity of that person. The productivity shows the relative worth of the individual to the organization. It shows the usefulness of every employee in his organization.

7. Higher Productivity and Progress

When the factors affecting the productivity are managed properly the situation becomes favourable. The affecting productivity may include working conditions, technology, training of employees, motivation, leadership, favourable rules, regulations, policies, management attitude and career development opportunities. When these are managed properly, these create interest to work and give the best of the capacity. The employees' problems are reduced or finished. The workers take their responsibility to perform. The unwanted time and activities are saved and in turn these save the time to give more output. Accidents, wastes and reworks are avoided. This improves the quality and quantity of the output per person. With the same input the output and quality of the output go higher. These in turn directly contribute to achieve the performance standards and targets. When these products or services are sold in the markets the customers use these and get the perfect functions from them. It leads to satisfaction of the customers. The satisfaction of the customers is very valuable for the business organization. The satisfied customers repeat the purchase of same products or services in future. The customers are retained. Further, they make the publicity by words of mouth to their family members, friends, relatives and colleagues. It leads to enhance the sales of the company. The company market share increases. The higher sales contribute in increasing the profits of the company. The employees due to their higher productivity get higher salary packages, incentives, promotion opportunities, bonus, welfare-facilities etc. from employers. The living standard of the employees improves. The organization as a whole earns profits every year and it leads to the progress of the business.

The employees and business organizations are part of the society and national economy. Finally, they all contribute in development of the national economy. So the importance of higher productivity can be understood. Specially, in the tough competitive situation the management is very much concern to improve the productivity of every employee, system, machine and unit for survival, development and excel in the business. If not taken care of it is going to affect adversely.

In under developed countries the labour productivity is very low. The salary packages paid to the workers is also very low. In developing countries the efforts are being put to increase the productivity, the profitability of the organizations are going high. The salary packages of the employees are of average level. This situation prevails in India, Brazil, Argentina, China, Malaysia, Indonesia etc. In developed economies the profitability of the organizations is very high due to higher productivity. The employees are also paid higher packages. All these are contributing the development of the national economy. Here we have examples of USA, United Kingdom, France, Japan, and Germany.

8. Forms of Productivity

Productivity is an overall measure of the efficiency or ability to convert the inputs into goods or services. More specifically, productivity is the measure that shows how efficiently the required resources are utilized to achieve the objectives in terms of quantity and quality with reference to a point of time. Productivity may also be defined as an index that measures output (goods and services) relative to the input (labor, materials, energy, etc., used to give the finished goods or services). The productivity is the ratio of output to input. The ratio can be increased or decreased by decreasing or increasing the denominator. Further, in similar way the productivity can be increased by increasing the inputs and outputs but the output is increased faster than input or the inputs and outputs decrease but the inputs decrease faster than output. The utility of productivity ratio is very wide in an organisation. It can be used for a person, team, department, organisation, industry and nation as a whole. It can be applied to labor productivity, system productivity, machine productivity, plant productivity, capital productivity, energy productivity, and so on. Productivity is an objective concept. As an objective concept it can be measured, ideally against a universal standard. As such, organizations can monitor productivity for strategic reasons such as corporate planning, organization improvement, or comparison to competitors. It can also be used for tactical reasons such as project control or controlling performance to budget.

Productivity is a useful measure of actual output produced compared to the input of resources, measured across time or against common entities Therefore, a productivity ratio expresses how efficiently resources of an organization are utilized to give output. Productivity and efficiency are the two concepts often confuse. Efficiency shows the time needed to perform a job to standard time. It can be said that the productivity is a measure of effectiveness (doing the right thing efficiently), which is outcome-oriented or result oriented. Productivity is can be expressed different forms like partial factor productivity, multifactor productivity, and total productivity. These forms are explained in the following paragraphs.

(a) Productivity Partial-Factor

While measuring the productivity only one factor is taken into account. All factors affecting the productivity are not considered because the data are readily available pertaining to one factor. It is known as partial factor measure of productivity, in this calculation only a single input is considered in the ratio. The formula for partial-factor productivity can be the ratio of total output to a single input. This formula is being utilized by the management for their convenience as the information available relating to individual factor. Further, management can easily find out and relate to the particular activity. On the basis of this management can increase or decrease the individual factor easily to get the desired ratio of productivity. If management is interested then total of all individual factors can be taken to have multi factor productivity. Timely and prompt action can be taken by the management to meet the requirements. This partial factor productivity can be applied to capital, energy, machine, materials etc.

(b) Multifactor Productivity

There are many input factors that affect the productivity. While calculating the productivity ratio the different input factors are considered. It takes into account the factors like labour, energy, materials and capital. These may be taken two or more at a time. Therefore, the multifactor productivity is the ratio of total output to a total of multiple factors inputs. There is no hard and fast rule that two particular factors would be considered in productivity ratio. It depends upon the requirement of the organisation and management approach. Labour and energy or labour and capital or all the three may be taken into account. These factors give effect to the productivity so it is called multifactor productivity. The data relating to the multifactor productivity are not available readily. These are to be calculated and its is bit difficult to do so. It is timing consuming also. That is why management do not prefer unless it is compulsory.

(c) Total Factor Productivity

When productivity is measured by taking into account the effects of all factors used in production of goods or services. Total factor productivity is a broader gauge of productivity and it is calculated as follows:

Total factor productivity= total of (Labour hours actually produced
+ Actual machine hours produced in a given time/ total of machine and labour hours available in time period).

Total output must be expressed in the same unit of measure and total input must be expressed in the same unit of measure. However, total output and total input need not be expressed in the same unit of measure. Resources are converted from one factor to the other. For example the standards can be converted to dollars and vice versa. This is done so that a single figure can be used as an aggregate measure of total input or output. For example, total output could be expressed in numbers/ meter/ kilograms/liter etc, and total input could be expressed in hours or rupees.

Total productivity ratios reflect simultaneous changes in outputs and inputs but it does not show the relation between the each factor of input and out put. It does not give the separate factor wise effect that is why it is a broader approach. The management cannot take any decision for improvement in the productivity by adjusting individual input factor. It is not suitable for improvement in specific factor or area. The different forms of productivity are used in different countries across the world. Total Factor Productivity is a measure favored by the Japanese for measuring the national productivity. Whereas the labour factor productivity is accepted by USA.

In India labour productivity and total factor productivity are being used separately for employees and national productivity

9. Uses of Productivity Measure

Productivity is a measure of efficiency to show how the result is given by utilizing the different resources. It is a very good and helpful tool in evaluating and monitoring the performance of an employee, machine, system, team, section, department, division, organization, industry and national economy. When directed at specific point it shows the relative worthiness of that unit to the organisation. It becomes the yardstick for comparison of the effectiveness at work. It is used for finding out the comparative effectiveness of individual, machine, team, department while performing the work. If it is not measured it is not possible to know who is doing good work and who not. The slow performers cannot be identified. With the help of this the problematic unit can be picked up and remedial actions can be taken for further improvement. Managers are interested with productivity as it relates to making improvements in performance of their company. Proper use of productivity measures gives idea where the problem lies and how the productivity of problematic area can be improved. If it is taken care of timely the performance would not be affected much. Otherwise in the long run the effect may be non- recoverable.

Productivity contributes in providing the competitive advantage to the company in cut throat competition in the market. The company takes advantage over their competitors and performs better in business. When the performance of everyone is improved through productivity measure, the production quantity and quality go high. The products are accepted in the market. The sales and market share of the company improves. The company becomes leader in the market and goodwill develops. This is the ultimate goal of every business unit. Productivity measure can be used to measure and compare the performance of each individual, team, group, department and division within the organisation. Further it is utilized for comparing the performance of the organisation with similar company or competitor. It can be used as a benchmark in the industry for comparison of performance of products or services. It is a very useful tool for the management in present time and for future also.

Productivity improved saves time, efforts and money. It improves the effectiveness of everyone. This contributes to excel in the performance, profits, progress and goodwill of all concerned. Productivity measures can also be used to evaluate the performance of an entire industry or the productivity of a country as a whole. On the basis of productivity measure the comparative study of different economies across the world can be carried out. In nutshell, it can be said that it is a very useful tool for finding the weaker areas and improving the performance in that weak area.

Since productivity is a relative measure, for it to be meaningful or useful it must be compared to something. For comparative study the productivity index is being prepared by the companies. A productivity index is the ratio of productivity measured at a particular point of time to the productivity measured in a base period. For example, if the base period's productivity is calculated 2 and the productivity of the following year is 3. The productivity index will be 2/3= 1.5. It shows that the productivity of the company is improving. If it is going down then management can take the remedial action to improve the productivity. By tracking productivity indexes over time, managers can evaluate the success and failure of the organisation and accordingly timely decision can be taken so that the goals of the organisation can be accomplished in time. This finally, contributes in improving the overall effectiveness of the company in the business.

10. Productivity Improvement

Productivity improvement is the concern of every one who ever is related to the work. The may be employee, team, division, department, organization and government for national economy. There is not doubt that the productivity can be improved and further it can be maintained also if proper and timely care is taken. In the competitive situation only the company giving good performance through products and services stay in the market. It has become very difficult to grow, stabilize and excel in the performance. It is only through good performance and higher productivity. For improvement of productivity different academicians, practitioners and managers have suggested many points. These points or concepts are very simple but the implementation of these points is not very easy. A lot of efforts and attention is needed. In implementation the changes are to be made as per the situation, rules and regulation, available resource and employees. The productivity improvement process should have the following steps:

(a) Setting Mission of the Organization

To give the clarity regarding the objectives of the organization is very important. If it is clear in the mind of people what for the organization is in the business and where it wants to reach in due course of time, accordingly the employees will understand and work. To fulfil the objectives of the organisation the goals are to be decided. It should be clear in mind of everyone. The goals are to be finalized in joint meeting of management, union and employees. There should be acceptance from all parties for smooth functioning. The goals setting should be realistic and should not be very high to achieve. Special care should be taken and the consultants and internal experts should be consulted. This will taken everyone into confidence and objections would not be there in future. This contributes in mental preparation of the employees and managers. It would provide the clear guideline to the employees and the sense of commitment would develop.

(b) Setting Goals and Performance Standards

Once the company's mission and objectives are set then these are to be achieved. The organizational objectives would be divided in to divisional or departmental objectives. To achieve each objective the goals are to be decided. These goals or targets are to be decided with reference to a point of time. Further, the departmental objective should be divided into individual objective and goals. Individual goals are to be decided in consultation with the employees and their acceptance is necessary because they have to achieve the goal they agree. To achieve the goals next is deciding the performance standards. These are to be decided by the top management in discussion with the departmental heads and employees concerned. The performance standards include the quality and quantity, cost, level of responsibility to be fulfilled, leadership quality, initiative for problem solution and discipline.

Generally performance planning is often neglected at the department and individual levels. Employees need to know how and how much they can contribute in meeting the company and department goals. They should be given opportunity in developing the plan for productivity improvement. The management should meet he employees at regular interval and discuss regarding their performance, difficulties faced during the work and get the other inputs. This can contribute in motivating the persons to take the responsibility to meet the performance standard for achieving the goals. The goals and performance standards should be properly and timely communicate to everyone without any delay. During the job performance the employees should be counseled, coached and performance feedback should be given. This would help in overcoming many difficulties faced during the work. The performance planning and time to time review of the performance should be carried out. It would pin point the deviations in performance and planning done. If any deviation has taken place in the performance then the employees can be guided, trained and helped so that the performance should not be affected. During the performance period and at the end of the year the performance appraisal should be conducted. It should be fair and unbiased. This would be very helpful for identification of new talents, development and remedial actions.

(c) Motivate Employees

For getting the desired performance from the employees they should be taken care of properly. Their motivation is very important. There are different methods of motivation of employees. The management should understand the importance of motivation methods and where these can be applied. The employees should be properly selected and placed on the jobs. They should be trained on the job before assigning the job responsibility. During the job if any new procedure of technology is replaced then they should be trained properly. They should be placed in good salary package so that their monetary requirements can be fulfilled. In addition to salary they should be provided with performance incentives, welfare facilities, bonus, promotion, job and social securities. These facilities would contribute to retain the trained persons in the job. It is difficult to get a good employee but it is more difficult to retain and maintain the employee. The trained and motivated person can contribute a lot because he is happy and committed person.

Further, the managers and supervisor should have frequent discussion between then regarding the goals, performance standards, emerging trends in the market and the competitive situation prevailing in the industry. They would make up the mind of the employees in line with the requirement of the organization. Management must develop the habit to listen the points suggested by the employees and timely action should be taken if the suggestions are proper. The employees should be informed that everybody is useful in the company and no body is inevitable. Their contribution is valuable in achieving the goals of departments and organizations. Communications must be frequent, clear, and positive and must come from every level of management to the employees. It should be properly informed that the performance of everyone would be considered and it would not go unnoticed. The good performers would be rewarded accordingly. The poor performers would be tried to improve their performance also. Further if not improved despite of repeated sincere efforts the remedial actions would be taken.

The performance review should be carried so that the planning, development and correcting actions can be initiated. The higher performance should be considered to higher pay increase, incentives and rewards, the poor performances should be treated for wage cuts, denying facilities and dismissal. Success and achievements of the company should be highlighted to everyone and they should be thanked accordingly. The team spirit and their contribution should be acknowledged. All these steps would get the high level of commitment of employees towards the company and its objectives.

(d) Identification of Strengths and Weaknesses

In almost every organization the demographic situation of employees is changing with the time. In past, the more number of males were working in the jobs. Female were interested only for household activities or were not cable to do the other work. With the changing time the demographic scene has undergone a drastic change. Due to development in education more number of females getting education and they started coming in jobs. Now at national and international level the percentage of female employees is increasing. People are coming from different caste, creed, region, religion, language and sex. The diversified workforce is now available in most of the companies. All these people are having their own strengths and weaknesses. These strengths and weaknesses are to be identified. The strengths can be utilized and weaknesses can be overcome by timely remedial actions.

The employees are to be selected out of the lot applied on the basis of their merits. The weak candidates are to be denied and capable should be taken by considering the strengths. During the work the performance appraisal would help to find out the strengths and weaknesses of every employee. The potentials can be identified for new future jobs or higher responsibilities. The employees' strengths can be considered in assigning the new jobs or assignments. The management would take the corrective action to overcome the weaknesses by guiding, coaching, counseling, training etc. By doing all these, the performance of the employees would be higher. And once the performance of employees improves the required resources are used effectively to give the output. The productivity automatically goes high. The objective of performance and productivity improvement can be achieved. The leading companies in the market got the success in this area to a good extent.

(e) Training and Development of Employees

Training is the process of imparting the knowledge and skills to the persons. It gives knowledge and skills and in turn these give confidence to the person performing the job. The confident persons perform the jobs in a better way. The performance and productivity both improves. If the persons are not trained on the job then they do not know the basics of the jobs. Many difficulties are to be faced in understanding the doing the jobs. Many problems are likely to be faced. These cannot be overcome easily. The time, efforts and money all are wasted. To avoid all these, the importance of training is felt in the beginning and during the job also. The development facilities also should be provided to the employees in their career. Training and development activities are to be conducted regularly. The employees should be trained on the job and they should be provided training for improvement of productivity also.

Productivity oriented training should focus on setting objectives, performance standards, leadership quality in group problem solution, job knowledge and skill and communication. Similarly the supervisors and managers also should be trained for productivity improvement. The productivity oriented training should be designed as per the jobs and requirement of the company. It is not going to work for all jobs and industries. It should be tailor made according to the specific requirements. The training responsibility should be assigned to the supervisor or manager in-charge. They should identify the need for training of different jobs and then the training should be conducted. Further the effectiveness of training system from productivity improvement point of view should be reviewed. The steps should be taken to improve for future.

(f) Performance Appraisal

The objectives, goals, objectives and performance standards have been fixed through mutual discussion. These are properly communicated to all employees. They are properly guided and trained on the job for giving better performance. Whenever they face problems on the job they are helped by their supervisors and managers. Further, it becomes necessary to measure their performance during the year. Once it is measured it can be managed also properly. The supervisor should conduct performance appraisal in mid and end of the year. The quality, quantity, cost involved in production, level of involvement shown, competencies exposed, initiatives taken for problem solution and leadership quality shown in guiding or helping the others and problems faced during the work. All these are to be measured.

On the basis of this measurement the management would get the clear picture of the responsibility fulfilled, level of performance standards achieved, available of potentials, strengths and weaknesses, behaviour at work etc. This appraisal would give the timely reporting to the management regarding the performance achieved to achieve the objectives. Here the focus is more on result rather than activity. On the basis of performance appraisal or measurement the other management decisions like rewards, incentives, pay increments, promotion, demotion, training, bonus, welfare facilities etc. would be taken. This would help to channelize the efforts to improve performance and productivity of employees so that the objectives or goals of the organization as a whole can be achieved effectively and efficiently.

(g) Future Planning, Development and Corrective Actions

On the basis of performance appraisal the management would get the clear idea whether the objectives of the organization are fulfilled or not. If it is done so then the existing situation is to be maintained. If not then to improve the situation the planning is to be done for resetting objectives, goals and performance standards. These are to be aligned in line with the emerging trends in the market and competition. If the competency level of employees is not found up to the mark then training and development programme are to be implemented. Through this the knowledge and skill of employees would improve and this would contribute in improving the performance and productivity.

Further, the employees those who have given good performance and higher productivity, they should be motivated further to continue with the same level of performance. If they are not motivated then they would also do the work like others. Higher performers should be selected and given incentives, rewards and recognition etc. Their case should be considered for higher pay increase, promotion and bonus. Those who are not improving their performance despite of repeated efforts of management; they should be denied increments, bonus, promotion and other facilities. They should be motivated by fear of wage cuts, demotion and dismissal. These practices are being utilized in leading companies in India and abroad. In addition to these a lot of other innovative techniques can be utilize to motivate them to give higher performance and higher productivity. Proper and timely actions are needed on the part of the management for productivity improvement. There is no hard and fast rule and only on technique would work for this purpose. These may work in combination but it is difficult to specify which technique has contributed for productivity improvement over a particular point of time.

(h) Performance Improvement Plan

The performance improvement plan is to be prepared and implemented timely and properly. The importance of improvement plan should be communicated to everyone. They would have the clear idea where it is going to be used and what would be its impact in future. The performance is measured and timely the feedback is communicated to employees. This would reply to the questions of employees in their mind. If plan awareness is not created then they may not take interest in work because they do not know the uses of improvement plan. The employees should be communicated regarding their importance in accomplishment of objectives of the organization. The business of the company is due to the performance of employees. Better performance means better business. They should be taken into confidence and then the performance plan is to prepared and implemented. This would be in position to get the whole hearted support of employees and in turn the productivity and performance both would increase.

The productivity improvement programme can be planned and implemented with the initiative of top management. It needs time and efforts to perform. The quality of leadership matters a lot to bring the changes in the mind set of employees. It should be driven by the top management. Top management should understand the importance of better quality of performance in the competitive situation. If the management is determined then the directions can be given to the other managers and employees. The management can take the help of experts internal and consultant. Some time the personnel managers may oppose this move because they have to do a lot of work for this programme. They should be properly convinced. If it is done then willing support is likely to come from every one. The productivity improvement plan can be prepared and implemented properly. The expected level of productivity can be achieved. The performance management process is to be applied on continuous basis so that the continuity can be maintained further also.

Many academicians, consultants and practitioners have advocated for different point in this direction. Mainly William J. Stevens suggested the following steps to improve productivity:

(i) Develop productivity measures for all operations

(ii) Look at the system as a whole and over-all productivity is more important.

(iii) Develop methods for achieving productivity improvement and timely review them also to keep them tuned in line with organizational requirements.

(iv) Establish reasonable goals for improvement which can be achieved.

(v) Make it clear that management supports and encourages productivity improvement.

(vi) Consider incentives to reward workers for contributions.

(vii) Measure improvements and publicize them.

(viii) Don't confuse productivity with efficiency. Efficiency is a narrower concept that pertains to getting the most out of a given set of resources; productivity is a broader concept that pertains to use of overall resources. For example, an efficiency perspective on mowing the lawn given a hand mower would focus on the best way to use the hand mower; a productivity perspective would include the possibility of using a power mower.

While taking these steps the company should not focus mainly on productivity but other factors like quality, timing, innovation, market competition and strengths and weaknesses of it.

11. Role of Employees in Service Sector

Service is the facility that has been provided by the service providers to the customers for a price.. Services is defined as any facility or benefit that one party offer to another that is essentially intangible and does not affect the transfer of ownership. The facility offered by the service provider is intangible and it can be availed. But it cannot be carried away, touch or transfer from providers to the customers. The ownership is not transferred. For example service of a teacher, barber, restaurant, STD booth etc. In some cases the services are offered purely and in some cases offered with the help of tangible products. The major characteristics of a service are intangibility, inseparability, ownership, perish ability, and heterogeneity, The services offered are intangible as it cannot be seen, touched or carried away but it can be availed. It cannot be transferred from provider to the customers. The services offered by different service providers are different from others. It cannot be separated from the service providers so the presence of them is necessary at the place of services provided. The services are available for a particular point of time and it cannot be stored. So the inventory of services cannot be made. At the time of availability if the services is availed then it is okay otherwise it cannot be availed later on.

In past the most of the economies in the world were dominated by agriculture and allied activities like agriculture, piggery, forestry, diary and fishery, But from last a few decades the scenario has been changed. The economies later on were dominated by manufacturing activities. In the later part of twentieth century the development of services sector took place and started dominating economies worldwide. More than fifty percent of the economies are dominated by service sector. This is the third level of development in the economies. The service sector developed due to the development in education, income, more leisure time, increasing number of female in jobs and complexity of life. Now a days when we go in the markets we find every where the service providers are available. The different types of services in the market are available like news, entertainment, transportation, communication, medical, healthcare, banking, insurance, legal, technical, professional, and domestic. A couple employed and living in city needs a lot of services because all their needs cannot be fulfilled by themselves. They are ready to afford for services because they are earning a good amount every month as wife and husband both are employed. Further, in future and contribution of service sector in economy is going to increase definitely.

Goods and services are different from each other. For this reason the marketing efforts needed for both are different. The marketing activities performed for goods are product, price, promotion and placement. With these four major activities the requirement of goods for marketing purpose are fulfilled. When we talk about services the marketing requirements cannot be fulfilled by these but additional activities are to be performed. For services the marketing mix includes product, price, promotion, placement, people, process, and physical evidence. Here the interest in this topic is people who provide the services to the customer. The people or employees who directly provide the services to the customers are more important in service delivery. The presence of provider is necessary without it the service cannot be provided. The role played by them is very crucial from business point of view.

Out of 7Ps of elements of service marketing mix, people are the most important. When they meet, explain, deal and provide the service then their behaviour, competencies, promptness, initiatives to handle the customers and motivation affect the services offered. They are in direct contact with the customers so they represent the organization. They directly affect the quality of service offered and satisfaction of customers from the services availed. They are the marketers for customers. The customers know the persons direct in contact and do not know the owner of the company. The employees are providing the services to the customers as they are the employees. They act as marketers for their company. Out of products, goodwill, physical evidence, name of company and employee the most important is employee. Because it matters how does he provides the services. The interest, behaviour, initiatives, motivation, competencies etc, affects the performance of the services. It finally contributes to the perfect function, quality and satisfaction of customers. That is ultimate objective of service marketing. It can be said the employees are the most important resource for the marketing company. The special care should be taken to recruit, train, motivate and maintain them.

In present time it has been realized by the employers and managers that the employees are the most important resource. Services are provided at remote places also so they cannot be available there. The employees are deployed for providing services. They meet, interact and deal with the different customers. They bring the business for the company. They are who contribute in getting business, increasing and retaining customers, quality of service and satisfaction of customers. Finally the profitability and goodwill of the organization go high. They are the services, organization for customers, brand and marketers. They are all in all for customers. They are who make or break the business. That is the final objective of every business unit. Without the qualified, trained and motivated employees the goals decided cannot be fulfilled. Management should change the attitude towards employees. They should be considered as partners in the business and then they should be dealt. In the competitive situation if management is interested to take the competitive advantage over the rivals in business the support of employees is must.

In banking sector the different types of services are being offered. The owners of the banks are located at one place. But their branches are scattered and located across the country. They jobs of offering the services are assigned to employees. The performance they are giving on the job matters a lot. That affects the customers' satisfaction, getting and retaining existing customers, complaints handling, targets achieved, sales turnover, profits, market shares and good will of the company. The performance of employees is being focused not only in banking but every service sector. The better performance gives satisfaction to the customers. The services are to be provided with minimum processing and waiting time, proper response, promptness and desire to handle more and more customers. With these objectives the employees are selected on merit basis.

Next the other factors like technology, working conditions, location of work, rules and regulations, management approach, business environment etc affect the working of persons. These are to be taken care of. This should not be ignored. Productivity can be improved through different management processes like following scientific management principles. Specifically It includes, production planning, and control, production cost, inventory control, operation research, specialization, cost control, budgetary control, marketing research, matching demand and supply, replacement of old technology, preventive maintenance etc. contribute in improving productivity.

Chapter 3.4: Performance Appraisal

1. Introduction
2. Importance and Uses of Performance Appraisal
3. Definitions of Performance Appraisal
4. Approaches to Performance Appraisal
5. Objectives of Performance Appraisal
6. Performance Appraisals as Career Development
7. Factors Distorting Appraisal
8. Essential Conditions for Effective Appraisal
9. Characteristics of Sound Appraisal Plan
10. Limitations of Performance Appraisal
11. Other Issues Related to Performance Appraisal

3.4: Performance Appraisal

1 Introduction

Organisations are set up to achieve certain objectives. Achievement of goals or targets depends upon the performance of individual employees. The objectives can be fulfilled when the tasks are assigned to the employees and they perform the tasks. Otherwise these cannot be fulfilled. Now the question arises how far the work has been done as per the planning. The responsibility, accountability and performance standards have been met or not. Hence it is quite necessary to understand as to what extent employees have been successful at their jobs for achievement of their goals. This information will be available when the performances of employees have been evaluated at the end of the year. If it is not done then the management will not come to know the exact position about the targets achieved. They will be in the dark and there will be chances of planning failure. The planning is done in the beginning of performance management process. The performance appraisal is an important stage in this process. It shows as per planning of objectives, performance standards and behaviour the communication, counseling, coaching, motivation and feedback have been given or not. Finally to see what is the impact of these planning and action on the performance of the employees. The performance standards regarding quality, quantity, cost and behaviour have been achieved or not. So it becomes necessary to carry out the performance appraisal of every one for smooth working of the organisation. Thus performance appraisal forms an important part of HRM. This necessitates the study of the topic of performance appraisal.

Performance appraisal is mainly used for three purposes:

(a) As a basis of reward allocation such as salary increments, promotion and other rewards etc. In performance appraisal systems slow and fast working employees are identified. Under compensation, rewards and recognition plans the employees are given higher pay scales, higher incentives for better performance and appreciation for the work. Some time the cases of good performers are recommended for further promotion. It leads to development and motivation of employees.

(b) Performance appraisal will point out the weaknesses of employees and will spot the areas where development efforts are needed. The weaknesses in initiatives, leadership quality, problem solving approach, behaviour, discipline, difficulties faced during the work and competencies for performing the tasks. The deficiencies can be pinpointed. Performance appraisal is a tool for identification of deficiencies. On the basis of identification the remedial action can be taken to overcome the deficiencies. This way the performance of employees may improve to a good extent.

(c) It can be used for the selection and development programme. It will differentiate satisfactory performers from unsatisfactory ones. The performance appraisal will help the management to perform functions relating to selection, development, salary, promotion, penalties, lay-off and retrenchment.

2 Importance and Uses of Performance Appraisal

Following are uses of performance appraisal:
It can be used for career advancement of an individual. On the basis of an individual's performance his promotion, training and development and career plans are formulated. It can be used for transfer as it discloses various abilities of individuals which can form a basis to identify as to who is eligible for transfer in respect of different categories of jobs. It provides guidelines for training and development of individuals. The training needs for individuals can be established on that basis. It encourages employees to work hard since they are aware that their performance is being appraised and it can result into a reward also.

Performance appraisal facilitates the determination of incentives, perquisites, fringe benefits and piece rate wages. It is also helpful for the development of organisation, as company's objectives and development programmes can be matched with employee's competence. By identification and correction action taken under performance appraisal the productivity of the employees, systems and of organization as whole can be increased. It gives clear picture into the work being done and the employees who have contributed in work achievement. Through feedback from the managers and supervisors the employees get clear ideas about the competencies, difficulties faced and the performance achieved. On the basis of this the employees take the responsibility for their improvement. The performance appraisal is a regular opportunity to find out and deal with the important issues employees facing while performing jobs.

3. Definitions of Performance Appraisal

A performance appraisal is known by other terms like employee appraisal, performance review. It is a method by which the job performance of an employee is measured in terms of quality, quantity, cost, behaviour and time. It is conducted by self, peers, seniors and junior. But generally in formal method it is conducted by the immediate manager or supervisor under whom the person is directly working. . A performance appraisal is a part of measuring, comparing, finding, guiding, correcting and managing career development of the employees.. It is the process of gathering, recording and critically analysing information about the relative importance of employees to the organization. Performance appraisal is study of present achievements, and failures, personal strengths and weaknesses, and suitability for incentives, rewards and recognition, increased pay scale, promotion or further training. Finally it shows the suitability of the person at present job to the organisation.Appraisal is the evaluation of worth, quality or merit. Appraisal should measure both performance in accomplishing goals, plans and performance as a manager. It is the evaluation of present performance and future capabilities. Different experts have defined this concept as follows:

(a) "It is the evaluation or appraisal of the relative worth to the company of a man's services on his job." (Alford and Beatty)

(b) "Performance appraisal is a systematic periodic and impartial rating of employee's excellence in matters pertaining to his present job and to his potentialities for a better job." (Flippo)

(c) "It is the process of evaluating the performance and qualifications of the employees in terms of the requirements of the job for which he is employed, for purposes of administration including placement, selection for promotions, providing financial rewards and other actions which require differential treatment among the members of a group as distinguished from actions affecting all members equally." (Heyel)

(d) Douglass

Performance appraisal is a method of acquiring and processing the information needed to improve an individual employee's performance and accomplishments.

(e) Newstrom

It is the process of evaluating the performance of employees, sharing that information with them and searching for ways to improve their performance

(f) Performance Appraisal

A process in where an individual's performance is scored and feedback is given. A large component in psychology is trying to measure human behavior. Performance appraisals are often used in the work place to inform employees on their work progress. Promotions, bonuses and training needs are often based on the information provided by a performance appraisal.

(g) "Performance appraisal is a meeting between workers and their manager to discuss how well they are doing in their work." Macmillan Dictionary

(h) Process by which a manager or consultant (1) examines and evaluates an employee's work behavior by comparing it with preset standards, (2) documents the results of the comparison, and (3) uses the results to provide feedback to the employee to show where improvements are needed and why. Performance appraisals are employed to determine who needs what training, and who will be promoted, demoted, retained, or fired.

Some people confuse performance appraisal with merit rating. But both are basically different. In merit rating, employee's internal merits and qualities are studied like his nature, physical and mental merits and so on; while in performance appraisal, evaluation is made of quantitative factors based on production quantity, quantity of accepted and unaccepted jobs and strata of work, etc. Thus, in merit rating the stress is on what he is, while in performance appraisal the emphasis is on what he does and what potentiality does he possess.

4. Approaches to Performance Appraisal

The concept of performance appraisal came to light with the development of management. After industrialization when competition crept in the market, the need for effectiveness was felt. In past, the roots can be traced in the time and motion study. For effective working the need for capable and dedicated worker was felt. In time and motion study the efforts were there to save time and activities so that the performance output can be improved. This became more and more popular with the tough competition in the market. As on today the company get differential competitive advantage over their rivals whose employees are well trained, motivated, committed and achieving the performance standard. The formal use of performance appraisal procedure was used in the time of Second World War. The history of it is not very long. It is hardly a few decades old. The approached to performance appraisal can be explained as follows:

(a) Old Approach

In broader sense, the practice of appraisal is a very old technique or art. In short it can be claimed one of the oldest profession. Performance appraisals are widely used in the society. The history of performance appraisal can be dated back to the 20th century and then to the second world war when the merit rating was used for the first time. An employer appraising their employees is a very old concept. Performance appraisals are an important part of performance measurement process. Dulewicz (1989), said that "performance appraisal is a basic human tendency to make judgement about those one is working with, as well as about oneself." Appraisal, it seems, is both inevitable and universal. In the absence of a carefully structured system of appraisal, people will tend to judge the work performance of others, including subordinates, naturally, informally and arbitrarily. The human inclination to judge can create serious motivational, ethical and legal problems in the workplace. Without a structured appraisal system, there are chances that the mistakes are likely to take place and these may be unlawful, biased and improper.

Performance appraisal systems was used in the past whether the payments have been made to the workers are justified or not. It can be said that is was a simple income justification. The process was firmly linked to material outcomes. The employees were paid as per the output. If the output was good the good salary was paid otherwise there was a cut in the salary. A pay increment was given when the performance was more the expected standard. There was no consideration for the human touch to the performance appraisal system. There was no scope for the development of employees. The motivational factors were only the wage cut or a rise to improve or continue to perform well. Sometimes this basic system could succeed in getting the results that were expected but most of the times it failed.

For example, early motivational researchers were aware that the employees with almost similar ability to work were paid same salary but with the different levels of motivation while performing the jobs. These observations were confirmed in empirical studies. There were many factors to influence to perform well. The factors were good salary, morale, self esteem and appreciation. But out of these the salary was a major factor to affect the performance of the workers. As a result, the traditional emphasis on reward outcomes was progressively rejected. In mid of twentieth century the performance appraisal was recognized as a tool for motivation and development of employees. The present form of performance appraisal started from that time onwards.

(b) Modern Appraisal

Performance appraisal may be defined as a structured formal appraisal system in which the subordinate' performance is appraised by his supervisor, that usually takes place in mid and end of the year assessments. In this the performance of employee is measured, compared and discussed with the objectives to find out the strengths, weaknesses, difficulties faced, and the deficiencies in competencies so that these things can be developed. The management is looking forward for improvement in individuals' performance and increase the effectiveness of human resource. This may leads to proper utilization of all resources and finally the comp-any get competitive advantage in the market over the rivals. In many organizations the appraisal system is used as base for deciding rewards, recognition, compensation, training, promotion, bonuses and many other opportunities for employees' development.

On other side the poor performers are also identified who may need counseling, coaching, guidance or any other help for further problem solution and improvement in performance. Despite of sincere efforts of the management if the employee is not interested to improve them remedial action can be taken to correct him. Such action can include wage cut, dismissal, demotion and loosing seniority subject to provisions of law of the land prevailing. Now it is difficult to say that it is a good method for deciding the corrective and development action. Right now it is a matter for comprehensive discussion.

(c) Criticism of Performance Appraisal

Performance appraisal is a good method for improvement of performance of employees and increase effectiveness of organization in the business. Despite of its advantages it has been criticized by some management experts, researchers and consultants. They argued that the reliability and validity of performance appraisal id uncertain. Due to its different types of errors it is impossible to say it is a perfect method for performance evaluation. Derven support this criticism in 1990. The appraisal of people is like to be biased due to different factors. It creates confusion, frustration and employees reject the feedback given by the appraiser. Some time favour, nepotism, preference and other factors play their role in appraisal. In most of the cased the appraisal given by the appraiser are not uniform given at the different times of the same person or same person appraising the different persons. It leads to dissatisfaction. Further it is a time consuming and traditional method. It is not going to give any concrete decision for further action.

(d) In Favour of Performance Appraisal

On other side the experts give the extremely opposite view about performance appraisal. They are strong supporters of performance appraisal. Lawrie said that is the most crucial aspect of organizational life. The latest statement accepted world wide by different organizations is– "get paid according to what you contribute" – the focus of the companies is toward performance management process and particularly to individual performance. Performance appraisal helps to evaluate the performance and contribution of employee towards the organizational goals. If the whole process formal and properly structured and implemented, it helps in giving the clear ideas to the employees regarding their, roles and responsibilities, targets achieved and difficulties faced while performing the jobs. It helps to align the individual performances with the organizational goals and also suggest how the effectiveness of employees and organization can be achieved further.

Further there are people of different opinions between the two extreme sides of performance appraisal. They have differences regarding the methods and time of application of performance appraisal. On group believe that performance appraisal is important to find out the strengths and weaknesses and development uses. But when it is related to rewards, pay rise or cut, promotion and demotion then it is taken as negative point. When it is related to these it eliminated the development part of the appraisal. They very objective of performance appraisal is hidden in punitive actions and not in development of employees. It is not providing the opportunity for development, encouragement but it is a deterrent approach of the management. When employee knows that his next pay rise is due, the employee is not going to disclose the difficulties faced by him. This may be taken as a weakness of the employee and wage rise may be denied.

Further, there may be difference of opinion of the appraiser and executioner. Supervisor in day to day working understand the employees in a better way. He may suggest for employee to brush up the certain skill for further improvement. But this may be taken by the executioner as a weakness and he may be denied further promotion. This may be taken in different way and can damage the morale, develop frustration and dissatisfaction. It may leads to bitter relationship, creates labour problems and productivity will go done. Ultimately the performance will be poorer further. These advocates say that the performance appraisal should not be linked with the reward and promotion. This should be considered separately on the basis of merit, results and efforts.

(e) The Link to Rewards

Bannister and Balkin said that the employees are more interested in accepting this. They feel that the appraisal system should be linked with the reward and compensation plans. They feel more satisfaction when it is related to the rewards in many organizations. On this point, the others argue that for reward purpose there should be clear communication in appraisal system. In present practice the reward issues are not discussed in appraisal of employees. It is the responsibility of the management to discuss with every employee over the issue of rewards. Consistency is not maintained in different organizations. This is further increased by conducting separate wage and salary review in which the rises, bonuses and other incentives are decided arbitrarily and often without disclosing the facts to the employees by manager and supervisor.

5. Objectives of Performance Appraisal

Every person differs in his abilities, attitude and aptitudes. There is always some difference in inputs, outputs and quality of outputs when two or more persons are working on the same job. It becomes very difficult to know who is more suitable to the job. Management is putting efforts for proper utilization of men, machines and materials. Except manpower other resources are non living resources. Once they are in use then full utilization is possible. But in case of manpower, when people are employed their full utilization may be possible sometime. The efforts will be to find out the weak element that contributes to the accomplishment of objectives. The need for contribution assessment of every person has been felt. This is only called performance appraisal. Performance appraisals of Employees are necessary to understand each employee’s abilities, competencies and relative merit and worth for the organization. Performance appraisal rates the employees in terms of their performance criteria.

Performance appraisal takes into account the performance of one year, looks critically into the strength, weaknesses and deficiencies in the performance given. The focus is on improvement in future performance of the employees. Performance Appraisal shows relative worth of an employee. The focus of the performance appraisal is measuring, analyzing and improving the actual performance of the employee and also to find out the potentials of the employees for future assignments. It is a powerful tool to calibrate, refine and reward the performance of the employee. It helps to analyze his achievements and evaluate his contribution towards the achievements of the overall organizational goals

By focusing the attention on performance, performance appraisal goes to the heart of human resource management and reflects the management's interest in the progress of the employees as well as organisation. It is the process of receiving, recording and critically studying information about the relative importance of employees to the organization. It finds out the present achievements, and failures, personal strengths and weaknesses, and suitability for incentives, rewards and recognition, increased pay scale, promotion or further training. Finally it shows the suitability of the person at present job to the organisation. The objectives of performance appraisal are summarised as follows:

(a) To review the performance of the employees and find out the impact of action plans on performance of employees over a given period of time.

(b) To gather, record and measure and analyse the information relating to the performance given in the current year.

(c) To find out the strengths, weaknesses, difficulties faced during work, performance standards achieved and the deficiencies available.

(d) To judge the gap between the actual and the expected performance standards, behaviour, leadership quality, competencies, initiatives for problem solutions.

(e) To help the management in planning and exercising organizational control.

(f) To support in improving communication process and relationship between people working at different levels.

(g) To identify the need and areas for further training and development of the employees on the basis of deficiencies in competencies of employees.

(h) To provide feedback to the employees relating to the performance they have give in the current year. Their plus and minus points may be communicated to them.

(i) To provide information to assist in the other personal decisions in the organization.

(j) To communicate to employees regarding the expectation from them and the functions they performed in the last year.

(k) To assist in determination of promotion and transfer policies.

(l) To reduce the grievances among the employees.

(m) To make the compensation plans more scientific and rational.

(n) To help in the proper placement of the workers after the completion of their training and probation.

(o) To judge the effectiveness of the other human resource functions of the organization such as recruitment, selection, training and development.

(p) To help the management in developing recognition, rewards, compensation plans and other corrective actions for improvement.

(q) Finally to improve the effective utilization of manpower to meet the desired goals and get the competitive advantages over their competitors in the markets.

6. Performance Appraisals as Career Development

Performance appraisal is considered as a part of career development. "Get paid according to what you contribute" – worldwide this principle has been followed. Further this is expected by the employees also. The focus of the organizations is turning to performance management and specifically to organizational as well as individual performance. Performance appraisal helps to assess the competencies of employees, attitude at work, performance standards achieved to contribute to the objectives of organization, willingness to shoulder responsibility, initiatives to solve problems and leadership quality. Through performance appraisal the relative worth of employees to the organization is found out. It leads to the recognition of the work done by the employees, by rewarding, recognitions and higher compensation packages. Good performers are identified for promotion to the higher jobs. When employees take their own responsibility to work and overcome their weaknesses and improve performance. This opens the gate for further development in career. It plays the role of the link between the organization and the employees' personal career development goals.

Through Performance appraisal, the talents and potentials of the employees are identified. It helps the management to identify the individuals who can be assigned the new or higher responsibility in future. The performance appraisal process in itself is developmental in nature because the weaknesses, difficulties faced, deficiencies anywhere are identified and remedial actions are taken to overcome these. The objective is not to criticize or punish but to give opportunity to improve over the weak areas. Performance appraisal review opens gate for many other HR processes. It identifies the good performers and poor performers at work. For good performers the HR process like rewards, recognitions, incentives, higher packages, promotion, deputation, job enrichment etc. are initiated. For poor performers wage cuts, deprivation of welfare facilities, demotion, discharge or dismissal, lower rate of incentives etc. these HR processes would be applicable During performance appraisal feedback is given to every employee relating to their performance with objective to explain the clear position of the performance of individual. It is with the positive approach to motivate the employees. The employee should take it as an opportunity to shoulder the responsibility to learn more to overcome the weak points so that he can improve the performance. In turn the improved performance would open the door for rewards, promotion, higher packages and other development opportunities. Based on the performance evaluation, employees can develop their competencies, performance, career goals, achieve and chart their career progression. Performance appraisal encourages employees to to shoulder the responsibility willingly to learn more, increase their strengths and overcome their weaknesses. Finally the objective of performance appraisal is to develop individual performance, organization performance and career of employees.

7. Factors Distorting Appraisal

Performance appraisal is done by the managers or supervisors. They do this job under different situation, at different place and different state of mind and at different time. Their judgements are likely to be affected. They are human being. Their psychology, liking, disliking, preference, judgement etc. are likely to affect the appraisal of employees. There are chances that errors are likely to take place. But efforts should be there so that these can be minimized. Proper care should be taken to give fair and impartial assessment. Generally the following errors are likely to take place in assessment:

(a) General Bias Errors

It depends upon the attitude of the assessor. Some may be very strict and other may be very liberal during the assessment work. They may not consider the actual performance of the employees for assessment work. It affects everyone in general.

(b) Halo Effect

During assessment when the assessor considers or gives importance to one criterion of the assessment and ignoring the other factor, the error is likely to take place.. This is called halo effect. It gives wrong assessment of the employees.

(c) Relation Rating Error

When one task is related to another task then the assessor gives importance to that logical relationship more.. It creates the error in the assessment.

(d) Contrast and Similarity Errors

The assessors assess the other employees based on their own assessment. The assessment may be similar or contrast to assessment of the employees.

(e) Central Tendency Errors

When the evaluator does not take the extreme steps for evaluation, he avoids the extreme two ends. He follows the central path and gives and average rating for the performance. The range of assessment is very narrow. It dissatisfies the excellent performers but protect the poor performers also.

(f) Proximity Errors

When raters assess one high side then he assesses others also high side this is called proximity error. He wants to justice with every one but in the beginning he has done the assessment on wrong side and that affects the whole assessment.

(g) Rating Inflation

When supervisor's rating goes very high without any reason is called inflated rating. The supervisor should make that the ratings are on fact basis and not based on emotions or feeling of individuals.

The aforesaid factors affect the performance appraisal individually or collectively. Hence, performance appraisal may not be correct or may be biased. There is no hard and fast rule that these errors will take place with every assessor. But these are like to affect the assessment work of the assessors .The assessors should keep these points in mind and review the rating errors on regular basis. If the proper care is taken then the assessment work will be adequate.

Accountability can be rated as, does not meet standards, needs improvement, meets standards or exceeds standards. One each rating the assessor is supposed to give clear comments on the appraisal form. For example if the person exceeds standard them comment should be," very good, keep it up in future also". Similarly the other criteria like behaviour, leadership, quantity and quality of output, discipline, commitment to the work, level of competencies etc. are to be rated. Finally the overall performance of the employees is to be rated. It should be followed by the comments from the assessor. The assessor is to sign the assessment form and submit to the concerned cell in HR department.

8. Essential Conditions for Effective Appraisal

The assessors should keep these points in mind and review the rating errors on regular basis. If the proper care is taken then the assessment work will be adequate. Accountability can be rated as, does not meet standards, needs improvement, meets standards or exceeds standards. One each rating the assessor is supposed to give clear comments on the appraisal form. For example if the person exceeds standard them comment should be," very good, keep it up in future also". Similarly the other criteria like behaviour, leadership, quantity and quality of output, discipline, commitment to the work, level of competencies etc. are to be rated. Finally the overall performance of the employees is to be rated. It should be followed by the comments from the assessor. The assessor is to sign the assessment form and submit to the concerned cell in HR department. Following are the essential conditions for effective performance appraisal:

(a) Documentation

It is an important activity of performance appraisal process. Special care should be taken to prepare documents and maintain them. The properly prepared and maintained documents provide documentary evidences. On the basis of that ratings will be decided. Further, it may be helpful in performance review. Corrective, development, rewards, incentives, compensation and training plans and programmes.

(b) Objectives and Standards Clarity

The overall objectives, individual objectives and performance standards expected from each employee should be decided and agreed with the managers, supervisors and employees. It makes the things clear to the job performers. They should not have any confusion regards their jobs and performance to be given by them. These should be clear, easy to understand, feasible to achieve, motivating, time bound and measurable. It should be SMART.

(c) Simple Appraisal Format

The appraisal format should not be very long and complicated otherwise it is likely to confuse the raters and further it takes a long time to complete it also. With the simple format the objective can be completed with minimum confusions, time consuming and efforts needed. The effectiveness of appraisal will improve.

(d) Assessment Methods

There are different methods of performance appraisal but at a particular time for a particular job the particular method may not be suitable. While selecting the evaluation method proper care should be taken. This job should be given to the trained managers to select the assessment methods. Otherwise the all efforts may be in vain. For selection of methods the criteria of performance standards should be considered.

(e) Communication: Important Part of Performance Appraisal Process

The objectives and standards of performance should be communicated to the supervisors and employees before they start their work. It is having clear understanding in their mind regarding their job, objectives of their jobs and expectation from them. They will perform accordingly to achieve the desired result. It is possible through proper and timely communication. Proper communication will overcome many problems in the beginning itself. After performance appraisal the feedback also should be communicated in proper language and tone so it works as a motivational tool for employees. The importance of it should not be underestimated by the managers and supervisors.

(f) Training of Assessors

The tasks of performance appraiser are very challenging. To perform this task a high degree of job knowledge, skills, competencies are needed. They should also have good knowledge of human behaviour at work. These traits can be developed with help of training only. Before starting the appraisal they should be trained. Further, with the new trends in appraisal methods in between short term training programmes on appraisal can be arranged. This may contribute in improving the appraisal system.

(g) Feedback

The purpose of the feedback should be to communicate, convince and develop the performance of employees rather than judgmental. To maintain its effectiveness, timely and correct feedback should be given to employees with positive approach. It should be in position to motivate the employees. This should be taken by them willingly and should take own responsibility for overcoming problems and development of performance. It should be totally interactive.

(h) Personal Bias

At work place the personal relations are likely to develop on the basis of blood, sex, caste, creed, language, religion, regions, lifestyle and friendship. The interpersonal relationships are likely to affect the evaluation and the decisions in the performance appraisal process. The personal bias is likely to taken place. Therefore, the evaluators should be trained on the job of performance appraisal process. If we have already trained supervisor for that job then guidelines should be give so that in appraisal process the bias or mistakes can be avoided.

(i) Ongoing Feedback

The purpose of the feedback should be to communicate, convince and develop the performance of employees rather than judgmental. To maintain its effectiveness, timely and correct feedback should be given to employees with positive approach. It should be in position to motivate the employees. This should be taken by them willingly and should take own responsibility for overcoming problems and development of performance. It should be totally interactive.

(j) Rewards to Accurate Appraisers

The appraisal is being done in most of the organizations by the managers and supervisors. When they are doing the jobs they should be motivated to do the job in an effective way. For that purpose their work should be appreciated. Out of the appraisers who work is proper should be rewarded. This will motivate them in their future assignments also. The effectiveness of appraisal can be improved with this technique also.

9. Characteristics of Sound Appraisal Plan

The successful evaluation of any appraisal programme will be governed by the following factors:

(a) The line management must be in complete agreement as regards the need and the purposes.

(b) Complicated plans should be avoided.

(c) The supervisors' co-operation should be enlisted not only in preparing the appraisal form, but also in respect of the weights to be assigned to each factor.

(d) It is desirable that the appraisal plan is completely explained in advance to those who are likely to have an impact because of its implementation

(e) The supervisors must be provided necessary training for the same.

(f) There must be full cooperation of line and staff employees and also mutual checking of their performance appraisal.

(g) There must be provisions for challenges and review of performance appraisals, if so required by the union representative.

10. Limitations of Performance Appraisal

Though the performance appraisal is a very useful technique it does suffer from some of the following serious limitations:

(a) It is a useful technique of efficiency rating but there are certain personal characteristics which cannot be expressed either in figures or in any other measures.

(b) However systematic and objective a performance appraisal system may be used in the organisation, it is rather impossible to eliminate personal and subjective element from it. (c) Normally there is the presence of `a halo' effect. This leads to a tendency, to rate the same individual first who have once stood first.

(d) While assigning the factor points or number to the employees, there are some raters who are very strict while some are more liberal. They cannot keep a far distinction between two individuals. Such an approach also nullifies the utility of this system.

(e) Sometimes the outcomes of performance appraisals are not in conformity with the other techniques of motivation, incentive wages plans and so on. Factors are introduced in the managerial appraisal because of a fact possessed by the person concerned who conducts the appraisal.

11. Other Issues Related to Performance Appraisal

(a) Appraisal as Employee Motivation Mechanism

In present time the dissatisfaction and employees turnover rates are increasing. It is very difficult to retain the good employees. Keeping this thing in mind the HR professionals are much worried because a trained person dissatisfied at work or leaving the job adds to the costs to the organization. They have taken performance appraisal as a method for motivation of employees by connecting performance appraisal with rewards, recognition, incentives, pay rises and promotion. Further the needy persons are given chances for training and development. It has proved to a good extent as a motivational tool in the organisation.

Performance appraisals and reviews can be used as a tool to reinforce the desired behaviour by coaching, guiding, communicating, correcting faulty performances and creating fear of wage cuts and punishments. A good appraisal is always accepted by the employees. Some of the employees willing accept their good and bad performances. The take their weakness as a challenge to overcome and they willing taken the responsibility to improve their skills and performance both. When they achieve good performance their work is appreciated and rewarded accordingly.

Errors in performance review can de-motivate the employees, even if there has been an increase in the salary. Such errors can kill the team spirit and initiative in the employees. Similarly, inaccurate performance reviews with wrong decisions regarding rewards, recognition and incentives may increase the level of dissatisfaction and some times they may thing to change the jobs also. The performance appraisal may work in both directions for motivation. If done properly the result will be positive otherwise it may affect the motivation of employees adversely. Employees' motivation goes high when they accurate performance review with adequate pay rise. Managers should take care for performance appraisal keeping in mind the motivational potential of it. It may be very beneficial for everyone if proper care is taken and it is properly reviewed.

(b) Challenges of Performance Appraisal

Every organization comes across various problems and challenges of performance appraisal in order to make a performance appraisal system effective and successful. The main challenges involved in the performance appraisal process are following:

(i) Deciding the evaluation criteria: Identification and decision regarding appraisal criteria is one of the biggest problems faced by the top management. In evaluation process the data to be collected and evaluated very carefully. All data can not be collected because these are not measurable. The data which are not quantified cannot be collected and measured. It is a great challenge to decide the performance criteria.

(ii) Create a rating instrument: The performance is to be rated so there is need for creating a rating instrument. It takes a lot of time and high degree of skill is need. That is not possible always. The focus of rater is on the performance appraisal and not appraisal of employees. It is bit difficult to overcome this challenge

(iii) Lack of competencies: Top management should go for careful selection of raters, managers and supervisors who are going to evaluate the performance of employees. Management should decide in advance the knowledge, skills and expertise required for this purpose. They should be well experienced and trained persons on the job. But generally very less number of persons posses these competencies. A lot of difficulties are faced in finding out such persons

(iv) Errors in evaluation: During performance appraisal different types of mistakes are being done by the appraiser. The reasons may be some errors or biased and due to these the appraisal is not proper. The mistakes can be due to halo effect, central tendency etc. These errors cannot be avoided totally. But the appraiser should special care and objectivity and fairness is to be brought into appraisal.

(v) Resistance: When on the basis of performance appraisal the management takes the corrective action then it is opposed by trade unions and employees. Strong opposition is faced in the organization. The management should create awareness of employees regarding the appraisal process and its objectives. The performance standards expected from them be clearly agreed and communicated. Through proper communication the clarity should be maintained. If not done so the opposition is likely to take place.

(c) Global Trends in Performance Appraisal

The performance appraisal process has become very important function rather it is the heart of the human resource management system in the company. Performance appraisal system defines the objectives, performance standards to be achieved, collect and measure the performance, and analyse the performance of every individual and organization as a whole. It is the basis of corrective, development and planning function for future.. It is a very important function of HRM for evaluation of performances. The major issues in it in present time are:

(i) Employees and career development is the major issue at present. Management is interested to develop the organization through development of employees. Efforts are being put to get success so that effectiveness of the group can be improved.

(ii) Improvement in Performance appraisal system is again important concerned. Management is interested to give proper appraisal of performance so the improvements are needed in measuring, rating and review systems. That is why the appraisal formats are well structured and in detail have become more detailed, structured and person specific than before.

(iii) Performance related compensation package is being parts of the strategic planning in major organizations. The management is interested to motivate the people through their compensation that is decided on the basis of performance.

(iv) Multiparty assessment is getting important at present. When the supervisor is doing the appraisal he is likely to commit mistakes. To overcome these mistakes, the assessment is being done by different concerned persons so that the mistakes can be overcome. That is why there is a trend towards a 360-degree feedback system.

(v) Proper implementation of performance appraisal is sought by all concerned parties. The supervisors are appraising the performance but the appraisal implementation is done by second party. There are chances of lapse in implementation and assessment of performance. The anticipated mistakes can be overcome.

(vi) Search of quantifiable indicators is on. The performance is measured on the basis of quantified data. The focus is changing towards the performance indicators which can be measured. The data which cannot be measured then these cannot be evaluated properly. So there is search of such performance indicators.

With the globalization of world markets the level of competition is increasing day by day. It is very difficult for every one to survive, grow, stabilize and excel in the performance. Those who were leader in the market now there positions changed and they are laggard. Now focus has been shifted to the group performance. Those who are in position to give better performance than that of others they enjoy better positions in the market. For improvement in performances the focus has gone to performance appraisal methods. The modern methods of appraisal systems are becoming more popular. These methods are 360 degree method, team performance appraisal, assessment centres, MBO, rank and yank strategy. In rank and yank strategy the performances are identified from best to poor performers. The poor performers are asked to improve performance within the given period. If they do not improve their performance they are asked to exit. This strategy is being followed in leading companies like Microsoft, Sun micro-systems Ford etc. More companies are likely to follow in future to improve their competitive strengths in the global markets.

Chapter 3.5: Performance Appraisal Process and Methods

1. **Performance Appraisal Process**
2. **Methods of Performance Appraisal**

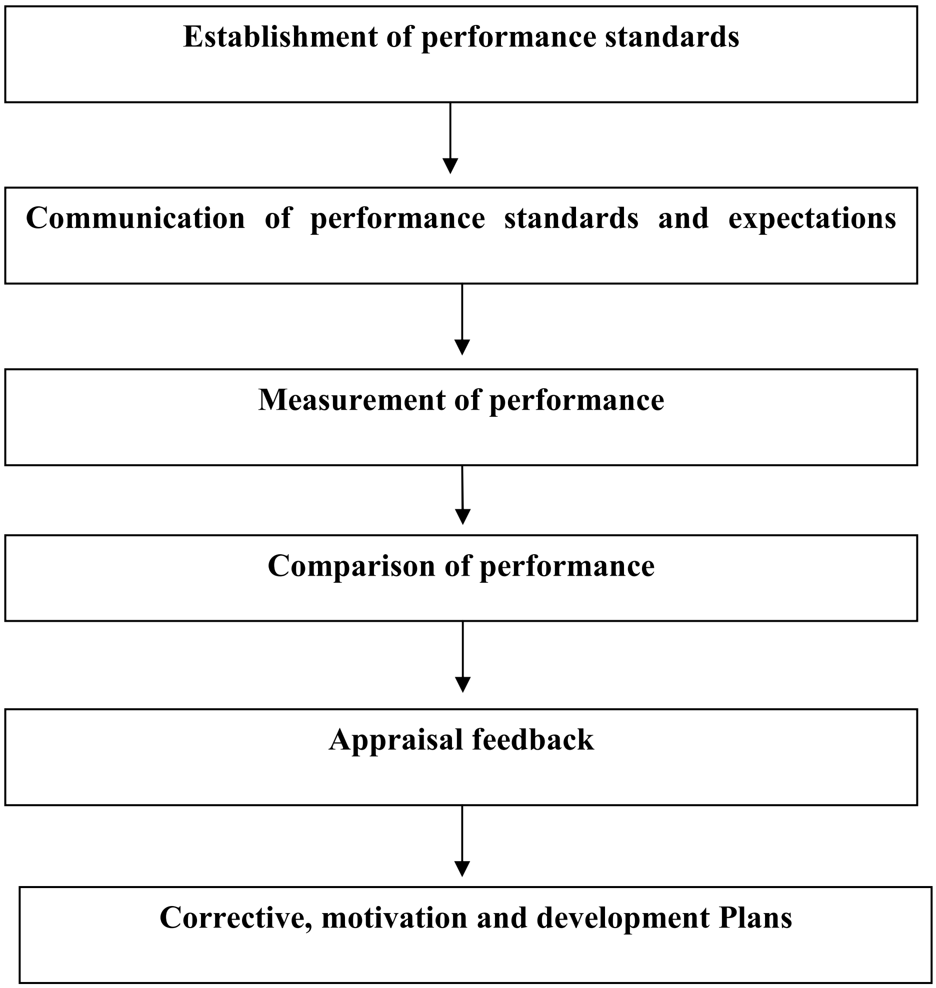
3.5: Performance Appraisal Process and Methods

1. Performance Appraisal Process

The performance appraisal is the evaluation process in which the information are gathered, recorded, measured and analysed relating to the performance of the employees. A set of activities are arranged in a logical sequence to perform the task of evaluation It includes the steps as establishment of performance standards, communication of performance standards and expectations, measurement of performance, comparison, appraisal feedback, corrective, motivation and development action. These steps are explained below:

Step-1: Establishment of performance standards: These should have evolved out of job analysis and the job description. The performance standards should be clear to achieve the objectives. Further it is required that these should be understood and measured. Management identify and prioritize the goals of the organization. For accomplishment of the goals the jobs are to be performed. Now, what level of performance is expected from the employees is to be discussed. For fixing the performance standard the comprehensive discussion should be there among managers, supervisors, employees, experts in house and consultants. The performance standard should be feasible to achieve. These should not be very low or high. The performance of slow, fast performer may not be suitable for everyone. That is why the average performance should be taken into account. Performance Standards are the statements that specify what constitutes good work. The all concerned persons involved in fixing performance standards develop the list of specific job tasks then they write statements that specify how the quality of the work will be determined. The performance standards should be specific, measurable, attainable, relevant and time-based. The performance standards should be decided regarding the quality of work, quantity of output, with reference to the time taken, manners of work performed, method of doing the tasks, behaviour and costs involved in performing the jobs. These will give a clear idea to the supervisors and performers regarding what are expected from them on job.

Diagram 3.5.1: Performance Appraisal Process



Step-2: Communication of performance standards and expectations: Once performance standards are established, it is necessary to communicate these expectations. It should not be a part of the employee's job to guess what is expected of them. Unfortunately, too many jobs have vague performance standards. The problem is compounded when these standards are not communicated to the employee. It is important to note that communication is a two-way street. More transference of information from the manager to the subordinate regarding expectation is not communication. Timely and proper communication should be there between managers, supervisors and employees on jobs regarding the goals, expectation from employees, performance standards to be achieved, the jobs to be performed and methods of performing the jobs. It should clearly explain these things so the clarity should be maintained. Communication takes place, effectively only when the transference of information takes place, is received, clearly understood by the subordinate and he provides the `feedback' to his superior.

Step-3: Measurement of performance: The third step in the appraisal process is the measurement of performance. To ascertain what actual performance is, necessary information about it should be obtained. One is concerned with how he measures and what he measures. There are four common sources of information frequently used by managers to measure actual performance; personal observation, statistical reports, oral reports and written reports. Each has its strengths and weaknesses; however a combination of them increases both the number of input sources and the probability of receiving reliable information. It is the responsibility of the immediate manager or supervisor under whom the person is working. The performance can be measured in quality, quantity, time, cost, difficulties faced, competencies expressed during work and initiatives taken for problem solution. Only the trained person can perform this task effectively. Otherwise the objective of the performance appraisal may be defeated.

Step-4: Comparison: The fourth step in the appraisal process relates to the comparison of actual performance with standards. In first step the performance standards have been decided and in second stage the actual performance is measured. Now in this step the actual performance is compared with the prefixed standards. The attempt in this step is to locate variations between standard performance and actual performance so that one can proceed to the next step in the process. The deviations in quality, quantity, time, cost, competencies, behaviour, leadership, initiative etc can be identified. The slow and fast working persons can be identified through this comparison. If the comparison is not carried out then the goals and performance cannot be aligned to meet the planning requirements.

Step-5: Appraisal feedback: In this step the information gathered relating to appraisal are analysed and discussed with the employee. The appraiser discuss with concerned employee regarding the strengths he has shown during the work. The place where he finds himself in a good position, the good performance he has given and the required competencies he has at present. Focus is also given on the weak points of the workers and through discussion these areas are identified. Further, discuss the difficulties faced with the work due to him, machines, working procedure of any other reason. The ultimate goal of this is to improve the working of the employees as well as organization. Employees get feedback from the appraiser regarding the performance they have given their positive and negative points. Simultaneously they get the counseling, coaching and suggestions for better working.

Step-6: Corrective, motivation and development action: The last step in the appraisal process is the initiation of corrective, motivation and development action when necessary. Corrective action can be taken at the earliest to remove the cause of the problem. The performance may be poor due to workers, machines, working method, environmental etc. The immediate action will be initiated so that the problem can be corrected and it should not affect the performance adversely. Next, the actions will be taken to motivate the persons by identifying rewards, recognition, incentives, compensation and promotion. This will motivate as well as correct the behaviour of employees, Finally, the management take action for further education, training, improvement in working procedure and replacement of old technology. The ultimate goal of this stage is to remove the problems so that in present as well as in future the performance should not be affected.

2. Methods of Performance Appraisal

There are a number of methods that are used to evaluate employee's performance. It may be evaluated on the basis of his traits and attributes as well as on the basis of his work or results and objectives achieved by him. Thus his performance may be measured in terms of standards of his traits and general behaviour on the job or in terms of results and goals. Some of the common techniques are given below. Each method has its merits and demerits but one thing is clear that the technique employed has to evaluate mainly his job related performance. The appraisal methods can be classified as follows:

(a) Individual appraisal, group appraisal and other methods

(b) Traditional and modern methods

(a) Individual Appraisal Methods

Some of the methods which are widely used to evaluate an individual employee against the standard are as under:

(i) Rating scale: This is the oldest and most popular method of evaluating individual's performance. In this technique the appraiser judges the employee's performance along a scale from low to high. The appraiser rates employee's work and traits such as output, dependability, loyalty, initiative, cooperation, attendance and the like as poor, average, good, very good, excellent etc. Rating is the subjective opinion of the appraiser about the individual work or particular trait. This is noted on the appraisal form against each criterion or trait. The ratings may be assigned numerical values or scores, so that an average can be calculated and a comparison be made. For example, poor standard may indicate no or zero score, fair, acceptable, good and excellent rates may have 1, 2, 3 and 4 scores respectively. Score for overall performance can be determined and compared in case of each employee. Sometimes grades A, B, C, D, E may be assigned as a rating measure. A- for excellent performance, B-for very good, C-for good, D- for average and E-for poor performance.

(ii) Checklist method: The appraisal form in this technique is a checklist of statements or words which describes employee's performance or behaviour. The rater reads the same and rates the employee against that statement. It is in the form of yes-no response. The rater marks yes if he is in agreement with the statement or description. Marks no if employee does not agree with the statement. Finally the total of yes and no are taken into account. Sometimes, personnel department may assign weights to each item or statement of the checklist according to its importance for evaluating performance. This is known as weighted checklist rating method. Weighting helps in quantifying rating.

(iii) Forced choice method: In this case the appraisal form contains different sentences, each of them contains a pair of positive or negative statement relating to various classes of characteristics, such as learning ability, co-operation, leadership, dependability, loyalty, attendance, work performance etc. In each item, the appraiser or rater has to choose that statement out of the two, which fits the employee most. For example, if both the statements in an item benefit the employee performance, the rater has to discard any one. Hence this technique is known as forced choice method. For instance, take the item - `has sound job knowledge.... works hard.' If both statements benefit an employee, in this method, the rater has to choose only one of the two. The other is overlooked. The appraisal may be faulty on this account.

(iv) Critical incident method: In this technique, the rater records an extreme or extraordinary behaviour displayed by the employee when he works on the job. This will assist him to appraise his performance. The incidents that take place may indicate positive or good behaviour of the employee or his negative or bad behaviour e.g. in case of a fire, the employee might have shown an exemplary courage. Without worrying about life risk he controls the fire. Another example, when there is an income tax department raid in the company office and the finance manager is not available in office. The dealing persons shows the initiative to handle the situation very effectively by explaining every points asked by the income tax inspector. The incidents are noted in a critical incident sheet. These are taken into account while evaluating employees' performance in critical situations.

(v) Field review method: In this method a specialist of the personnel department goes into the field and helps the supervisor in rating the employee. The work of the employees is observed actually in the field. The observer sees the nature of job, environment in which the job is performed, the climatic conditions, difficulties faced, working conditions, methods used for working, facilities available to the workers, risks involved in the jobs. The specialist prepares an evaluation based on the observation and information provided by the immediate supervisor about the performance of the employee. It is forwarded to the supervisor for review, modification or for discussion with the employee. The only difference is that a skilled specialist fills up the appraisal form.

(vi) Performance test and observation method: The purpose is to test the knowledge and skills of an employee. He is evaluated either by giving him a paper-pencil test or he is required to demonstrate his skill in a practical situation. For example, a baker may be asked to prepare a cake or a mechanical engineer may be required to locate a fault in a defective machine. It depends upon the type of the job. For a typist a letter can be given for typing. On the basis of work the assessment can be done. A programmer can be give a task to design a program for that task. Receptionist can be given a task to contact vendors or customers and simultaneously the conversation can be monitored.

(vii) Annual confidential reports (ACR): These reports relate to the performance of employees and they are kept quite confidential. They are prepared by superiors on the basis of their judgements, observations and intuitions. The subordinate is not permitted to see his report on performance. The whole process is conducted without disclosing any information out of it to any concerned person. The employee does not get any feedback about his performance, shortfalls and strengths. They are kept in dark. The scope for self development is very less in this. Generally it is being used in government organization.

(b) Group Appraisal Methods

There are a number of methods that are used to appraise the performance of groups of employees. Generally, these methods are used to rank various employees in a group or groups in accordance of their merits and hence they are, useful for deciding merit, promotion, pay increments, rewards etc.

(i) Factors and points method: In this method the factors affecting the performance of employees are identified. The factors may be performance standard achieved, behaviour, competencies, leadership quality, initiatives to solve the problems. There may me other less important factors may or may not be considered. Every factor is given points or marks as per their relating importance. Finally the total of all factors is taken. This has been explained with an example in the table given at the end of this method:

Table 3.5.1: IBMR Performance Appraisal

(Assessment Year 2008-09)

	Sl No	Appraisal Criteria Total 100 Marks					Marks Obtained
		Perform. Achieved (20 Marks)	Behaviour (20 Marks)	Competency (20 Marks)	Leadership (20 Marks)	Initiatives (20 marks)	
	Academic Department						
1	Mrs V. Dahiya	18	18	17	17	18	88
2	Mrs Monika G	13	15	16	12	13	69
3	Mrs.Priyanka Gohil	13	12	13	16	13	67
4	Ms Poonam A	16	13	13	15	16	73
5	Ms.Karishma Singh	13	17	16	13	13	72
6	Mrs.Rajlakshmi	16	17	13	15	13	74
7	Mrs. Pragnya	13	16	13	13	13	68
8	Mrs. Kavita Sharma	16	12	13	12	13	66
	Marketing Department						
9	Mr Kiran R K	14	18	19	19	19	89
10	Mr Gaurav Gandhi	13	16	13	15	13	70
11	Mr Ram Yadav	12	10	13	13	13	61
12	Ms Jaya Ludhani	13	12	12	12	13	62
13	Mrs Usha Chettiar	13	13	13	13	13	65

	Admin Department.						
14	Mrs. B. Vidhani	13	11	13	13	13	63
15	Mr. S. Shah	13	13	9	8	13	56
16	Mr. N. Vaishyak	13	13	13	13	12	64
18	Mr.R. Chauhan	12	13	12	11	12	60
19	Mr. Ashok	15	13	15	16	12	71
20	Mr. Bhadresh	12	16	15	18	17	78
21	Mr. Jagat Singh	17	13	15	16	15	76
22	Mr. Deepak	16	15	15	16	15	77
23	Mr. N. Parmar	18	16	15	13	13	75
24	Mr. R. Bhati	12	11	10	12	13	58
25	Mr. N. Bhati	16	18	15	15	16	80
26	Mr. Arvind Bhai	15	13	16	18	17	79
27	Mr Baccharam	16	15	18	15	18	82

Date: Signature of the Appraiser

Place:

(ii) Ranking method: It is very simple and easy method of judging the work of employees in a group. Ranks are assigned in order of their performances. In fact the workers on the basis of their performance can be ranked like first, second, third, fourth and so on. This method can be used independently or it can be used with factors and points method jointly. This is explained with the above method. In factors and points method the points are given to each employee on the basis of performance criteria. Further, the ranks of employees' performance are decided on obtained marks.

Table 3.5.2: IBMR Performance Appraisal Ranking Method

(Assessment Year 2008-09)

Rank	Name	Department	Marks Obtained	Remarks
1	Mr Kiran R K	Marketing Department	89	
2	Mrs Vishal Dahiya	Academic Department	88	
3	Mr Baccharam	Administration Department	82	
4	Mr. Naresh Bhati	Administration Department	80	
5	Mr. Arvind Bhai Parmar	Administration Department	79	
6	Mr. Bhadresh	Administration Department	78	
7	Mr. Deepak	Administration Department	77	
8	Mr. Jagat Singh	Administration Department	76	
9	Mr. Natwar Parmar	Administration Department	75	
10	Mrs Rajlakshmi	Administration Department	74	
11	Ms Poonam Arora	Academic Department	73	
12	Ms Karishma Singh	Academic Department	72	
13	Mr. Ashok	Administration Department	71	
14	Mr Gaurav Gandhi	Marketing Department	70	
15	Mrs Monika Gahelawat	Academic Department	69	
16	Mrs Pragnya Kaul	Academic Department	68	

17	Mrs Priyanka Gohil	Academic Department	67	
18	Mrs Kavita Sharma	Academic Department	66	
19	Mrs Usha Chettiar	Marketing Department	65	
20	Mr. Nilesh Vaishyak	Administration Department	64	
21	Mrs. Bharti Vidhani	Administration Department	63	
22	Ms Jaya Ludhani	Marketing Department	62	
23	Mr Ram Yadav	Marketing Department	61	
24	Mr. Rajendra Chauhan	Administration Department	60	
25	Mr. Ramesh Bhati	Administration Department	58	
26	Mr. Suken Shah	Administration Department	56	
27	Mr. Laxdeep Raval	Administration Department	55	

Date:

Place: Signature of the Appraiser

Employees differ in their performances. The best performer is ranked first and the worst worker is ranked last. The ranks to others are assigned in between the two. Thus in a group of 10 employees, there are 10 ranks to be given to them in order of their evaluation. The best employee may be assigned rank 1, while the weakest rank 10. This method suffers from `halo' effect. The evaluation is based on subjective opinion. Moreover it does not bring out the extent of difference between them. Sometimes there may not be much difference between the two, but human bias may play its role.

(iii) Paired comparison method: This is a slight variation of ranking method. In this method, performance of each employee is compared with the performance of each of the others and the rater has to select the better out of each pair, taking only one pair at a time. How many times an employee is better pair wise is computed and one who is considered the best is ranked 1. For example, if there are 10 employees in a group, they might comprise 45 pairs amongst them for comparison. The total number of comparison is computed by the formula n(n-1)/2. If the number of employees to be evaluated is 15, then the number of comparisons to be made will be 15 (15 - 1)/2 i.e. 105.

(iv) Forced distributions: In this method, the employees are rated and classified into categories such as best 10%, next 20%, middle 90%, next 20% and lowest 10% of employees. They are placed in their respective groups or they are categories as outstanding, above average, average or satisfactory, below average and poor respectively in view of the given percentages. The problem with method is that if the employee falls in one category more than specified percentage, they cannot be rated in that category. They will b e shown lower or upper category.

(c) Other Methods Including MBO System

There are some methods which are future-oriented. They evaluate employee potential for future performance. They also aim at setting future performance objectives. The two important techniques that may have a bearing on future performance goals are self-appraisal, management by objectives approach, BARS, 360 degree appraisal method etc.

(i) Self-appraisal: A large number of enterprises use self-appraisal technique for further improvement of performance. Under this method, the employee has to evaluate himself against predetermined standard. Such self-evaluation assists the employee to understand his strengths and weaknesses. He can know the areas where he is lacking and hence requires improvement. Thus self-appraisal leads to self-improvement and self-development and is helpful to personal goals or objectives for future performance. The drawback of this method is that the employees appraise them very high. The appraisal is not realistic. Everyone is interested to show his aggravated rating. That misguides the management.

(ii) Appraisal by results or management by objectives (MBO) approach: In an enterprise the efforts of all the members of the organisation including management, supervisors and subordinates are directed towards realisation of enterprise objectives.These overall objectives are further split into sub objectives, goals or end results to be achieved by various employees. In MBO approach, the performance of a subordinate occupier of a managerial position is assessed or evaluated on the basis of end results achieved or accomplished by him rather than on the basis of traits. The effectiveness or success of management is reflected in the accomplishment or achievement of objectives or end results set by the organisation. Thus the basis of appraisal by results is rooted in the concept "management by objectives".

(iii) 360º Performance appraisal: The appraisal is done by any person with whom employee is in touch for performance of his job, i.e. his appraisal may be done by supervisor, manager, subordinates, employees themselves, customers, consultant etc. Performance can be evaluated on any day and from any angle of his work. Thus the appraisal can be done on all working days in a year, from all angles and by all parties who are connected with the employees. By this method, it is possible to notice all activities on all days and evaluate the same.

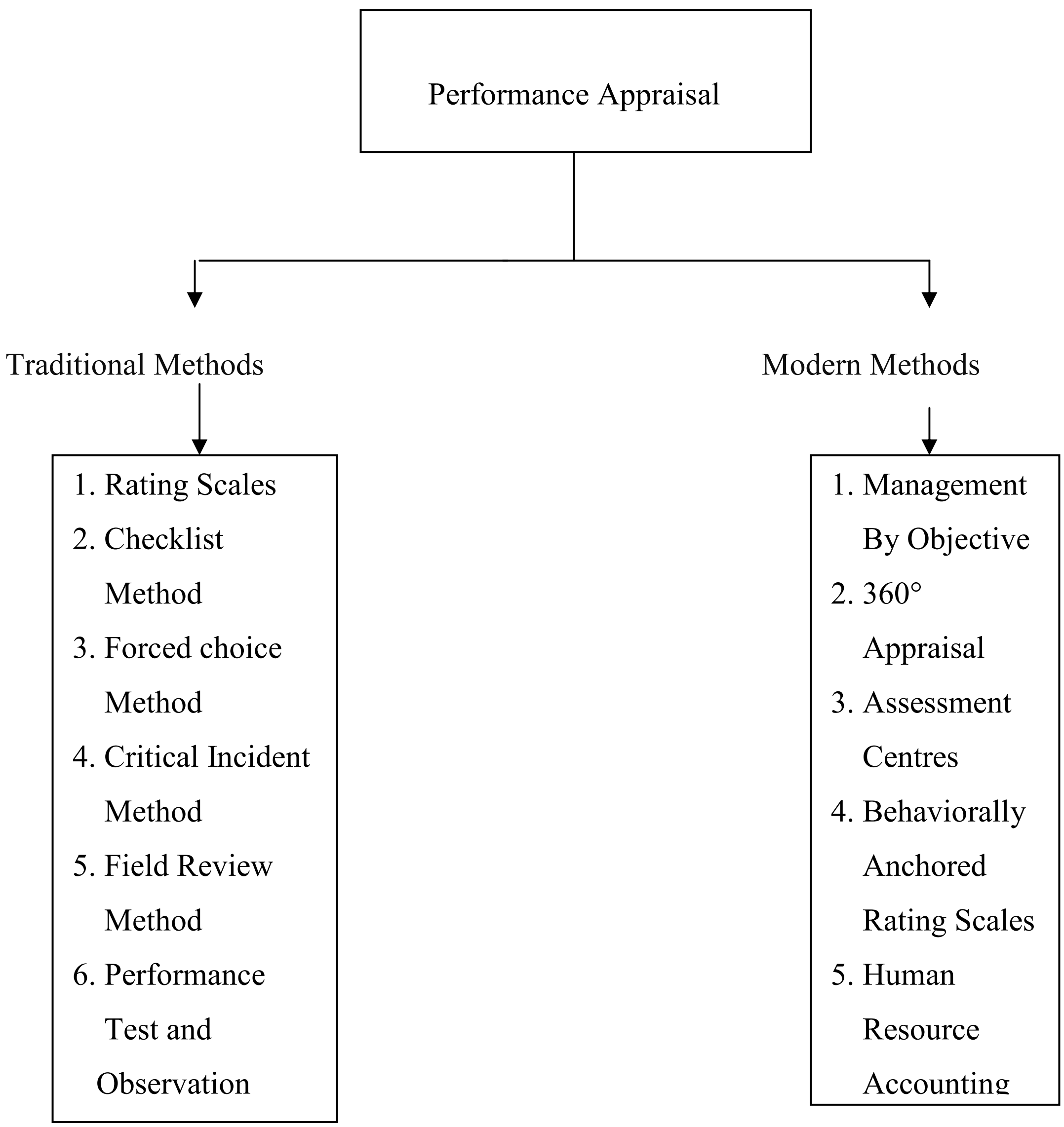
(iv) Behaviourally anchored rating scales (BARS): In this method, there is a combination of techniques used in the weighted check list rating and critical incident method. Under BARS, effective and ineffective behaviours are described more objectively. This method takes services of a person who is quite familiar with a particular job to identify major components. He ranks the components and validates specific behaviour for each component of the job.

(v) Cost accounting method: In this method, for evaluation of performance of employee, cost is the base. Both the cost of employee and his output are considered and the relationship is established between cost and benefit. The time, efforts and expenditure are calculated in respect of each candidate. The output and cost in total are considered and then theper unit cost can be calculated. This shows the relative worth of the candidate to the organization.

(d) Traditional and Modern Methods

The traditional methods are almost similar to individual and group appraisal methods. These methods have been explained under earlier topics other methods are similar to modern appraisal methods. The modern methods of performance methods are explained in detail under next topics. The classification of performance appraisal method as traditional and modern is depicted with the help of diagram given below:

Diagram 3.5.2: Methods of Performance Appraisal



Chapter 4: Industry Analysis: Banking Sector

Chapter 4.1: Banking

Chapter 4.1: Banking

1. Introduction

A bank is a financial institution that accepts deposits and channels those deposits into lending activities. Banks primarily provide financial services to customers while enriching investors. Government restrictions on financial activities by banks vary over time and location. Banks are important players in financial markets and offer services such as investment funds and loans. In some countries such as Germany, banks have historically owned major stakes in industrial corporations while in other countries such as the United States banks are prohibited from owning non-financial companies. In Japan, banks are usually the nexus of a cross-share holding entity known as the keiretsu. In France, bancassurance is prevalent, as most banks offer insurance services (and now real estate services) to their clients. Bank a corporation empowered to deal with cash, domestic and foreign, and to receive the deposits of money and to loan those monies to third-parties.

2. Definitions

Bank has been defined by various authors, experts and judges. The definitions are given below:

(a) Bank is defined as a noun, "An establishment for receiving, keeping, lending, or, sometimes, issuing money, and making easier the exchange of funds by checks, notes, etc. the office or building of such an establishment , the fund put up by the dealer in baccarat, out of which losses are paid, the entire monetary pool of a gambling establishment, a common fund of chips, pieces, etc. used in playing a game, as poker or dominoes, a reserve of things for later distribution or use, or a place for this; a store of blood for transfusions, body organs for transplantation, etc., a store or a device for keeping retrievable data a memory bank"

(b) Again It is Defined as a Noun

(i) a long mound or heap, as of ground, clouds, or snow; ridge

(ii) a steep rise or slope, as of a hill

(iii) a stretch of rising land at the edge of a body of water, esp. a stream

(iv) a shoal or shallow place, as in a sea or lake; esp., a raised part of a continental shelf
(v) the sloping of an airplane laterally to avoid slipping sideways on a turn
(vi) the sloping of a road, racing track, etc. laterally along a curve
(vii) Billiards cushion (sense)
(vii) Mining the face or top end of the body of ore.

(c) Bank Defined as a Transitive Verb

(i) To heap dirt around for protection from cold, light, etc.; embank
(ii) To arrange (a fire) by covering with ashes, adding fuel, etc. so that it will burn low and keep longer
(iii) To heap or pile up so as to form a bank
(iv) To construct (a curve in a road, etc.) so that it slopes up from the inside edge
(v) To slope (an airplane) laterally on a turn, with the inside wing low and the outside wing high so as to prevent slipping sideways
(vi) Basketball to shoot (the ball) so that it bounces from the backboard into the basket
(vii) Billiards to stroke a ball so that it recoils from a cushion to make a shot in this way.

(d) Bank Defined as an Intransitive Verb

(i) To take the form of a bank or banks
(ii) To fly an airplane with lateral slope on a turn

(e) Business Definition

'Bank is a commercial institution that keeps money in accounts for individuals or organizations, makes loans, exchanges currencies, provides credit to businesses, and offers other financial services'.

(f) An Organization

Usually a corporation, chartered by a state or federal government, which does most or all of the following: receives demand deposits and time deposits, honors instruments drawn on them, and pays interest on them; discounts notes, makes loans, and invests in securities; collects checks, drafts, and notes; certifies depositor's checks; and issues drafts and cashier's checks.

(g) Bank is an Establishment

Authorized by a government to accept deposits, pay interest, clear checks, make loans, act as an intermediary in financial transactions, and provide other financial services to its customers.

(h) Bank is a Financial Institution

That is licensed to deal with money and its substitutes by accepting time and demand deposits, making loans, and investing in securities. The bank generates profits from the difference in the interest rates charged and paid.

(i) In 1899, the United States Supreme Court *(*Austen*)*

Used these words to define a bank: "A bank is an institution, usually incorporated with power to issue its promissory notes intended to circulate as money (known as bank notes); or to receive the money of others on general deposit, to form a joint fund that shall be used by the institution, for its own benefit, for one or more of the purposes of making temporary loans and discounts; of dealing in notes, foreign and domestic bills of exchange, coin, bullion, credits, and the remission of money; or with both these powers, and with the privileges, in addition to these basic powers, of receiving special deposits and making collections for the holders of negotiable paper, if the institution sees fit to engage in such business."

(j) In 1901, Justice Holmes Wrote, In An Irish Case *(*Re Shields Estate)

"The real business of the banker is to obtain deposits of money which he may use for his own profit by lending it out again."

(k) Justice Atkin Wrote in Case of Joachimson in 1921

"The bank undertakes to receive money and to collect bills for its customer's account. The proceeds so received are not to be held in trust for the customer, but the bank borrows the proceeds and undertakes to repay them. The promise to repay is to repay at the branch of the bank where the account is kept, and during banking hours. It includes a promise to repay any part of the amount due against the written order of the customer addressed to the bank at the branch.

Bankers never do make a payment to a customer in respect of a current account except upon demand."

(l) In 1948, the Privy Council (England)

Used these words to describe a bank (*in* Bank of Chettinad)." a company which caries on as its principal business the accepting of deposits of money on current account or otherwise, subject to withdrawal by cheque, draft or order."

(m) In United Dominio*ns* (1966), **Lord Denning**

Defined a bank: "an establishment for the custody of money received from, or on behalf of, its customers. Its essential duty is to pay their drafts on it: its profits arise from the use of money left unemployed by them.

(n) In Canada, Justice Richards of the Manitoba Court of Appeal (1949)

Tried his hand at listing the business of a bank as being: Receiving money on deposit from its customers; Paying a customer's cheques or drafts on it to the amount on deposit by such customers, and holding Dominion Government and bank notes and coin for such purpose; Paying interest by agreement on deposits; Discounting commercial paper for its customers; Dealing in exchange and in gold and silver coin and bullion; Collecting notes and drafts deposited; Arranging credits for itself with banks in other towns, cities and countries; Selling its drafts or cheques on other banks and banking correspondents; Issuing letters of credit; Lending money to its customers on the customers' notes, by way of overdraft (or) on bonds, shares and other securities.

(o) Judge Cohen

Defined bank as,"a banker undertakes by the very carrying on of his business that he will honour any cheque drawn upon an account, provided that that account is in credit to the amount of the draft."

(p) In United Dominion Trust (1966), Justice Diplock

Defined bank as, "what I think is common to all modern definitions of banking and essential to the carrying on of the business of banking is that the banker should accept from his customers loans of money on deposit, that is to say, loans for an indefinite period on running account, repayable as to the whole or any part thereof on demand by the customer."

4.2: Functions of Commercial Banks

1. Introduction

2. Functions of a Commercial Banks

3. Differences between Primary and Secondary Functions

4. Different Modes of Acceptance of Deposits

5. Different Methods of Granting Loans by Bank

6. Ancillary Services

7. Conclusion

4.2: Functions of Commercial Banks

1 Introduction

Commercial banks offer a wide range of corporate financial services that address the specific needs of private enterprise. They provide deposit, loan and trading facilities but will not service investment activities in financial markets. Commercial banks can be described as a type of financial intermediary. In the US, the term is used to refer to any banking organization or division that deals with the deposits and loans of business organizations. The term commercial bank is used to differentiate these banks from investment banks, which are primarily engaged in the financial markets. Commercial banks are also differentiated from retail banks that cater to individual clients only. In non English-speaking countries the term commercial bank is used interchangeably with the term trading bank. Commercial banks play a number of roles in the financial stability and cash flow of a countries private sector. They process payments through a variety of means including telegraphic transfer, internet banking and electronic funds transfers. Commercial banks issue bank checks and drafts, as well as accept money on term deposits.

Commercial banks also act as moneylenders, by way of installment loans and overdrafts. Loan options include secured loans, unsecured loans, and mortgage loans. A secured loan is one where the borrower provides a certain property or asset as collateral against the loan. The main condition of these loans is that if the loan remains unpaid, the bank has the right to use the property in any way they like to realize the outstanding amount. Unsecured loans have no collateral and therefore command higher interest rates. There are a variety of unsecured loans available today and these include credit cars, credit facilities such as a lines of credit, corporate bonds, and bank overdrafts. Mortgage loans that are provided by commercial banks are similar to secured loans but are used specifically to buy real estate property for commercial purposes. In most of these cases, the banks hold a lien on the title to the particular property purchased with the loan. If the borrower is unable to pay the loan back, the bank leverages this item against the loan to generate funds or recover the principal. Commercial banks provide a number of import financial and trading documents such as letters of credit, performance bonds, standby letters of credit, security underwriting commitments and various other types of balance sheet guarantees. They also take responsibility for safeguarding such documents and other valuables by providing safe deposit boxes.

2. Functions of a Commercial Banks

The functions of a bank are divided into two categories:

(a) Primary Functions, and

(b) Secondary Functions Including Agency Functions.

These functions are explained in the following paragraphs.

(a) Primary Functions

The primary functions of a commercial bank include:

(i) Accepting deposits; and

(ii) Granting loans and advances;

(i) Accepting deposits: The most important activity of a commercial bank is to mobilize deposits from the public. People who have surplus income and savings find it convenient to deposit the amounts with banks. Depending upon the nature of deposits, funds deposited with bank also earn interest. Thus, deposits with the bank grow along with the interest earned. If the rate of interest is higher, public are motivated to deposit more funds with the bank. There is also safety of funds deposited with the bank.

(ii) Grant of loans and advances: The second important function of a commercial bank is to grant loans and advances. Such loans and advances are given to members of the public to the business community at a higher rate of interest than allowed by banks on various deposit accounts. The rate of interest charged on loans and advances varies depending upon the purpose, period and the mode of repayment. The difference between the rate of interest allowed on deposits and the rate charged on the Loans is the main source of a bank's income.

● **Loans:** A loan is granted for a specific time period. Generally, commercial banks grant short-term loans. But term loans, that is, loan for more than a year, may also be granted. The borrower may withdraw the entire amount in lump sum or in installments. However, interest is charged on the full amount of loan. Loans are generally granted against the security of certain assets. A loan may be repaid either in lump sum or in installments.

● **Advances:** An advance is a credit facility provided by the bank to its customers. It differs from loan in the sense that loans may be granted for longer period, but advances are normally granted for a short period of time. Further the purpose of granting advances is to meet the day to day requirements of business. The rate of interest charged on advances varies from bank to bank. Interest is charged only on the amount withdrawn and not on the sanctioned amount.
Modes of short-term financial assistance Banks grant short-term financial assistance by way of cash credit, overdraft and bill discounting.

● **Cash credit:** Cash credit is an arrangement whereby the bank allows the borrower to draw amounts up to a specified limit. The amount is credited to the account of the customer. The customer can withdraw this amount as and when he requires. Interest is charged on the amount actually withdrawn. Cash Credit is granted as per agreed terms and conditions with the customers.

● **Overdraft**: Overdraft is also a credit facility granted by bank. A customer who has a current account with the bank is allowed to withdraw more than the amount of credit balance in his account. It is a temporary arrangement. Overdraft facility with a specified limit is allowed either on the security of assets, or on personal security, or both.

● **Discounting of bills:** Banks provide short-term finance by discounting bills, that is, making payment of the amount before the due date of the bills after deducting a certain rate of discount. The party gets the funds without waiting for the date of maturity of the bills. In case any bill is dishonoured on the due date, the bank can recover the amount from the customer.

(b) Secondary Functions

Besides the primary functions of accepting deposits and lending money, banks perform a number of other functions which are called secondary functions. These are as follows:

(i) Issuing letters of credit, travelers- cheques, circular notes etc.

(ii) Undertaking safe custody of valuables, important documents, and securities by providing safe deposit vaults or lockers.

(iii) Providing customers with facilities of foreign exchange.

(iv) Transferring money from one place to another; and from one branch to another branch of the bank.

(v) Standing guarantee on behalf of its customers, for making payments for purchase of goods, machinery, vehicles etc.

(vi) Collecting and supplying business information.

(vii) Issuing demand drafts and pay orders; and.

(viii) Providing reports on the credit worthiness of customers.

3. Differences between Primary and Secondary Functions

Table 4.2.1: Differences between Primary and Secondary Functions

Primary Functions	Secondary Functions
(a). These are the main activities of the bank.	These are the secondary activities of the bank.
(b). These are the main sources of income of the bank.	These are not the main sources of income of the banks
(c). These are obligatory on the part of bank to perform. But generally all commercial activities.	These are not obligatory on the part of bank to perform. banks perform these

4. Different Modes of Acceptance of Deposits

Banks receive money from the public by way of deposits. The following types of deposits are usually received by banks:

(a) Current Deposit
(b) Saving Deposit
(c) Fixed Deposit
(d) Recurring Deposit
(e) Miscellaneous Deposits

(a) Current Deposit

Also called 'demand deposit', current deposit can be withdrawn by the depositor at any time by cheques. Businessmen generally open current accounts with banks. Current accounts do not carry any interest as the amount deposited in these accounts is repayable on demand without any restriction. The Reserve bank of India prohibits payment of interest on current accounts or on deposits up to 14 Days or less except where prior sanction has been obtained. Banks usually charge a small amount known as incidental charges on current deposit accounts depending on the number of transaction.

(b) Savings Deposit / Savings Bank Accounts

Savings deposit account is meant for individuals who wish to deposit small amounts out of their current income. It helps in safe guarding their future and also earning interest on the savings. A saving account can be opened with or without cheque book facility. There are restrictions on the withdrawals from this account. Savings account holders are also allowed to deposit cheques, drafts, dividend warrants, etc. drawn in their favour for collection by the bank. To open a savings account, it is necessary for the depositor to be introduced by a person having a current or savings account with the same bank.

(c) Fixed Deposit

The term 'Fixed deposit' means deposit repayable after the expiry of a specified period. Since it is repayable only after a fixed period of time, which is to be determined at the time of opening of the account, it is also known as time deposit. Fixed deposits are most useful for a commercial bank. Since they are repayable only after a fixed period, the bank may invest these funds more profitably by lending at higher rates of interest and for relatively longer periods. The rate of interest on fixed deposits depends upon the period of deposits. The longer the period, the higher is the rate of interest offered. The rate of interest to be allowed on fixed deposits is governed by rules laid down by the Reserve Bank of India.

(d) Recurring Deposits

Recurring Deposits are gaining wide popularity these days. Under this type of deposit, the depositor is required to deposit a fixed amount of money every month for a specific period of time. Each installment may vary from Rs.5/- to Rs.500/- or more per month and the period of account may vary from 12 months to 10 years. After the completion of the specified period, the customer gets back all his deposits along with the cumulative interest accrued on the deposits.

(e) Miscellaneous Deposits

Banks have introduced several deposit schemes to attract deposits from different types of people, like Home Construction deposit scheme, Sickness Benefit deposit scheme, Children Gift plan, Old age pension scheme, Mini deposit scheme, etc

5. Different Methods of Granting Loans by Bank

The basic function of a commercial bank is to make loans and Advances out of the money which is received from the public by way of deposits. The loans are particularly granted to businessmen and members of the public against personal security, gold and silver and other movable and immovable assets. Commercial bank generally lends money in the following form:

(a) Cash Credit

(b) Loans

(c) Bank Overdraft, and

(d) Discounting of Bills

(a) Cash Credit

A cash credit is an arrangement whereby the bank agrees to lend money to the borrower up to a certain limit. The bank puts this amount of money to the credit of the borrower. The borrower draws the money as and when he needs. Interest is charged only on the amount actually drawn and not on the amount placed to the credit of borrower's account. Cash credit is generally granted on a bond of credit or certain other securities. This a very popular method of lending in our country.

(b) Loans

A specified amount sanctioned by a bank to the customer is called a 'loan'. It is granted for a fixed period, say six months, or a year. The specified amount is put on the credit of the borrower's account. He can withdraw this amount in lump sum or can draw cheques against this sum for any amount. Interest is charged on the full amount even if the borrower does not utilise it. The rate of interest is lower on loans in comparison to cash credit. A loan is generally granted against the security of property or personal security. The loan may be repaid in lump sum or in installments. Every bank has its own procedure of granting loans. Hence a bank is at liberty to grant loan depending on its own resources. The loan can be granted as demand loan or term loan as explained below:

(i) Demand loan: Demand loan is repayable on demand. In other words it is repayable at short notice. The entire amount of demand loan is disbursed at one time and the borrower has to pay interest on it. The borrower can repay the loan either in lump sum (one time) or as agreed with the bank. Loans are normally granted by the bank against tangible securities including securities like N.S.C., Kisan Vikas Patra, Life Insurance policies and U.T.I. certificates.

(ii) Term loans: Medium and long term loans are called ‘Term loans’. Term loans are granted for more than one year and repayment of such loans is spread over a longer period. The repayment is generally made in suitable installments of fixed amount. These loans are repayable over a period of 5 years and maximum up to 15 years. Term loan is required for the purpose of setting up of new business activity, renovation, modernization, expansion/extension of existing units, purchase of plant and machinery, vehicles, land for setting up a factory, construction of factory building or purchase of other immovable assets. These loans are generally secured against the mortgage of land, plant and machinery, building and other securities. The normal rate of interest charged for such loans is generally quite high.

(c) Bank Overdraft

Overdraft facility is more or less similar to cash credit facility. Overdraft facility is the result of an agreement with the bank by which a current account holder is allowed to withdraw a specified amount over and above the credit balance in his/her account. It is a short term facility. This facility is made available to current account holders who operate their account through cheques. The customer is permitted to withdraw the amount as and when he/she needs it and to repay it through deposits in his account as and when it is convenient to him/her. Overdraft facility is generally granted by bank on the basis of a written request by the customer. Sometimes, banks also insist on either a promissory note from the borrower or personal security to ensure safety of funds. Interest is charged on actual amount withdrawn by the customer. The interest rate on overdraft is higher than that of the rate on loan.

(d) Discounting of Bills

Apart from granting cash credit, loans and overdraft, banks also grant financial assistance to customers by discounting bills of exchange. Banks purchase the bills at face value minus interest at current rate of interest for the period of the bill. This is known as ‘discounting of bills’. Bills of exchange are negotiable instruments and enable the debtors to discharge their obligations towards their creditors. Such bills of exchange arise out of commercial transactions both in internal trade and external trade. By discounting these bills before they are due for a nominal amount, the banks help the business community. Of course, the banks recover the full amount of these bills from the persons liable to make payment.

6. Ancillary Services

Agency and General Services provided by Modern Commercial Banks. As we know that the primary activities of commercial banks include acceptance of deposits from the public and lending money to businessmen and other members of society. Besides these two main activities, commercial banks also render a number of ancillary services. These services supplement the main activities of the banks. They are essentially non-banking in nature and broadly fall under two categories:

(a) Agency Services, and

(b) General Utility Services

These services are explained in the following paragraphs.

(a) Agency Services

Agency services are those services which are rendered by commercial banks as agents of their customers. They include:

(i) Collection and payment of cheques and bills on behalf of the customers;

(ii) Collection of dividends, interest and rent, etc. on behalf of customers, if so instructed by them;

(iii) Purchase and sale of shares and securities on behalf of customers;

(iv) Payment of rent, interest, insurance premium, subscriptions etc. on behalf of customers, if so instructed;

(v) Acting as a trustee or executor.

(vi) Acting as agents or correspondents on behalf of customers for other banks and financial institutions at home and abroad.

(b) General Utility Services

General utility services are those services which are rendered by commercial banks not only to the customers but also to the general public. These are available to the public on payment of a fee or charge. They include:

(i) Issuing letters of credit and travellers' cheques;

(ii) Underwriting of shares, debentures, etc.;

(iii) Safe-keeping of valuables in safe deposit locker;

(iv) Underwriting loans floated by government and public bodies.

(v) Supplying trade information and statistical data useful to customers.

(vi) Acting as a referee regarding the financial status of customers.

(vii) Undertaking foreign exchange business.

7. Conclusion

The functions of banks are divided into two categories: (i) Primary functions (ii) Secondary functions. Primary functions include accepting deposits and lending money. Loans given by banks are: Short-term loan and long-term loans. Banks grant short-term loan to its customers by way of cash credit, overdraft, discounting of bills. Banks accepts deposits from the public and their customers in the form of Current deposit, saving, deposit, fixed deposit, and under other deposit schemes. Banks grant loans to customers as demand loan and term loan. The ancillary services of banks are agency services and general utility services. Agency services are rendered as agent of customers, whereas general utility services are rendered to the general public.

4.3: World Banking History

1. Introduction

2. History of World Banking

4.3: World Banking History

1. Introduction

In ancient time the business activities were not there or were limited. The major activities were agriculture, piggery, forestry, dairy and poultry. The public was dependent on these activities. The works were done manually and locally. The labourers, artisans, farmers used to do their work of their own. The activities were limited and their earning was very limited. This was only to meet the requirement of their families. The per capita income was very meager and people were not in position to save anything or the need for storing their income was not felt at all. With the development of activities the earning also started increasing. In medieval time better methods of agriculture and allied activities were used. This contributes in increasing income also. The need for safe custody and timely availability was felt. This way the need for party who can provide these services was felt. Other side those who were having limited resources but wanted to perform certain activities, felt need for money. Their requirements were not fulfilled. They felt the need for assistance of the party that can help them by providing money at required time. The need for such agencies was felt.

In present time the agriculture and allied activities are supported by manufacturing and service sectors. Unlimited activities are being performed in every economy so the need for money and its safe custody is required. Everyone is involved in that those who are having sources of income or want to start some activity. In present time the service of a bank is the need of most of the people directly or indirectly. A common man saves out of his earning and deposits in a bank for interest and safe custody. As and when he wants can withdraw and use his money. A serving class person gets every month salary. A part of his salary is used for his requirements and part is kept in bank for interest and safe custody, A business man is in need of money every moment. As per requirements he deposits and withdraws from the bank. His business activities are supported by taking loans and advances.

A firm carries out the business in different areas. To carry out these activities it is in need for machines, equipments, materials, manpower and money to meet day to day expenses. To buy all these things it needs money. If it is having sufficient money from its own sources the requirement can be fulfilled. When sources are not allowing then it approaches to the bank for advances or loans etc. At every step the need for the service of bank is felt. The different types of services are being required in the present time. Similarly governments also need money to perform different types of tasks at local, state, national and international levels. The requirement of fund is felt. When it is within the limit of government the requirements are fulfilled. When more funds are needed the government also approach to the banks. The banks' services are used for deposits, safe custody, liquidity and finance purposes. It is said that right from a common man to serving man, business man, firms, government all are in need for bank service for deposits, safe custody, liquidity, loans and advances. In an economy a bank plays a very important role. It is the back bone of the economy without support of it there are limited chances for development.

2. History of World Banking

The banking activities started nearly thirty thousand years back It is very difficult to trace the exact year or starting but it can be estimated. From starting to the present modern banking system it has undergone many changes. For easy understanding it can be studies under the following phases:

(a) Earliest Banks

The first banks were probably the religious temples of the ancient world, and were probably established sometime during the third millennium B.C. Banks probably predated the invention of money. Deposits initially consisted of grain and later other goods including cattle, agricultural implements, and eventually precious metals such as gold, in the form of easy-to-carry compressed plates. Temples and palaces were the safest places to store gold as they were constantly attended and well built. As sacred places, temples presented an extra deterrent to would-be thieves. There are extant records of loans from the 18th century BC in Babylon that were made by temple priests/monks to merchants. By the time of Hammurabi's Code, banking was well enough developed to justify the promulgation of laws governing banking operations. Ancient Greece holds further evidence of banking. Greek temples, as well as private and civic entities, conducted financial transactions such as loans, deposits, currency exchange, and validation of coinage. There is evidence too of credit, whereby in return for a payment from a client, a moneylender in one Greek port would write a credit note for the client who could "cash" the note in another city, saving the client the danger of carting coinage with him on his journey.

Pythius, who operated as a merchant banker throughout Asia Minor at the beginning of the 5th century B.C., is the first individual banker of whom we have records. Many of the early bankers in Greek city-states were “metics” or foreign residents. Around 371 B.C., Pasion, a slave, became the wealthiest and most famous Greek banker, gaining his freedom and Athenian citizenship in the process. The fourth century B.C. saw increased use of credit-based banking in the Mediterranean world. In Egypt, from early times, grain had been used as a form of money in addition to precious metals, and state granaries functioned as banks. When Egypt fell under the rule of a Greek dynasty, the Ptolemies (332-30 B.C.), the numerous scattered government granaries were transformed into a network of grain banks, centralized in Alexandria where the main accounts from all the state granary banks were recorded. This banking network functioned as a trade credit system in which payments were effected by transfer from one account to another without money passing. In the late third century B.C., the barren Aegean island of Delos, known for its magnificent harbor and famous temple of Apollo, became a prominent banking center. As in Egypt, cash transactions were replaced by real credit receipts and payments were made based on simple instructions with accounts kept for each client. With the defeat of its main rivals, Carthage and Corinth, by the Romans, the importance of Delos increased. Consequently it was natural that the bank of Delos should become the model closely imitated by the banks of Rome.

Ancient Rome perfected the administrative aspect of banking and saw greater regulation of financial institutions and financial practices. Charging interest on loans and paying interest on deposits became more highly developed and competitive. The development of Roman banks was limited, however, by the Roman preference for cash transactions. During the reign of the Roman emperor Gallienus (260-268 AD), there was a temporary breakdown of the Roman banking system after the banks rejected the flakes of copper produced by his mints. With the ascent of Christianity, banking became subject to additional restrictions, as the charging of interest was seen as immoral. After the fall of Rome, banking was abandoned in Western Europe and did not revive until the time of the crusades.

(b) Religious Restrictions on Interest

Most early religious systems in the ancient Near East, and the secular codes arising from them, did not forbid usury. These societies regarded inanimate matter as alive, like plants, animals and people, and capable of reproducing itself. Hence if you lent 'food money', or monetary tokens of any kind, it was legitimate to charge interest. Food money in the shape of olives, dates, seeds or animals was lent out as early as 5000 BC, if not earlier. Among the Mesopotamians, Hittites, Phoenicians and Egyptians, interest was legal and often fixed by the state. But the Jews took a different view of the matter. The Torah and later sections of the Hebrew Bible criticize interest-taking, but interpretations of the Biblical prohibition vary. One common understanding is that Jews are forbidden to charge interest upon loans made to other Jews, but allowed to charge interest on transactions with non-Jews, or Gentiles. However, the Hebrew Bible itself gives numerous examples where this provision was evaded.

(c) During Medieval Ages

During the 3rd century AD, banks in Persia and other territories in the Persian Sassanid Empire issued letters of credit known as Ṣakks. Muslim traders are known to have used the cheque or ṣakk system since the time of Harun al-Rashid (9th century) of the Abbasid Caliphate. In the 9th century, a Muslim businessman could cash an early form of the cheque in China drawn on sources in Baghdad, a tradition that was significantly strengthened in the 13th and 14th centuries, during the Mongol Empire. Indeed, fragments found in the Cairo Geniza indicate that in the 12th century cheques remarkably similar to our own were in use, only smaller to save costs on the paper. They contain a sum to be paid and then the order "May so and so pay the bearer such and such an amount". The date and name of the issuer are also apparent.

Jews were ostracized from most professions by local rulers, the Church and the guilds and so were pushed into marginal occupations considered socially inferior, such as **tax** and rent collecting and money lending, while the provision of financial services was increasingly demanded by the expansion of European trade and commerce. Medieval trade fairs, such as the one in Hamburg, contributed to the growth of banking in a curious way: moneychangers issued documents redeemable at other fairs, in exchange for hard currency. These documents could be cashed at another fair in a different country or at a future fair in the same location. If redeemable at a future date, they would often be discounted by an amount comparable to a rate of interest. Eventually, these documents evolved into bills of exchange, which could be redeemed at any office of the issuing banker. These bills made it possible to transfer large sums of money without the complications of hauling large chests of gold and hiring armed guards to protect the gold from thieves. Beginning around 1100s, the need to transfer large sums of money to finance the Crusades stimulated the re-emergence of banking in Western Europe. In 1156, in Genoa, occurred the earliest known foreign exchange contract. Two brothers borrowed 115 Genoese pounds and agreed to reimburse the bank's agents in Constantinople the sum of 460 bezants one month after their arrival in that city. In the following century the use of such contracts grew rapidly, particularly since profits from time differences were seen as not infringing canon laws against usury.

In 1162, King Henry the II levied a tax to support the crusades - the first of a series of taxes levied by Henry over the years with the same objective. The Templars and Hospitallers acted as Henry's bankers in the Holy Land. The Templars' wide flung, large land holdings across Europe also emerged in the 1100-1300 time frame as the beginning of Europe-wide banking, as their practice was to take in local currency, for which a demand note would be given that would be good at any of their castles across Europe, allowing movement of money without the usual risk of robbery while traveling. By 1200 there was a large and growing volume of long-distance and international trade in a number of agricultural commodities and manufactured goods in western Europe; some of the goods traded during that period included wool, finished cloth, wine, salt, wax and tallow, leather and leather goods, and weapons and armour.

Individual trading concerns and combines often specialized in one or more of these, as did individual producers; because a large amount of capital was required to establish, e.g., a cloth manufacturing business, only the largest firms could diversify. As a result, businesses and clusters of businesses tended to market fairly narrow product lines. Big firms like the Medici bank could and did specialize; the Medici's manufacturing division had a number of manufacturing facilities producing many different types of cloth. Perhaps the best example of product policy comes from the Cistercian monastic order, where individual monasteries and granges tended to specialize in particular agricultural products or types of industrial production, usually with an eye to meeting particular local or regional market needs.

Ironically, the Papal bankers were the most successful of the Western world, though often goods taken in pawn were substituted for interest in the institution termed the Monte di Pietà. When Pope John XXII (born Jacques d'Euse (1249 - 1334) was crowned in Lyon in 1316, he set up residency in Avignon. Civil war in Florence between the rival Guelph and Ghibelline factions resulted in victory for a group of Guelph merchant families in the city. They took over papal banking monopolies from rivals in nearby Siena and became tax collectors for the Pope throughout Europe. In 1306, Philip IV expelled Jews from France. In 1307 Philip had the Knights Templar arrested and had gotten hold of their wealth, which had become to serve as the unofficial treasury of France. In 1311 he expelled Italian bankers and collected their outstanding credit. In 1327, Avignon had 43 branches of Italian banking houses. In 1347, Edward III of England defaulted on loans. Later there was the bankruptcy of the Peruzzi (1374) and Bardi (1353). The accompanying growth of Italian banking in France was the start of the Lombard moneychangers in Europe, who moved from city to city along the busy pilgrim routes important for trade. Key cities in this period were Cahors, the birthplace of Pope John XXII and Figeac. Perhaps it was because of these origins that the term *Lombard* is synonymous with *Cahorsin* in medieval Europe, and means 'pawnbroker'. Banca Monte dei Paschi di Siena SPA (MPS), Italy, is the oldest surviving bank in the world.

After 1400, political forces turned against the methods of the Italian free enterprise bankers. In 1401, King Martin I of Aragon expelled them. In 1403, Henry IV of England prohibited them from taking profits in any way in his kingdom. In 1409, Flanders imprisoned and then expelled Genoese bankers. In 1410, all Italian merchants were expelled from Paris. In 1401, the Bank of Barcelona was founded. In 1407, the Bank of Saint George was founded in Genoa. This bank dominated business in the Mediterranean. In 1403 charging interest on loans was ruled legal in Florence despite the traditional Christian prohibition of usury. Italian banks such as the Lombards, who had agents in the main economic centres of Europe, had been making charges for loans. The lawyer and theologian Lorenzo di Antonio Ridolfi won a case which legalised interest payments by the Florentine government.

In 1413, Giovanni di Bicci de'Medici appointed banker to the pope. In 1440, Gutenberg invents the modern printing press although Europe already knew of the use of paper money in China. The printing press design was subsequently modified, by Leonardo da Vinci among others, for use in minting coins nearly two centuries before printed banknotes were produced in the West. By the 1390s silver was short all over Europe, except in Venice. The silver mines at Kutná Hora had begun to decline in the 1370s, and finally closed down after being sacked by King Sigismund in 1422. By 1450 almost all of the mints of northwest Europe had closed down for lack of silver. The last money-changer in the major French port of Dieppe went out of business in 1446. In 1455 the Turks overran the Serbian silver mines, and in 1460 captured the last Bosnian mine. The last Venetian silver grosso was minted in 1462. Several Venetian banks failed, and so did the Strozzi bank of Florence, the second largest in the city. Even the smallest of small change became scarce.

(d) Western Banking History

Modern Western economic and financial history is usually traced back to the coffee houses of London. The London Royal Exchange was established in 1565. At that time moneychangers were already called bankers, though the term "bank" usually referred to their offices, and did not carry the meaning it does today. There was also a hierarchical order among professionals; at the top were the bankers who did business with heads of state, next were the city exchanges, and at the bottom were the pawn shops or "Lombards. Some European cities today have a Lombard street where the pawn shop was located. After the siege of Antwerp the trade moved to Amsterdam. In 1609 the Amsterdamsche Wissel bank (Amsterdam Exchange Bank) was founded which made Amsterdam the financial centre of the world until the Industrial Revolution.

Banking offices were usually located near centers of trade, and in the late 17th century, the largest centers for commerce were the ports of Amsterdam, London, and Hamburg. Individuals could participate in the lucrative East India trade by purchasing bills of credit from these banks, but the price they received for commodities was dependent on the ships returning (which often didn't happen on time) and on the cargo they carried (which often wasn't according to plan). The commodities market was very volatile for this reason, and also because of the many wars that led to cargo seizures and loss of ships.

(e) Global Banking

Around the time of Adam Smith (1776) there was a massive growth in the banking industry. Within the new system of ownership and investment, the state's role as an economic factor changed substantially. In the 1970s, a number of smaller crashes tied to the policies put in place following the depression, resulted in deregulation and privatization of government-owned enterprises in the 1980s, indicating that governments of industrial countries around the world found private-sector solutions to problems of economic growth and development preferable to state-operated, semi-socialist programs. This spurred a trend that was already prevalent in the business sector, large companies becoming global and dealing with customers, suppliers, manufacturing, and information centres all over the world. Global banking and capital market services proliferated during the 1980s and 1990s as a result of a great increase in demand from companies, governments, and financial institutions, but also because financial market conditions were buoyant and, on the whole, bullish. Interest rates in the United States declined from about 15% for two-year U.S. Treasury notes to about 5% during the 20-year period, and financial assets grew then at a rate approximately twice the rate of the world economy. Such growth rate would have been lower, in the last twenty years, were it not for the profound effects of the internationalization of financial markets especially U.S. Foreign investments, particularly from Japan, who not only provided the funds to corporations in the U.S., but also helped finance the federal government; thus, transforming the U.S. stock market by far into the largest in the world.

Nevertheless, in recent years, the dominance of U.S. financial markets has been disappearing and there has been an increasing interest in foreign stocks. The extraordinary growth of foreign financial markets results from both large increases in the pool of savings in foreign countries, such as Japan, and, especially, the deregulation of foreign financial markets, which has enabled them to expand their activities. Thus, American corporations and banks have started seeking investment opportunities abroad, prompting the development in the U.S. of mutual funds specializing in trading in foreign stock markets. Such growing internationalization and opportunity in financial services has entirely changed the competitive landscape, as now many banks have demonstrated a preference for the “universal banking” model prevalent in Europe. Universal banks are free to engage in all forms of financial services, make investments in client companies, and function as much as possible as a “one-stop” supplier of both retail and wholesale financial services.

Many such possible alignments could be accomplished only by large acquisitions, and there were many of them. By the end of 2000, a year in which a record level of financial services transactions with a market value of $10.5 trillion occurred, the top ten banks commanded a market share of more than 80% and the top five, 55%. Of the top ten banks ranked by market share, seven were large universal-type banks (three American and four European), and the remaining three were large U.S. investment banks who between them accounted for a 33% market share.

This growth and opportunity also led to an unexpected outcome: entrance into the market of other financial intermediaries: non banks. Large corporate players were beginning to find their way into the financial service community, offering competition to established banks. The main services offered included insurances, pension, mutual, money market and hedge funds, loans and credits and securities. Indeed, by the end of 2001 the market capitalisation of the world’s 15 largest financial services providers included four non banks. In recent years, the process of financial innovation has advanced enormously increasing the importance and profitability of non bank finance. Such profitability restricted to the non banking industry, has prompted the Office of the Comptroller of the Currency (OCC) to encourage banks to explore other financial instruments, diversifying banks' business as well as improving banking economic health. Hence, as the distinct financial instruments are being explored and adopted by both banking and non banking industries, the distinction between different financial institutions is gradually vanishing.

(f) Major Events in Banking History

Florentine banking - Medicis and Pittis were among others.

Knights Templar- Earliest Euro wide / Mid East banking (1100-1300).

Bank notes - Introduction of paper money.

1602 - First joint-stock company, the Dutch East India Company founded.

1720 - The South Sea Bubble and John Law's Mississippi Scheme, which caused a European financial crisis and forced many bankers out of business.

1781 - The Bank of North America was found by the Continental Congress.

1800 - Rothschild family founds Euro wide banking.

1930-33 in the wake of the Wall Street Crash of 1929, 9,000 banks close, wiping out a third of the money supply in the United States.

1986 - The "Big Bang" (deregulation of London financial markets) served as a catalyst to reaffirm London's position as a global centre of world banking.

2008 - Washington Mutual collapses. It was the largest bank failure in history.

4.4: History of Indian Banking

1. **Introduction**
2. **Early History**
3. **World War-I to Independence**
4. **Post-Independence**
5. **Nationalisation of Banks**
6. **Liberalization**
7. **Last Updates, February 2010**

4.4: History of Indian Banking

1. Introduction

The Indian Banking Sector is quite different from the banking system in the rest of Asia, because of the distinctive geographic, social and economic characteristics of the country. India is the second most populated nation in the world; it has marked economic disparities and high levels of illiteracy. The country followed a socialist approach for well over 4 decades after independence till the government initiated the economic reforms through the policy of liberalization. The banking structure in India is therefore a reflection of the countries socialistic set up. It had to meet the goals set by the five year plans, especially with regard to equitable distribution of wealth, balanced regional economic growth and removing private sector monopolies in trade and industry. For the past three decades India's banking system has several outstanding achievements to its credit. The most striking is its extensive reach. It is no longer confined to only metropolitans or cosmopolitans in India. In fact, Indian banking system has reached even to the remote corners of the country. This is one of the main reasons of India's growth process. The government regular policy for Indian bank since 1969 has paid rich dividends with the nationalisation of 14 major private banks of India.

2. Early History

Banking in India originated in the last decades of the 18th century. The first banks were The General Bank of India which started in 1786, and the Bank of Hindustan, both of which are now defunct. The oldest bank in existence of India is State Bank of India, which originated from Bank of Calcutta in June, 1806 that became the Bank of Bengal. This was one of the three presidency banks, the other two being the Bank of Bombay and the Bank of Madras, all three of which were established under charters from the British East India Company. For many years the Presidency banks acted as quasi-central banks, as did their successors. The three banks merged in 1921 to form the Imperial Bank of India, which, upon India's independence, became the State Bank of India.

Indian merchants in Calcutta established the Union Bank in 1839, but it failed in 1848 as a consequence of the economic crisis of 1848-49. The Allahabad Bank, established in 1865 and still functioning today, is the oldest Joint Stock bank in India. It was not the first though. That honor belongs to the Bank of Upper India, which was established in 1863, and which survived until 1913, when it failed, with some of its assets and liabilities being transferred to the Alliance Bank of Simla. When the American Civil War stopped the supply of cotton to Lancashire from the Confederate States, promoters opened banks to finance trading in Indian cotton. With large exposure to speculative ventures, most of the banks opened in India during that period failed. The depositors lost money and lost interest in keeping deposits with banks. Subsequently, banking in India remained the exclusive domain of Europeans for next several decades until the beginning of the 20th century.

Foreign banks too started to arrive, particularly in Calcutta, in the 1860s. The Comptoire d'Escompte de Paris opened a branch in Calcutta in 1860, and another in Bombay in 1862; branches in Madras and Pondichery, then a French colony, followed. HSBC established itself in Bengal in 1869. Calcutta was the most active trading port in India, mainly due to the trade of the British Empire, and so became a banking center. The Bank of Bengal, which later became the State Bank of India. The first entirely Indian joint stock bank was the Oudh Commercial Bank, established in 1881 in Faizabad. It failed in 1958. The next was the Punjab National Bank, established in Lahore in 1895, which has survived to the present and is now one of the largest banks in India.

Around the turn of the 20th Century, the Indian economy was passing through a relative period of stability. Around five decades had elapsed since the Indian Mutiny, and the social, industrial and other infrastructure had improved. Indians had established small banks, most of which served particular ethnic and religious communities. The presidency banks dominated banking in India but there were also some exchange banks and a number of Indian joint stock banks. All these banks operated in different segments of the economy. The exchange banks, mostly owned by Europeans, concentrated on financing foreign trade. Indian joint stock banks were generally under capitalized and lacked the experience and maturity to compete with the presidency and exchange banks. This segmentation let Lord Curzon to observe, "In respect of banking it seems we are behind the times. We are like some old fashioned sailing ship, divided by solid wooden bulkheads into separate and cumbersome compartments.

The period between 1906 and 1911, saw the establishment of banks inspired by the Swadeshi movement. The Swadeshi movement inspired local businessmen and political figures to found banks of and for the Indian community. A number of banks established then have survived to the present such as Bank of India, Corporation Bank, Indian Bank, Bank of Baroda, Canara Bank and Central Bank of India. The fervour of Swadeshi movement lead to establishing of many private banks in Dakshina Kannada and Udupi district which were unified earlier and known by the name South Canara (South Kanara) district. Four nationalised banks started in this district and also a leading private sector bank. Hence undivided Dakshina Kannada district is known as "Cradle of Indian Banking".

3. World War-1 to Independence

The period during the First World War (1914-1918) through the end of the Second World War (1939-1945), and two years thereafter until the independence of India were challenging for Indian banking. The years of the First World War were turbulent, and it took its toll with banks simply collapsing despite the Indian economy gaining indirect boost due to war-related economic activities. The banks in India failed between 1913 and 1918 as indicated in the following table:

Table 4.4.1: The Banks in India Failed Between 1913 and 1918

Years	No. of banks that failed	Authorised capital (Rs. Lakhs)	Paid-up Capital (Rs. Lakhs)
1913	12	274	35
1914	42	710	109
1915	11	56	5
1916	13	231	4
Years	No. of banks that failed	Authorised capital (Rs. Lakhs)	Paid-up Capital (Rs. Lakhs)
1917	9	76	25
1918	7	209	1

4. Post-Independence

The partition of India in 1947 adversely impacted the economies of Punjab and West Bengal, paralyzing banking activities for months. India's independence marked the end of a regime of the Laissez-faire for the Indian banking. The Government of India initiated measures to play an active role in the economic life of the nation, and the Industrial Policy Resolution adopted by the government in 1948 envisaged a mixed economy. This resulted into greater involvement of the state in different segments of the economy including banking and finance. The major steps to regulate banking included:

(a) In 1948, the Reserve Bank of India, India's central banking authority, was nationalized, and it became an institution owned by the Government of India.

(b) In 1949, the Banking Regulation Act was enacted which empowered the Reserve Bank of India (RBI) "to regulate, control, and inspect the banks in India."

(c) The Banking Regulation Act also provided that no new bank or branch of an existing bank could be opened without a license from the RBI, and no two banks could have common directors.

However, despite these provisions, control and regulations, banks in India except the State Bank of India, continued to be owned and operated by private persons. This changed with the nationalisation of major banks in India on 19 July 1969.

5. Nationalisation of Banks

By the 1960s, the Indian banking industry had become an important tool to facilitate the development of the Indian economy. At the same time, it had emerged as a large employer, and a debate had ensued about the possibility to nationalise the banking industry. Indira Gandhi, the-then Prime Minister of India expressed the intention of the GOI in the annual conference of the All India Congress Meeting in a paper entitled "Stray thoughts on Bank Nationalisation." The paper was received with positive enthusiasm. Thereafter, her move was swift and sudden, and the GOI issued an ordinance and nationalised the 14 largest commercial banks with effect from the midnight of July 19, 1969. Jayaprakash Narayan, a national leader of India, described the step as a "masterstroke of political sagacity." Within two weeks of the issue of the ordinance, the Parliament passed the Banking Companies (Acquisition and Transfer of Undertaking) Bill, and it received the presidential approval on 9 August 1969. A second dose of nationalization of 6 more commercial banks followed in 1980. The stated reason for the nationalization was to give the government more control of credit delivery. With the second dose of nationalization, the GOI controlled around 91% of the banking business of India. The following are the steps taken by the Government of India to Regulate Banking Institutions in the Country:

1949 : Enactment of Banking Regulation Act.
1955 : Nationalisation of State Bank of India.
1959 : Nationalisation of SBI subsidiaries.
1961 : Insurance cover extended to deposits.
1969 : Nationalisation of 14 major banks.
1971 : Creation of credit guarantee corporation.
1975 : Creation of regional rural banks.
1980 : Nationalisation of 6 banks with deposits over 200 crore.

Banking in the sunshine of Government ownership gave the public implicit faith and immense confidence about the sustainability of these institutions. Later on, in the year 1993, the government merged New Bank of India with Punjab National Bank. It was the only merger between nationalized banks and resulted in the reduction of the number of nationalised banks from 20 to 19. After this, until the 1990s, the nationalised banks grew at a pace of around 4%, closer to the average growth rate of the Indian economy. The nationalised banks were credited by some, including Home minister P. Chidambaram, to have helped the Indian economy withstand the global financial crisis of 2007-2009.

6. Liberalization

In the early 1990s, the then Narsimha Rao government embarked on a policy of liberalization, licensing a small number of private banks. These came to be known as *New Generation tech-*

savvy banks, and included Global Trust Bank (the first of such new generation banks to be set up), which later amalgamated with Oriental Bank of Commerce, Axis Bank(earlier as UTI Bank), ICICI Bank and HDFC Bank. This move, along with the rapid growth in the economy of India, revitalized the banking sector in India, which has seen rapid growth with strong contribution from all the three sectors of banks, namely, government banks, private banks and foreign banks. The next stage for the Indian banking has been setup with the proposed relaxation in the norms for Foreign Direct Investment, where all Foreign Investors in banks may be given voting rights which could exceed the present cap of 10%, at present it has gone up to 74% with some restrictions.

The new policy shook the Banking sector in India completely. Bankers, till this time, were used to the 4-6-4 method (Borrow at 4%; Lend at 6%, go home at 4) of functioning. The new wave ushered in a modern outlook and tech-savvy methods of working for traditional banks. All this led to the retail boom in India. People not just demanded more from their banks but also received more. Currently (2007), banking in India is generally fairly mature in terms of supply, product range and reach-even though reach in rural India still remains a challenge for the private sector and foreign banks. In terms of quality of assets and capital adequacy, Indian banks are considered to have clean, strong and transparent balance sheets relative to other banks in comparable economies in its region. The Reserve Bank of India is an autonomous body, with minimal pressure from the government. The stated policy of the Bank on the Indian Rupee is to manage volatility but without any fixed exchange rate-and this has mostly been true. With the growth in the Indian economy expected to be strong for quite some time-especially in its services sector-the demand for banking services, especially retail banking, mortgages and investment services are expected to be strong. One may also expect M&A, takeovers, and asset sales.

In March 2006, the Reserve Bank of India allowed Warburg Pincus to increase its stake in Kotak Mahindra Bank (a private sector bank) to 10%. This is the first time an investor has been allowed to hold more than 5% in a private sector bank since the RBI announced norms in 2005 that any stake exceeding 5% in the private sector banks would need to be vetted by them. In recent years critics have charged that the non-government owned banks are too aggressive in their loan recovery efforts in connection with housing, vehicle and personal loans. There are press reports that the banks' loan recovery efforts have driven defaulting borrowers to suicide.

7. Last Updates, February 2010

The Indian banking system is financially stable and resilient to the shocks that may arise due to higher non-performing assets (NPAs) and the global economic crisis, according to a stress test done by the Reserve Bank of India (RBI). Significantly, the RBI has the tenth largest gold reserves in the world after spending US$ 6.7 billion towards the purchase of 200 metric tonnes of gold from the International Monetary Fund (IMF) in November 2009. The purchase has increased the country's share of gold holdings in its foreign exchange reserves from approximately 4 per cent to about 6 per cent. Following the financial crisis, new deposits have gravitated towards public sector banks. According to RBI's 'Quarterly Statistics on Deposits and Credit of Scheduled Commercial Banks: September 2009', nationalised banks, as a group, accounted for 50.5 per cent of the aggregate deposits, while State Bank of India (SBI) and its associates accounted for 23.8 per cent. The share of other scheduled commercial banks, foreign banks and regional rural banks in aggregate deposits were 17.8 per cent, 5.6 per cent and 3.0 per cent, respectively.

With respect to gross bank credit also, nationalised banks hold the highest share of 50.5 per cent in the total bank credit, with SBI and its associates at 23.7 per cent and other scheduled commercial banks at 17.8 per cent. Foreign banks and regional-rural banks had a share of 5.5 per cent and 2.5 per cent respectively in the total bank credit. The report also found that scheduled commercial banks served 34,709 banked centres. Of these centres, 28,095 were single office centres and 64 centres had 100 or more bank offices. The confidence of non-resident Indians (NRIs) in the Indian economy is reviving again. NRI fund inflows increased since April 2009 and touched US$ 45.5 billion on July 2009, as per the RBI's February bulletin. Most of this has come through Foreign Currency Non-resident (FCNR) accounts and Non-resident External Rupee Accounts. India's foreign exchange reserves rose to US$ 284.26 billion as on January 8, 2010, according to the RBI's February bulletin.

(a) Major Developments

The State Bank of India (SBI) has posted a net profit of US$ 1.56 billion for the nine months ended December 2009, up 14.43 per cent from US$ 175.4 million posted in the nine months ended December 2008. The SBI is adding 23 new branches abroad bringing its foreign-branch network number to 160 by March 2010. This will cement its leading position as the bank with the largest global presence among local peers. Amongst the private banks, Axis Bank's net profit surged by 32 per cent to US$ 115.4 million on 21.2 per cent rise in total income to US$ 852.16 million in the second quarter of 2009-10, over the corresponding period last year. HDFC Bank has posted a 32 per cent rise in its net profit at US$ 175.4 million for the quarter ended December 31, 2009 over the figure of US$ 128.05 million for the same quarter in the previous year. Further, the efforts are on for acquiring the smaller banks by larger banks. ICICI Bank has tried for Bank of Rajasthan and HSBC for RBS to merge. The profitability of banking sector in India is improving as per expectation. The future of baking sector in India is definitely certain and bright.

(b) Government Initiatives

In its platinum jubilee year, the RBI, the central bank of the country, in a notification issued on June 25, 2009, said that banks should link more branches to the National Electronic Clearing Service (NECS). Ideally, all core-banking-enabled branches should be part of NECS. NECS was introduced in September 2008 for centralised processing of repetitive and bulk payment instructions. Currently, a little over 26,000 branches of 114 banks are enabled to participate in NECS. In the Third Quarter Review of Monetary Policy for 2009-10, the RBI observed that the Indian economy showed a degree of resilience as it recorded a better-than-expected growth of 7.9 per cent during the second quarter of 2009-10.

In its Third Quarter Review of Monetary Policy for 2009-10, the RBI hiked the Cash Reserve Ratio (CRR) by 75 basis points (bps) to 5.75 per cent, while keeping other rates unchanged. According to the RBI, the monetary policy for the remaining period of 2009-10 will be to:

(i) Anchor inflation expectations and keep a vigil on inflation trends and respond swiftly through policy adjustments,

(ii) Actively manage liquidity to ensure credit demands of productive sectors are met adequately,
(iii) Maintain an interest rate environment consistent with financial stability and price stability.

The money supply (M3) growth on a year-on-year basis at 18.9 per cent as on October 9, 2009, remained above the indicative projection of 18.0 per cent set out in the First Quarter Review of July 2009. The main source of M3 expansion was bank credit to the government, reflecting large market borrowings of the Government. Meanwhile, outstanding bank credit in the 15 days up to January 29 2010 rose by US$ 4.32 billion, pointing to a revival in credit growth. This is the highest year-on-year growth recorded since August 14, 2009. Exchange rate used: 1 USD = 46.29 INR (as on January 2010).1 USD = 46.66 INR (as on December 2009)

(c) Effect of Global Crisis on Indian Banking System

(i) The global economic meltdown has not had a deep impact on the banking system in India. The banks in India have a strong fundamental structure and are protected from the economic crisis.

(ii) The robust economic growth in India, low defaulter ratio, non existence of complex financial products, constant monitoring by the central bank, efficient monetary policy and the non aggressive close banking culture has shielded the Indian banking sector.

(d) Banking Sector Forecast

(i) Today in India there are totally 56,640 branches, 893,356 employees and 27,088 ATMs. Public sector banks account for 87.7 per cent of the offices, 82 per cent of staff and 60.3 per cent of ATMs.

(ii) As of January 2, 2009, bank deposits were 21.2 per cent. Bank credit was 24 per cent against 21.4 per cent on January 4 2008.

(iii) The total flow of capital to the commercial sector from the banks as on January 2, 2009 stood at 6.1 per cent.

4.5: Banking Structure in India

1. **Introduction**
2. **Reserve Bank of India**
3. **Nationalised /Public Sector Banks**
4. **Private Sector Banks**
5. **Cooperative Banks in India**
6. **Development Banks**
7. **Foreign Banks in India**

4.5: Banking Structure in India

1. Introduction

The Indian banking can be broadly categorized into nationalized (government owned), private banks and specialized banking institutions. The Reserve Bank of India acts a centralized body monitoring any discrepancies and shortcoming in the system. Since nationalization of banks in 1969 the public sector banks or the nationalized banks have acquired a place of prominence and has since then seen tremendous progress. The need to become highly customer focused has forced the slow-moving public sector banks to adopt a fast track approach. Further the focus of government policy was to develop cooperative sector and rural areas. Further with liberalization of world economies the government permitted the public sector also to operate in banking sector since 19991. At present the Indian financial system consists of public, private, cooperative, development and foreign banks. To control and regulate the operation of all these banks the authority has been vested to Reserve Bank of India and it is the central controlling authority for all banks in India. These are explained here in detail in the following paragraphs:

2. Reserve Bank of India

(a) History

The central bank was founded in 1935 to respond to economic troubles after first world war. The Reserve Bank of India was set up on the recommendations of the Hilton Young Commission. The commission submitted its report in the year 1926, though the bank was not set up for another nine years. The Preamble of the Reserve Bank of India describes the basic functions of the Reserve Bank as to regulate the issue of Bank Notes, to keep reserves with a view to securing monetary stability in India and generally to operate the currency and credit system in the best interests of the country. The Central Office of the Reserve Bank was initially established in Kolkata, Bengal, but was permanently moved to Mumbai in 1937. The Reserve Bank has continued to act as the central bank for Myanmar till Japanese occupation of Burma and later up to April 1947, though Burma seceded from Indian Union in 1937. After the partition, the Reserve bank served as the central bank for Pakistan up to June 1948 when the

State Bank of Pakistan commenced operations. Though originally set up as a shareholder's bank, the RBI has been fully owned by the Government of India since its nationalization in 1949. Between 1950 and 1960 the Indian government developed a centrally planned economic policy and focused on the agricultural sector. The administration nationalized commercial banks and established, based on the Banking Companies Act, 1949 (later called Banking Regulation Act) a central bank regulation as part of the RBI. Beside that the central bank was ordered to support the economic plan with loans. As a result of bank crashes the reserve bank was requested to establish and monitor a deposit insurance system. It should restore the trust in the national bank system and was initialized on 7. December 1961. The Indian government founded funds to promote the economy and used the slogan Developing Banking. The Gandhi administration and their successors restructured the national bank market and nationalized a lot of institutes. As a result the RBI had to play the central part of control and support of this public banking sector. It has 22 regional offices, all of them in state capitals.

(b) Functions of RBI

The functions performed by RBI are numerous. Some of them are explained below in the following paragraphs:

(i) Monetary authority: Formulates implements and monitors the monetary policy.
Objective: maintaining price stability and ensuring adequate flow of credit to productive sectors.

(ii) Regulator and supervisor of the financial system: Prescribes broad parameters of banking operations within which the country's banking and financial system functions. Objective is to maintain public confidence in the system, protect depositors' interest and provide cost-effective banking services to the public. The Banking Ombudsman Scheme has been formulated by the Reserve Bank of India (RBI) for effective redressal of complaints by bank customers.

(iii) Manager of exchange control: Manages the Foreign Exchange Management Act, 1999.
Objective: to facilitate external trade and payment and promote orderly development and maintenance of foreign exchange market in India.

Picture 4.5.1: RBI headquarters in Mumbai

Picture 4.5.2: RBI Regional Office, Delhi.

(iv) Issuer of currency: Issues and exchanges or destroys currency and coins not fit for circulation. Objective: the main objective is to give the public adequate supply of currency of good quality and to provide loans to commercial banks to maintain or improve the GDP (Gross Domestic Product). The basic objectives of RBI are to issue bank notes, to maintain the currency and credit system of the country to utilize it in its best advantage, and to maintain the reserves. RBI maintains the economic structure of the country so that it can achieve the objective of price stability as well as economic development, because both objectives are diverse in themselves.

(v) Developmental role: Performs a wide range of promotional functions to support national objectives and industries.[9] The RBI faces a lot of inter-sectoral and local inflation-related problems. Some of the problems are results of the dominant part of the public sector.

(vi) Related functions: Banker to the Government: performs merchant banking function for the central and the state governments; also acts as their banker. The National Housing Bank (NHB) was established in 1988 to promote private real estate acquisition. Bank to banks: maintains banking accounts of all scheduled banks. There is now an international consensus about the need to focus the tasks of a central bank upon central banking. RBI is far out of touch with such a principle, owing to the sprawling mandate described above. The recent financial turmoil world over, has however, vindicated the Reserve Bank's role in maintaining financial stability in India.

(c) Tarapore Committee

The Tarapore committee is a committee setup by the Reserve Bank of India under the chairmanship of former RBI deputy governor S S Tarapore to "lay the road map" to capital account convertibility. The five-member committee recommended a three-year timeframe for complete convertibility by 1999-2000.

(d) Major Liabilities of Commercial Banks

Table 4.5.1: Liabilities of Commercial Banks

Year	Deposits (Million Rs.)	Bills Payable (Million Rs.)
1950	19,983	173
1955	11,592	262
1960	20,218	317
1965	32,897	446
1970	64,793	923
1975	156,665	2,254
1980	439,869	10,995
1985	1,032,134	24,556
1990	1,820,468	38,656
1995	3,984,352	116,622

(e) Major Assets of Commercial Banks

Table 4.5.2: Assets of Commercial Banks

Year	Investments (Million Rs.)	Advances
1950	4,330	5,353
1955	4,600	7,037
1960	7,241	12,458
1965	9,884	21,954
1970	18,148	46,850
1975	45,999	106,167
1980	126,642	272,000
1985	303,378	623,553
1990	687,151	1,095,412
1995	1,750,206	2,243,308

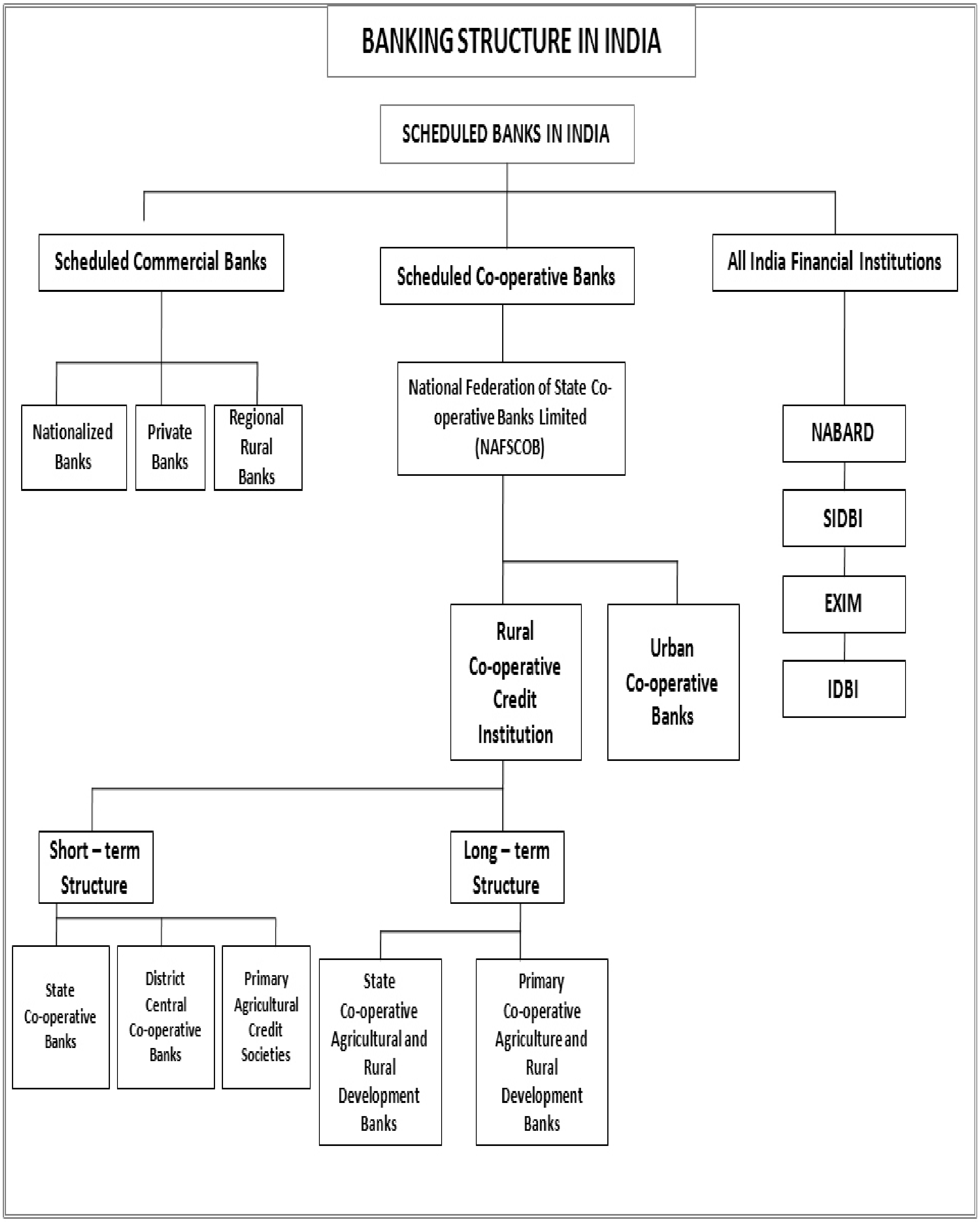


Diagram 4.5.3: Banking Structure in India

3. Nationalised / Public Sector Banks

Nationalised banks dominate the banking system in India. These banks are under the control of central and state governments. They are providing a variety of services to the customer in India. The services offered include deposits, loan, locker facility, project finance, consultancy service, documentation facility, agency service, foreign exchange, dematerlisation of stock account, internet banking, on line banking, credit card, ATM service, electronic fund transfer, government business, Gold Card Scheme for exports, Depository services, credit products, Mortgage service, mutual funds, insurance schemes and many other services. Their services are totally customized. There is a big list of these banks in India given below:

(a) Allahabad Bank
(b) Andhra Bank
(c) Bank of Baroda
(d) Bank of India
(e) Bank of Maharashtra
(f) Canara Bank
(g) Central Bank of India
(h) Corporation Bank
(i) Dena Bank
(j) IDBI Bank
(k) Indian Bank
(l) Indian Overseas Bank
(m) Oriental Bank of Commerce
(n) Punjab National Bank
(o) Punjab & Sind Bank
(p) State Bank of Bikaner & Jaipur
(q) State Bank of Hyderabad
(r) State Bank of India (SBI)
(s) State Bank of Indore
(t) State Bank of Mysore
(u) State Bank of Patiala

(v) State Bank of Saurashtra

(w) State Bank of Travancore

(x) Syndicate Bank

(y) UCO Bank

(z) Union Bank of India

4. Private Sector Banks

Initially all the banks in India were private banks, which were founded in the pre-independence era to cater to the banking needs of the people. In 1921, three major banks i.e. Banks of Bengal, Bank of Bombay, and Bank of Madras, merged to form Imperial Bank of India. In 1935, the Reserve Bank of India (RBI) was established and it took over the central banking responsibilities from the Imperial Bank of India, transferring commercial banking functions completely to IBI. In 1955, after the declaration of first-five year plan, Imperial Bank of India was subsequently transformed into State Bank of India (SBI). Following this, occurred the nationalization of major banks in India on 19 July 1969. The Government of India issued an ordinance and nationalized the 14 largest commercial banks of India, including Punjab National Bank (PNB), Allahabad Bank, Canara Bank, Central Bank of India, etc. Thus, public sector banks revived to take up leading role in the banking structure. In 1980, the GOI nationalized 6 more commercial banks, with control over 91% of banking business of India. In 1994, the Reserve Bank Of India issued a policy of liberalization to license limited number of private banks, which came to be known as New Generation tech-savvy banks. Global Trust Bank was, thus, the first private bank after liberalization; it was later amalgamated with Oriental Bank of Commerce (OBC). Then Housing Development Finance Corporation Limited (HDFC) became the first (still existing) to receive an 'in principle' approval from the Reserve Bank of India (RBI) to set up a bank in the private sector. At present, Private Banks in India include leading banks like ICICI Banks, ING Vysya Bank, Jammu & Kashmir Bank, Karnataka Bank, Kotak Mahindra Bank, SBI Commercial and International Bank, etc. Undoubtedly, being tech-savvy and full of expertise, private banks have played a major role in the development of Indian banking industry. They have made banking more efficient and customer friendly. In the process they have jolted public sector banks out of complacency and forced them to become more competitive. Major Private Banks in India are:

(a) Bank of Rajasthan

(b) Catholic Syrian Bank

(c) Dhanalakshmi Bank

(d) Federal Bank

(e) HDFC Bank

(f) ICICI Bank

(g) ING Vysya Bank

(h) Jammu & Kashmir Bank

(i) Karnataka Bank

(j) Karur Vysya Bank

(k) Kotak Mahindra Bank

(l) SBI Commercial and International Bank

(m) Axis Bank

(n) YES Bank

5. Cooperative Banks in India

The Co operative banks in India started functioning almost 100 years ago. The Cooperative bank is an important constituent of the Indian Financial System, judging by the role assigned to co operative, the expectations the co operative is supposed to fulfil, their number, and the number of offices the cooperative bank operate. Though the co operative movement originated in the West, but the importance of such banks have assumed in India is rarely paralleled anywhere else in the world. The cooperative banks in India play an important role even today in rural financing. The business of cooperative bank in the urban areas also has increased phenomenally in recent years due to the sharp increase in the number of primary co-operative banks. Co operative Banks in India are registered under the Co-operative Societies Act. The cooperative bank is also regulated by the RBI. They are governed by the Banking Regulations Act 1949 and Banking Laws (Co-operative Societies) Act, 1965. Cooperative banks in India finance rural areas under Farming, Cattle, Milk, Hatchery, Personal finance. Cooperative banks in India finance urban areas under Self-employment, Industries, Small scale units, Home finance, Consumer finance and Personal finance. Some cooperative banks in India are more forward than many of the state and private sector banks. According to NAFCUB the total deposits & lending of Cooperative Banks in India is much more than Old Private Sector Banks & also the New Private Sector Banks. This exponential growth of Co operative Banks in India is attributed mainly to their much better local reach, personal interaction with customers, their abilities to catch the nerve of the local clientele. The cooperative banks are formed at state and district and city levels. There is a large number of such banks in every state in India.

6. Development Banks

Indian economy was under developed at the time of independence. Indian government was interested for development of this economy in various areas. With this objectives under five years plan government decided to support the public sector to take initiatives for development. The development was sought in agriculture and allied activities, small can cottage industries, medium and large scale industries, export and import, power generation etc. For this reason the many banks and financial institutions were established. Some of them are mentioned below:

(a) NABARD
(b) Small Industries Development Bank of India (SIDBI)
(c) Exim Bank of India
(d) Industrial Development Bank of India (IDBI)
(e) IFCI

7. Foreign Banks in India

Foreign banks have brought latest technology and latest banking practices in India. They have helped made Indian Banking system more competitive and efficient. Government has come up with a road map for expansion of foreign banks in India. The road map has two phases. During the first phase between March 2005 and March 2009, foreign banks may establish a presence by way of setting up a wholly owned subsidiary (WOS) or conversion of existing branches into a WOS. The second phase will commence in April 2009 after a review of the experience gained after due consultation with all the stake holders in the banking sector. The review would examine issues concerning extension of national treatment to WOS, dilution of stake and permitting mergers/acquisitions of any private sector banks in India by a foreign bank.

Major foreign banks in India are:

(a) ABN AMRO Bank, India

(b) Abu Dhabi Commercial Bank (ADCB), India

(c) American Express Bank, India

(d) Barclays Bank

(e) BNP Paribas, India

(f) Citibank, India

(g) DBS Bank, India

(h) Deutsche Bank

(i) HSBC Bank, India

(j) Standard Chartered Bank, India

4.6: Selected Banks from Indian Banking Sector

1. **Introduction**
2. **State Bank of India**
3. **Punjab National Bank**
4. **Bank of Baroda**
5. **HDFC Bank**
6. **ICICI Bank Ltd**
7. **IDBI Bank**
8. **The Export-Import Bank of India**
9. **HSBC**
10. **Citi Bank**
11. **Standard and Chartered Bank**
12. **Rajkot Nagarik Sahakari Bank**

4.6: Selected Banks from Indian Banking Sector

1. Introduction

After liberalization of the Indian economy since1991, the Indian banking sector has undergone drastic changes and has a good growth rate. After independence the banks were under the control of central and state governments. Later on the private banks were nationalized in 1969. The Indian economy was a closed economy. The foreign banks and corporations were not allowed for business in India. But in 1991, under the international pressure the Indian economy was opened. The private and foreign banks were allowed to do banking business in India. With this many banks came into existence. At present the public, private, cooperative and foreign banks exist in Indian banking sector and doing their business very well. These are under the control of Reserve Bank of India. RBI is the regulatory body and has established a vibrant regulatory framework which is at par with the best economies in the world.

Time to time the regulator policies are reviewed by RBI by keeping in mind the requirement of changing time and governmental policies. To meet the challenges and maintain the growth in the banking sector, many steps are to be taken by policy makers, Reserve Bank of India, the Finance Ministry and other regulatory bodies. The government and other regulatory bodies will have to constantly keep a tab on the banking sector scenario and ensure constant policy and regulatory interventions. The government should ensure that a better industry structure evolves with greater consolidation of the banking industry. Overall the control of RBI over operation of banks is very effective to control irregularities in banking sector. However, in the recent past the world economies have faced terrible crises. The banking sector across the world faced great problems. Many banks in USA collapsed. The effects of financial crisis were felt almost in every economy and Indian economy is of no exception. Though the Indian banks were less affected and have performed well on the parameters of asset quality and profitability, there are several notable limitations which hamper the growth of the sector. The first and foremost is the low penetration of the Indian banking system.

The balance sheets of top 10 Indian banks suggest the greater scope of consolidation to reap the benefits of large sized globally competitive Indian banks, according to an Assocham Eco Pulse Study. The Assocham Study titled “The Need for Banking Sector Consolidation” analyzed the position of total assets of India’s ten largest banks vis-à-vis the size of the GDP at the end of financial year 2008-09 and found that size of Indian banks in terms of their assets stands very small to make optimal use of their capacities to raise funds at internationally competitive rates. Indian banks are not able to compete globally in terms of fund mobilization, credit disbursal, investment and rendering of financial services therefore consolidation to certain degree is highly warranted, said Dr. Swati Piramal, President, Assocham.

Undiscerning the apprehension about the likelihood of a big bank failure in India, the Study stated that the size of Indian banks is relatively very small as the combined assets of top ten banks constitute less than 60 per cent of the GDP unlike the western banks where even after the global financial turmoil the assets of only top five banks has grown to four times of the GDP.

Table 4.6.1: Assets of Top Indian Banks

Top 10 Indian Banks	**Total Assets (in Rs crore)**	**Total Assets (% of GDP)**
State Bank of India	964432.08	19.55
ICICI Bank	379300.96	7.69
Punjab National Bank	246918.62	5.01
Bank of Baroda	227406.73	4.61
Bank of India	225501.75	4.57
Canara Bank	219645.80	4.45
HDFC Bank	183270.78	3.72
Union Bank of India	160975.51	3.26
Axis Bank	147722.06	2.99
Central Bank of India	147655.24	2.99
TOTAL	2902829.53	58.84

Source: Bank’s website, Assocham Research Bureau

Note: Size of India’s GDP (current price) at end March 2009 was Rs. 49,33,183 crore

There are many other challenges and issues that the Indian banking sector is facing like other banking sectors. However despite of many difficulties still Indian banking system is performing well and it is robust when compare with banking sector of other countries. The role of Indian banking sector is future is going to be more important. For this study purpose the leading banks have been selected from public, private, foreign and cooperative banks. These are explained in detail in following paragraphs.

2. State Bank of India

State Bank of India (SBI) is that country's largest commercial bank. The government-controlled bank--the Indian government maintains a stake of nearly 60 percent in SBI through the central Reserve Bank of India--also operates the world's largest branch network, with more than 13,500 branch offices throughout India, staffed by nearly 220,000 employees. SBI is also present worldwide, with seven international subsidiaries in the United States, Canada, Nepal, Bhutan, Nigeria, Mauritius, and the United Kingdom, and more than 50 branch offices in 30 countries. Long an arm of the Indian government's infrastructure, agricultural, and industrial development policies, SBI has been forced to revamp its operations since competition was introduced into the country's commercial banking system. As part of that effort, SBI has been rolling out its own network of automated teller machines, as well as developing anytime-anywhere banking services through Internet and other technologies. SBI also has taken advantage of the deregulation of the Indian banking sector to enter the bancassurance, assets management, and securities brokering sectors. In addition, SBI has been working on reigning in its branch network, reducing its payroll, and strengthening its loan portfolio. In 2003, SBI reported revenue of $10.36 billion and total assets of $104.81 billion.

(a) History

(i) Origins: The evolution of State Bank of India can be traced back to the first decade of the 19th century. It began with the establishment of the Bank of Calcutta in Calcutta, on 2 June 1806. The bank was redesigned as the Bank of Bengal, three years later, on 2 January 1809. It was the first ever joint-stock bank of the British India, established under the sponsorship of the Government of Bengal. Subsequently, the Bank of Bombay (established on 15 April 1840) and the Bank of Madras (established on 1 July 1843) followed the Bank of Bengal. These three banks dominated the modern banking scenario in India, until when they were amalgamated to form the Imperial Bank of India, on 27 January 1921. The Imperial Bank of India appeared to inaugurate a new era in India's history--culminating in its declaration of independence from the British Empire. The Imperial Bank took on the role of central bank for the Indian government, while acting as a bankers' bank for the growing Indian banking sector. At the same time, the Imperial Bank, which, despite its role in the government financial structure remained independent of the government, carried on its own commercial banking operations In 1926, a government commission recommended the creation of a true central bank. While some proposed converting the Imperial Bank into a central banking organization for the country, the commission rejected this idea and instead recommended that the Imperial Bank be transformed into a purely commercial banking institution. The government took up the commission's recommendations, drafting a new bill in 1927. Passage of the new legislation did not occur until 1935, however, with the creation of the Reserve Bank of India. That bank took over all central banking functions. The Imperial Bank then converted to full commercial status, which accordingly allowed it to enter a number of banking areas, such as currency exchange and trustee and estate management, from which it had previously been restricted. Despite the loss of its role as a government banking office, the Imperial Bank continued to provide banking services to the Reserve

Bank, particularly in areas where the Reserve Bank had not yet established offices. At the same time, the Imperial Bank retained its position as a bankers' bank.

(ii) After independence: Into the early 1950s, the Imperial Bank grew steadily, dominating the Indian commercial banking industry. The bank continued to build up its assets and capital base, and also entered a new phase of national expansion. By the middle of the 1950s, the Imperial Bank operated more than 170 branch offices, as well as 200 sub-offices. Yet the bank, like most of the colonial government, focused primarily on the country's urban regions. By then, India had achieved its independence from Britain. In 1951, the new government launched its first Five Year Plan, targeting in particular the development of the country's rural areas. The lack of a banking infrastructure in these regions led the government to develop a state-owned banking entity to fill the gap. As part of that process, the Imperial Bank was nationalized and then integrated with other existing government-owned banking components. The result was the creation of the State Bank of India, or SBI, in 1955.The new state-owned bank now controlled more than one-fourth of India's total banking industry. That position was expanded at the end of the decade, when new legislation was passed providing for the takeover by the State Bank of eight regionally based, government-controlled banks. As such the Banks of Bikaner, Jaipur, Indore, Mysore, Patiala, Hyderabad, Saurashtra, and Travancore became subsidiaries of the State Bank. Following the 1963 merger of the Bikaner and Jaipur banks, their seven remaining subsidiaries were converted into associate banks. In the early 1960s, the State Bank's network already contained nearly 500 branches and sub-offices, as well as the three original head offices inherited from the presidency bank era. Yet the State Bank now began an era of expansion, acting as a motor for India's industrial and agricultural development that was to transform it into one of the world's largest financial networks. Indeed, by the early 1990s, the State Bank counted nearly 15,000 branches and offices throughout India, giving it the world's single largest branch network.

SBI played an extremely important role in developing India's rural regions, providing the financing needed to modernize the country's agricultural industry and develop new irrigation methods and cattle breeding techniques, and backing the creation of dairy farming, as well as pork and poultry industries. The bank also provided backing for the development of the country's infrastructure, particularly on a local level, where it provided credit coverage and development assistance to villages. The nationalization of the banking sector itself, an event that occurred in 1969 under the government led by Indira Gandhi, gave SBI new prominence as the country's leading bank. Even as it played a primary role in the Indian government's industrial and agricultural development policies, SBI continued to develop its commercial banking operations. In 1972, for example, the bank began offering merchant banking services. By the mid-1980s, the bank's merchant banking operations had grown sufficiently to support the creation of a dedicated subsidiary, SBI Capital Markets, in 1986. The following year, the company launched another subsidiary, SBI Home Finance in collaboration with the Housing Development Finance Corporation.

(iii) After liberalization: SBI was allowed to dominate the Indian banking sector for more than two decades. In the early 1990s, the Indian government kicked off a series of reforms aimed at deregulating the banking and financial industries. SBI was now forced to brace itself for the arrival of a new wave of competitors eager to enter the fast-growing Indian economy's commercial banking sector. Yet years as a government-run institution had left SBI bloated--the civil-servant status of its employees had encouraged its payroll to swell to more than 230,000. The bureaucratic nature of the bank's management left little room for personal initiative, nor incentive for controlling costs. The bank also had been encouraged to increase its branch network, with little concern for profitability. As former Chairman Dipankar Baku told the Banker in the early 1990s: "In the aftermath of bank nationalisation everyone lost sight of the fact that banks had to be profitable. Banking was more to do with social policy and perhaps that was relevant at the time. For the last two decades the emphasis was on physical expansion."

Under Baku, SBI began retooling for the new competitive environment. In 1994, the bank hired consulting group McKinsey & Co. to help it restructure its operations. McKinsey then led SBI through a massive restructuring effort that lasted through much of the decade and into the beginning of the next, an effort that helped SBI develop a new corporate culture focused more on profitability than on social and political policy. SBI also stepped up its international trade operations, such as foreign exchange trading, as well as corporate finance, export credit, and international banking. SBI had long been present overseas, operating some 50 offices in 34 countries, including full-fledged subsidiaries in the United Kingdom, the United States, and elsewhere. In 1995 the bank set up a new subsidiary, SBI Commercial and International Bank Ltd., to back its corporate and international banking services. The bank also extended its international network into new markets such as Russia, China, and South Africa.

Back home, in the meantime, SBI began addressing the technology gap that existed between it and its foreign-backed competitors. Into the 1990s, SBI had yet to establish an automated teller network; indeed, it had not even automated its information systems. SBI responded by launching an ambitious technology drive, rolling out its own ATM network, then teaming up with GE Capital to issue its own credit card. In the early 2000s, the bank began cross-linking its banking network with its ATM network and Internet and telephone access, rolling out "anytime, anywhere" banking access. By 2002, the bank had succeeded in networking its 3,000 most profitable branches. The implementation of new technology helped the bank achieve strong profit gains into the early years of the new century. SBI also adopted new human resources and retirement policies, helping trim its payroll by some 20,000, almost entirely through voluntary retirement in a country where joblessness remained a decided problem. By the beginning of 2004, SBI appeared to be well on its way to meeting the challenges offered by the deregulated Indian banking sector. In a twist, the bank had become an aggressor into new territories, launching its own line of bancassurance products, and also initiating securities brokering services. In the meantime, SBI continued its technology rollout, boosting the number of networked branches to more than 4,000 at the end of 2003. SBI promised to remain a central figure in the Indian banking sector as it entered its third century.

(b) Principal Subsidiaries

Bank of Bhutan (Bhutan); Indo Nigeria Merchant Bank Ltd. (Nigeria); Nepal SBI Bank Ltd. (Nepal); SBI (U.S.A.); SBI (Canada); SBI Capital Market Ltd.; SBI Cards & Payments Services Ltd.; SBI Commercial and International Bank Ltd.; SBI European Bank plc (U.K.); SBI Factors & Commercial Services Ltd.; SBI Funds Management Ltd.; SBI Gilts Ltd.; SBI Home Finance Ltd.; SBI Securities Ltd.; State Bank International Ltd. (Mauritius); State Bank of Bikaner & Jaipur; State Bank of Hyderabad; State Bank of Indore; State Bank of Mysore; State Bank of Patiala; State Bank of Travancore and State Bank of Saurashtra has already merged in it in 2009.

(c) Branches

The corporate center of SBI is located in Mumbai. In order to cater to different functions, there are several other establishments in and outside Mumbai, apart from the corporate center. The bank boasts of having as many as 14 local head offices and 57 Zonal Offices, located at major cities throughout India. It is recorded that SBI has about 10000 branches, well networked to cater to its customers throughout India.

(d) ATM Services

SBI provides easy access to money to its customers through more than 8500 ATMs in India. The Bank also facilitates the free transaction of money at the ATMs of State Bank Group, which includes the ATMs of State Bank of India as well as the Associate Banks – State Bank of Bikaner & Jaipur, State Bank of Hyderabad, State Bank of Indore, etc. You may also transact money through SBI Commercial and International Bank Ltd by using the State Bank ATM-cum-Debit (Cash Plus) card.

(e) Principal Competitors

ICICI Bank; Bank of Baroda; Canara Bank; Punjab National Bank; Bank of India; Union Bank of India; Central Bank of India; HDFC Bank; Oriental Bank of Commerce. SBI is facing competition from public, private, cooperative and foreign banks. The level of completion is very high. Since long the bank has been enjoying the leader position. It is the time for bank to gear up to provide better quality of service to customers if it wants to maintain the position in future.

(f) State Bank of India – Financial Statement

Table 4.6.2: Profit Loss Accounts **(Rs. crore)**

	Mar ' 10	Mar ' 09	Mar ' 08	Mar ' 07	Mar ' 06
Income					
Operating income	85,909.36	74,880.76	56,821.55	43,860.57	37,869.52
Expenses					
Personnel expenses	12,754.65	9,747.31	7,785.87	7,932.58	8,123.04
Selling expenses	224.05	251.23	173.23	88.43	109.44
Administrative expenses	11,029.66	7,361.98	5,970.47	4,628.38	2,911.29
Expenses capitalized	-	-	-	-	-
Cost of sales	24,008.35	17,360.52	13,929.57	12,649.38	11,143.78
Operating profit	14,578.54	14,604.94	10,962.90	7,774.36	6,566.46
Other recurring income	1,051.15	894.26	901.33	1,008.35	1,413.65
Adjusted PBDIT	15,629.69	15,499.20	11,864.23	8,782.71	7,980.11
Financial expenses	47,322.48	42,915.29	31,929.08	23,436.82	20,159.29
Depreciation	932.66	763.14	679.98	602.39	729.13
Other write offs	-	-	-	-	-
Adjusted PBT	14,697.03	14,736.06	11,184.25	8,180.32	7,250.98
Tax charges	6,166.62	6,115.12	3,929.20	3,083.77	2,499.48
Adjusted PAT	9,176.51	9,124.18	6,718.08	4,529.18	4,404.73
Nonrecurring items	-10.46	-2.95	11.04	12.13	1.94
Other non cash adjustments	-	-	-	-	-
Reported net profit	9,166.05	9,121.23	6,729.12	4,541.31	4,406.67
Earnings before appropriation	9,166.39	9,121.57	6,729.46	4,541.65	4,407.01
Equity dividend	1,904.65	1,841.15	1,357.66	736.82	736.82
Preference dividend	-	-	-	-	-
Dividend tax	236.76	248.03	165.87	125.22	103.34
Retained earnings	7,024.99	7,032.38	5,205.94	3,679.61	3,566.85

3. Punjab National Bank

Punjab National Bank (PNB) is the second largest government-owned commercial bank in India. Having more than 3.5 crore customer, Punjab National Bank has one of the largest branch networks in India. The bank's assets for financial year 2007 were about US$60 billion. The bank was established in 1895 at Lahore. PNB's founders included several leaders of the Swadeshi movement like Dyal Singh Majithia, Lala HarKishen Lal, Lala Lalchand, Kali Prosanna Roy, EC Jessawala, Prabhu Dayal, Bakshi Jaishi Ram, and Lala Dholan Dass. Lala Lajpat Rai was actively associated with the banks's management in its early years. It was nationalized by the Government of India along with 13 other banks.Its total assets touched to Rs. 246919 crores in March, 2009.

(a) Important Years in PNB History

Following are the important years in the history of Punjab National Bank:

1895: PNB established in Lahore.

1904 PNB established branches in Karachi and Peshawar.

1939: PNB acquired Bhagwan Dass Bank Limited.

1947: Partition of India and Pakistan at Independence. PNB lost its premises in Lahore, but continued to operate in Pakistan.

1960: PNB amalgamated Indo-Commercial Bank Limited (established in 1933) in a rescue.

1961: PNB acquired Universal Bank of India.

1963: The Government of Burma nationalized PNB's branch in Rangoon (Yangon).

1965: After the Indo-Pak war the government of Pakistan seized all the offices in Pakistan of Indian banks, including PNB's head office, which may have moved to Karachi. PNB also had branches in East Pakistan (Bangladesh).

1969: The Government of India nationalized PNB and 13 other major banks on 19th July, 1969.

1978: PNB opened a branch in London.

1986: The Reserve Bank of India required PNB to transfer its London branch to State Bank of India after the branch was involved in a fraud scandal.

1988: PNB acquired Hindustan Commercial Bank Limited in a rescue.

1993: PNB acquired New Bank of India, which the Government of India had nationalised in 1980.

2003: PNB took over Nedungadi Bank (established the bank in 1899), the oldest private sector bank Kerala.

(b) Punjab National Bank: Financial Statement

Table 4.6.3: Profit Loss Accounts **(Rs. Crore)**

	Mar ' 10	Mar ' 09	Mar ' 08	Mar ' 07	Mar ' 06
Income					
Operating income	24,524.78	21,907.42	15,925.65	12,104.24	9,791.12
Expenses					
Personnel expenses	3,121.14	2,924.38	2,461.54	2,352.45	2,114.97
Selling expenses	40.11	31.24	23.31	18.03	20.15
Administrative expenses	2,377.28	1,880.13	1,247.47	1,360.77	941.38
Expenses capitalized	-	-	-	-	-
Cost of sales	5,538.52	4,835.76	3,732.33	3,731.25	3,076.51
Operating profit	6,042.24	4,776.35	3,462.46	2,350.09	1,797.23
Other recurring income	436.59	553.00	231.62	186.67	131.54
Adjusted PBDIT	6,478.82	5,329.35	3,694.08	2,536.76	1,928.77
Financial expenses	12,944.02	12,295.30	8,730.86	6,022.91	4,917.39
Depreciation	222.83	191.06	170.23	194.80	186.65
Other write offs	-	-	-	-	-
Adjusted PBT	6,256.00	5,138.29	3,523.85	2,341.96	1,742.12
Tax charges	1,999.43	1,676.04	1,247.15	629.05	412.83
Adjusted PAT	3,902.94	3,089.11	2,047.63	1,539.33	1,436.66
Non recurring items	2.42	1.78	1.13	0.76	2.65
Other non cash adjustments	-	-	-	-	-
Reported net profit	3,905.36	3,090.88	2,048.76	1,540.08	1,439.31
Earnings before appropriation	3,913.00	3,090.88	2,064.28	1,723.57	1,439.31
Equity dividend	693.67	630.61	409.89	409.89	189.18
Preference dividend	-	-	-	-	-
Dividend tax	116.43	107.17	69.66	63.11	26.53
Retained earnings	3,102.91	2,353.10	1,584.73	1,250.57	1,223.60

(c) PNB Overseas Offices

PNB has a banking subsidiary in United Kingdom. It has its branches in Hong Kong and Kabul. It has representative offices in Almaty, Shanghai, and Dubai. This bank is planning further for opening its branches in UK, USA and Canada. Efforts are on for strengthening the international banking network.

(d) Awards and Distinctions

(ii) Ranked among top 50 companies by the leading financial daily, Economic Times.

(iii) Ranked as 323rd biggest bank in the world by Bankers Almanac (January 2006), London.

(iv) 9th place among India's Most Trusted top 50 service brands in ET- A.C Nielson Survey.

(v) Included in the top 1000 banks in the world according to The Banker, London.

(vi) Golden Peacock Award for Excellence in Corporate Governance-2005, Institute of Directors

(vii) FICCI's Rural Development Award for Excellence in Rural Development – 2005

4. Bank of Baroda

(a) History

Bank of Baroda is one of the leading banks in India, was founded by Maharaja Sayajirao Gaekwad then Maharaja of Baroda on 20th of July 1908 with a paid capital of Rs. 10 Lacs. The Bank was brought into existence by a Ordinance issue on 19th July, by the Central Government. The Bank is a Government of India Undertaking and carries on all types of banking business including foreign exchange. The Ordinance was replaced by the Banking Companies (Acquisition and Transfer of Undertaking) Act, 1969. Besides managing public issues and giving underwriting support, the Bank established a `Non-resident Portfolio Management Consultancy Cell. Due to closure of 2 branches in U.K. and 1 branch in UAE, non-operative branch in Bangladesh was not taken into account.

1970 Income-Tax consultancy services was set-up in September to assist its constituents in the filing of income returns. Bank of Baroda (U.K.) Nominees Ltd., London is a subsidiary of the Bank. Bob Fiscal Services Ltd. is also a subsidiary of the Bank which handles functions such as merchant banking, equipment leasing, investment banking, inter-corporate deposit, etc. Bank of Baroda (Kenya) Ltd., Kenya is subsidiary of the Bank. Time to time capital was subscribed by government to BOB. The bank received in principle approval from RBI to set up a separate subsidiary for its credit card business. It had established a new department to act as custodian of shares issued by Indian companies who came out with Euro Issues (GDRs/ADRs) to raise funds from abroad. With this in view, the bank entered into an agreement with Bank of New York, who act as Depository for issue of GDRs by companies. The bank was associated as lead manager/co-manager in respect of 142 issues involving a sum of Rs 3411 crores. It was activity considering

The Bank devised new products, two new deposit schemes `BOB SUVIDHA', BOB CAPITAL GAINS EXEMPTION DEPOSIT' was launched to suit the savings requirements of individuals, HUF, Association of pursuing, firms and companies. It took initiatives to bring qualitative improvement in the area of credit. A fast track system for processing credit proposals of A+ & A rated corporate client was introduced. In addition, schemes to increase credit fluid sectors like leasing, hire purchase, advances against shares, Can Loan Schemes etc. were formulated and guidelines were issued for increased lending to infrastructure projects. Bank of Baroda (BoB) has received permission from the Reserve Bank of India to open a branch at Durban in South Africa. BoB proposes to start operations in the country soon after it receives a banking licence from the South African Reserve Bank (SARB). Bank of Baroda (BoB) proposes to undertake a survey of West Bengal, Sikkim and North- Eastern States to explore business opportunities and also for setting up new branches.

Bank of Baroda (BoB) plans to have an alliance with a foreign bank for merchant banking. The proposed venture would manage external commercial borrowings (ECBs) by Indian. Corporate and handle is investment programmes of public sector undertakings. Bobcards Ltd, a wholly owned subsidiary of Bank of Baroda, has achieved a 40 per cent growth in profit before tax in the first half year ended September, 1997. Bank of Baroda's New York branch has received the highest 1 rating from the US Federal Reserve. This is for the first time that the US Fed has given the highest rating to any Indian bank branch operating in New York. In 1998 Bank of Baroda has become the first public sector bank to implement the autonomy package announced by the ministry of finance. Bank of Baroda has the second largest resource base in the country after State Bank of India..

(b) Financial Details

As of March 2007, the bank had total deposits worth Rs. 1,24,915 Crores while it had a total number of 2956 branches located worldwide as on April 2009, out of which 626 were located in Metro cities, 524 in Urban areas, 642 in Semi-Urban locations, 1092 in Rural areas and 72 were located outside India. The bank has 10 Zonal Offices and 43 Regional Offices which help it control its operations nationally. Its total assets touched to Rs. 227407 crores in March, 2009.

(c) Bank of Baroda: Financial Statement

Table 4.6.4: Profit Loss Accounts (Rs. Crore)

	Mar ' 10	Mar ' 09	Mar ' 08	Mar ' 07	Mar ' 06
Income					
Operating income	19,114.76	16,605.09	13,133.81	9,548.59	7,293.92
Expenses					
Personnel expenses	2,350.88	2,348.13	1,803.76	1,644.06	1,523.79
Selling expenses	44.46	39.97	33.18	25.70	25.64
Administrative expenses	2,085.03	1,226.06	1,301.33	907.42	1,064.20
Expenses capitalized					
Cost of sales	4,480.37	3,614.16	3,138.28	2,577.18	2,613.63
Operating profit	3,875.53	3,022.76	2,093.87	1,544.86	805.20
Other recurring income	770.63	707.44	688.58	488.78	387.93
Adjusted PBDIT	4,646.16	3,730.20	2,782.44	2,033.64	1,193.13
Financial expenses	10,758.86	9,968.17	7,901.67	5,426.56	3,875.09
Depreciation	230.86	230.50	232.00	194.28	111.13
Other write offs	-	-	-	-	-
Adjusted PBT	4,415.30	3,499.70	2,550.44	1,839.35	1,082.00
Tax charges	1,179.73	1,115.74	771.63	627.80	287.64
Adjusted PAT	3,058.28	2,227.25	1,435.16	1,013.62	1,050.37
Nonrecurring items	0.05	-0.04	0.37	12.85	-0.30
Other non cash adjustments	-	-	-	-	-223.11
Reported net profit	3,058.33	2,227.20	1,435.52	1,026.46	826.96
Earnings before appropriation	3,058.33	2,227.20	1,435.52	1,026.46	826.96
Equity dividend	639.26	383.56	340.94	252.46	207.68
Preference dividend	-	-	-	-	-
Dividend tax	-	-	-	-	-
Retained earnings	2,419.07	1,843.65	1,094.58	774.01	619.28

(d) International Presence

Along with a huge network of its branches spread across India, Bank of Baroda has its overseas branches located in 14 other countries, which include Bahamas, Bahrain, Belgium, China, Fiji Islands, Hong Kong, Mauritius, Republic of South Africa, Seychelles, Singapore, Sultanate of Oman, United Arab Emirates, United Kingdom and United States of America. Apart from it, the bank has established its subsidiaries in 7 countries viz. Botswana, Ghana, Guyana, Kenya, Tanzania, Trinidad & Tobago and Uganda, and its representative offices in 3 countries which are Australia, Malaysia and Thailand.

(e) Other Details

Bank of Baroda had a total workforce of 38063 employees offering their services to the institution as of September 2006. Out of these, 13525 were Officers, 16497 were Clerks while 8041 were Sub-Staff members. The bank offers a wide array of customized and specialized services to meet the diverse needs of its customers, and these services have been categorized into Personal Banking, Business Banking, Corporate Banking, International Banking, Treasury Banking and Rural Banking services.

5. HDFC Bank

(a) History

1994: The Bank was incorporated on 30th August. A new private sector Bank promoted by housing Development Corporation Ltd. (HDFC), a premier housing finance company. The bank is the first of its kind to receive an in-principle approval from the RBI for establishment of a bank in the private sector. Certificate of Commencement of Business was received on 10th October 1994 from RBI. The Bank transacts both traditional commercial banking as well as investment banking.

1995: The Bank opened its first branch in Ramon House at Church gate, Mumbai on January 16th. The Bank has created an efficient operating system using well tested state-of-the-art software.

1996: HDFC Bank has entered the banking consortia of over 50 corporate, including some leading multinational companies, flagship companies of local business houses and strong public sector companies.

1997: The bank is one of the largest mobilisers of retail deposits through its network of 20 branches. Its credit deposits ratio was 53.8%. The bank has set up a ultra-modern hub at Powai in Mumbai where the bank's central computer is housed. The bank has also recently signed up as a depository participant, under the newly set up NSDL, wherein the members clearing accounts settlement for dematerialized shares can be done through the bank. HDFC Bank, one of the nine new-generation private sector banks, has planned to set up an all-India on-line automated teller machine (ATM) network.

1998: HDFC Bank has tied up with the Ahmedabad Stock Exchange (ASE) to act as its clearing bank. HDFC Bank proposes to strengthen its branch network in Calcutta with the addition of two new branches in the first quarter of the next fiscal. HDFC Bank has signed an agreement with the National Stock Exchange (NSE) which will give it a second charge over the brokers deposit for providing loan against share facility to NSE brokers. The bank has also entered into a similar understanding with the Bombay Stock Exchange (BSE) whereby the bourse will provide support for recovery of money against the card for loan against share facility HDFC Bank has become the first bank in India to link up its automated teller machine (ATM) network with all the three major payment systems world-wide. HDFC Bank will be the first bank in the Asia-Pacific region to connect the American Express (Amex) payment system.

2000: HDFC Bank also signed a memorandum of understanding with Singapore Telecom's e-commerce arm Sesami.Com Pvt Ltd. HDFC Bank is also launching an online electronic banking solution called Enet which will allow corporate to access their accounts over the net and carry out trade related transactions and cash management functions. HDFC Bank entered into a tie-up with Telco by which the bank would provide preferential financing options for Tata's range of passenger cars including the Indica, Sumo, Safari, Estate and Sierra. HDFC Bank is also set to become the first bank in the country to offer wireless application protocol (WAP) services to customers. Sky Cell Communications Ltd, one of the two cellular service providers in Chennai, has launched `Sky Banking', for which the company has tied up with ICICI Bank and HDFC Bank.

BPL Mobile has tied up with HDFC Bank to offer Internet banking through the mobile phone. HDFC Bank launched `eInstant Car Loans' a new scheme for offering customers a range of net-enabled loan products. HDFC Bank launched depository services on the net. HDFC Bank tied up with NSE.IT, a wholly owned subsidiary of the National Stock Exchange, for providing payment gateway services for the latter's Internet trading operations. HDFC Bank has been identified as the best domestic commercial bank for the second consecutive year by FinanceAsia.com, which provides a network for financial decision makers.

2001: The Bank has opened its first branch in Aurangabad. HDFC Standard Life Insurance has entered into a memorandum of understanding with the Chennai-based Indian Bank. The Bank has launched the international Maestro debit card in association with Master Card. HDFC Bank will launch its credit card in June through link-ups with MasterCard and Visa. HDFC Bank files with US regulators to list more than 11 million American Depositary Shares on the New York Stock Exchange.

2002: HDFC Bank unveiled a new online account aggregation service `One View'. HDFC launched 'One View' service to customers - HDFC Bank launched its 9th branch in Karnataka. HDFC opens its branch in Mangalore. HDFC Bank unveils Silver card in Hyderabad. HDFC Bank opens first overseas representative office. HDFC Bank unveils gold card Mediclaim facilities to HDFC Bank gold cardholders. HDFC Bank launched new products to its wealth management programme to increase its customer base.

2003: HDFC Bank unveils resident foreign currency account. HDFC Bank unveils co-branded credit card with e-Seva. HDFC enters into agreement with HDFC Bank to source housing loans. HDFC Bank, IRCTC in tie up for online railway booking. HDFC Bank inks pact with ANB for remittance service HDFC Bank introduces.

2004: HDFC Bank and Bahraini Saudi Bank (BSB) have announced an alliance to cater to service the needs of the non-resident Indians (NRIs) in Bahrain. HDFC Bank launches new scheme for Maruti 800 buyers, providing 85 per cent finance on the on-road price of the car for seven years. HDFC Bank wins Asia money award for Best Domestic Bank.

2005: HDFC Bank joins hands with NCR Corporation to offer managed ATM services. IKF Finance Ltd has entered in to a Joint Lending Arrangement with HDFC Bank Ltd 2005. TMB forges alliance with HDFC Bank. HDFC Bank inaugurates first ATM in Hotel - HDFC Bank ties up with the International Bank of Qatar (IBQ) to launch banking services in Qatar. HDFC Bank launches loyalty rewards programme for its debit and credit cardholders under the name Insta Wonderz .

2007: HDFC sets up two more branches in AP 2007. HDFC Bank has signed an agreement with Tata Pipes to offer credit facilities to farmers across the country. HDFC Bank Ltd has appointed Mr. Pandit Palande as an additional Director of the Bank at the Board Meeting held today i.e. on 24th April 2007.

2008: HDFC Bank Ties Up With Postal Department, Extends Rural Reach. HDFC Bank Wins 'Nasscom IT User Award of the Year. HDFC Bank Opens Its First Overseas Branch In Bahrain. HDFC Bank and Centurion Bank of Punjab merger at share swap ratio of 1:29. Bank Launches India's First Rural Banking BPO at Tirupathi. HDFC Bank Launches India's First Online Market Linkage Programme for Self Help Groups.

2009: HDFC Bank Bags Asia money Award for the Best Domestic Bank - HDFC Bank offers electronic payment collection facility to Guruvayoor Devaswom. - HDFC Bank launches 'Meritus' Scholarship Programme. The Asian Banker declares HDFC Bank the Best Retail Bank

2010: With a view to attract long term deposits and prevent premature withdrawal when the interest rates peak, HDFC, the housing finance major, has decided to pay variable interest rate on recurring deposits. HDFC Bank on Feb 19 increased the fixed deposit rates by up to 150 basis points across maturities, a move that follows the Cash Reserve Ratio hike of 75 basis points by the Reserve Bank of India last month.

(b) Amalgamations

In 2002, HDFC Bank witnessed its merger with Times Bank Limited (a private sector bank promoted by Bennett, Coleman & Co. / Times Group). With this, HDFC and Times became the first two private banks in the New Generation Private Sector Banks to have gone through a merger. In 2008, RBI approved the amalgamation of Centurion Bank of Punjab with HDFC Bank. With this, the Deposits of the merged entity became Rs. 1,22,000 crore, while the Advances were Rs. 89,000 crore and Balance Sheet size was Rs. 1,63,000 crore.

(c) Tech-Savvy

HDFC Bank has always prided itself on a highly automated environment, be it in terms of information technology or communication systems. All the branches of the bank boast of online connectivity with the other, ensuring speedy funds transfer for the clients. At the same time, the bank's branch network and Automated Teller Machines (ATMs) allow multi-branch access to retail clients. The bank makes use of its up-to-date technology, along with market position and expertise, to create a competitive advantage and build market share.

(d) Capital Structure

At present, HDFC Bank boasts of an authorized capital of Rs 550 crore (Rs5.5 billion), of this the paid-up amount is Rs 424.6 crore (Rs.4.2 billion). In terms of equity share, the HDFC Group holds 19.4%. Foreign Institutional Investors (FIIs) have around 28% of the equity and about 17.6% is held by the ADS Depository (in respect of the bank's American Depository Shares (ADS) Issue). The bank has about 570,000 shareholders. Its shares find a listing on the Stock Exchange, Mumbai and National Stock Exchange, while its American Depository Shares are listed on the New York Stock Exchange (NYSE), under the symbol 'HDB'.

(e) HDFC Bank: Financial Statement

Table 4.6.5 Profit Loss Accounts (Rs. Crore)

	Mar ' 10	Mar ' 09	Mar ' 08	Mar ' 07	Mar ' 06
Income					
Operating income	19,958.76	19,770.72	12,354.41	8,303.34	5,567.67
Expenses					
Personnel expenses	2,289.18	2,238.20	1,301.35	776.86	486.82
Selling expenses	83.12	108.68	114.73	74.88	80.85
Administrative expenses	4,936.73	4,583.86	2,247.48	1,519.32	1,424.59
Expenses capitalised	-	-	-	-	-
Cost of sales	7,309.02	6,930.74	3,663.56	2,371.06	1,992.26
Operating profit	4,863.44	3,928.87	3,803.73	2,752.83	1,645.91
Other recurring income	17.72	-	43.04	102.96	31.38
Adjusted PBDIT	4,881.17	-	3,846.77	2,855.79	1,677.29
Financial expenses	7,786.30	8,911.10	4,887.12	3,179.45	1,929.50
Depreciation	394.39	359.91	271.72	219.60	178.59
Other write offs	-	-	-	241.09	245.16
Adjusted PBT	4,486.77	3,568.97	3,575.05	2,395.10	1,253.54
Tax charges	1,340.99	1,054.92	690.90	497.70	383.03
Adjusted PAT	2,944.68	2,240.75	1,589.48	1,142.50	870.51
Nonrecurring items	4.02	4.19	0.70	-1.05	0.27
Other non cash adjustments	-0.93	-0.59	-0.06	-0.35	-
Reported net profit	2,947.77	2,244.35	1,590.12	1,141.10	870.78
Earnings before appropriation	6,403.33	4,818.98	3,522.15	2,596.12	1,473.12
Equity dividend	549.29	425.38	301.27	223.57	172.23
Preference dividend	-	-	-	-	-
Dividend tax	91.23	72.29	51.20	38.00	24.16
Retained earnings	5,762.81	4,321.31	3,169.68	2,334.55	1,276.73

6. ICICI Bank Ltd

(a) History of ICICI

1955: The Industrial Credit and Investment Corporation of India Limited (ICICI) incorporated at the initiative of the World Bank, the Government of India and representatives of Indian industry, with the objective of creating a development financial institution for providing medium-term and long-term project financing to Indian businesses. Mr.A.Ramaswami Mudaliar elected as the first Chairman of ICICI Limited. ICICI emerges as the major source of foreign currency loans to Indian industry.

1956: ICICI declared its first dividend of 3.5%.

1958: Mr.G.L.Mehta appointed the second Chairman of ICICI Ltd.

1960: ICICI building at 163, Backbay Reclamation, inaugurated.

1961: The first West German loan of DM 5 million from Kredianstalt obtained.

1967: ICICI made its first debenture issue for Rs.6 crore, which was oversubscribed.

1969: The first two regional offices in Calcutta and Madras set up.

1972: The second entity in India to set up merchant banking services. Mr. H. T. Parekh appointed the third Chairman of ICICI.

1977: ICICI sponsored the formation of Housing Development Finance Corporation. Managed its first equity public issue

1978: Mr. James Raj appointed the fourth Chairman of ICICI.

1979: Mr. Siddharth Mehta appointed the fifth Chairman of ICICI.

1982: ICICI became the first ever Indian borrower to raise European Currency Units. ICICI commences leasing business.

1986: ICICI became the first Indian institution to receive ADB Loans. ICICI, along with UTI, set up Credit Rating Information Services of India Limited, India's first professional credit rating agency. ICICI promotes Shipping Credit and Investment Company of India Limited.

1987: ICICI signed a loan agreement for Sterling Pound 10 million with Commonwealth Development Corporation (CDC), the first loan by CDC for financing projects in India.

1988: Promoted TDICI - India's first venture capital company.

1993: ICICI Securities and Finance Company Limited in joint venture with J. P. Morgan set up.

ICICI Asset Management Company set up.

1994: ICICI Bank set up.

1996: ICICI Ltd became the first company in the Indian financial sector to raise GDR.SCICI merged with ICICI Ltd. Mr. K.V. Kamath appointed the Managing Director and CEO of ICICI Ltd

1997: ICICI Ltd was the first intermediary to move away from single prime rate to three-tier prime rates structure and introduced yield-curve based pricing. The name The Industrial Credit and Investment Corporation of India Ltd changed to ICICI Ltd. ICICI Ltd announced the takeover of ITC Classic Finance.

1998: Introduced the new logo symbolizing a common corporate identity for the ICICI Group. ICICI announced takeover of Anagram Finance.

1999 ICICI launched retail finance - car loans, house loans and loans for consumer durables. ICICI becomes the first Indian Company to list on the NYSE through an issue of American Depositary Shares.

2000: ICICI Bank became the first commercial bank from India to list its stock on NYSE.ICICI Bank announces merger with Bank of Madura.

2001: The Boards of ICICI Ltd and ICICI Bank approved the merger of ICICI with ICICI Bank.

2002: ICICI Ltd merged with ICICI Bank Ltd to create India’s second largest bank in terms of assets. ICICI assigned higher than sovereign rating by Moody’s. ICICI Bank launched India’s first CDO (Collateralized Debt Obligation) Fund named Indian Corporate Collateralized Debt Obligation Fund.

2003: The first Integrated Currency Management Centre launched in Pune. ICICI Bank announced the setting up of its first ever offshore branch in Singapore. The first offshore banking unit (OBU) at Seepz Special Economic Zone, Mumbai was launched. ICICI Bank’s representative office was inaugurated in Dubai. Representative office set up in China.

2004: ICICI Bank and CNBC TV 18 announced India's first ever awards recognizing the achievements of SMEs, a pioneering initiative to encourage the contribution of Small and Medium Enterprises to the growth of Indian economy. ICICI Bank opened its 500th branch in India.

2005: First rural branch and ATM launched in Uttar Pradesh at Delpandarwa, Hardoi. "Free for Life" credit cards launched wherein annual fees of all ICICI Bank Credit Cards were waived off. .ICICI Bank became the largest bank in India in terms of its market capitalization.

2006: ICICI Bank became the first Indian bank to issue hybrid Tier-1 perpetual debt in the international markets. ICICI Bank subsidiary set up in Russia. It introduced a new product the 'NRI smart save Deposits. Representative offices opened in Thailand, Indonesia and Malaysia.

2007: ICICI Bank raised Rs 20,000 crore (approx $5 billion) from both domestic and international markets through a follow-on public offer. ICICI Bank's GBP 350 million international bond offering marked the inaugural deal in the sterling market from an Indian issuer and also the largest deal in the sterling market from Asia. In a first of its kind, nationwide initiative to attract bright graduate students to pursue a career in banking,

2008: ICICI Bank enters US, launches its first branch in New York. ICICI Bank enters Germany, opens its first branch in Frankfurt. ICICI Bank launched iMobile, a breakthrough innovation in banking where practically all internet banking transactions can now be simply done on mobile phones. ICICI Bank and British Airways launch co-branded credit card, which is designed to earn accelerated reward points to the card holders with every British Airways flight or by spending on everyday purchases ICICI Bank Board appoints Mr K. V. Kamath as non-executive Chairman and Ms Chanda Kochhar as Managing Director & CEO effective May 1, 2009,

2009: ICICI Bank Limited acting through its Hong Kong Branch (ICICI Bank) signed an agreement on Export Credit Line totaling up to US$100 million with the Japan Bank for International Cooperation (JBIC) which constitutes the international wing of Japan Finance Corporation. ICICI Bank Limited acting through its Hong Kong Branch (ICICI Bank) signed a loan agreement with the Export-Import Bank of China (China Exim) for USD 98 million under the Two- step Buyer Credit (Export Credit) arrangement. ICICI Bank is the first Indian Bank to have entered into this arrangement with China Exim. ICICI Bank with Singapore Airlines launched "ICICI Bank Singapore Airlines Visa Platinum Credit Card", Ms Chanda Kochhar takes charge as the Managing Director & CEO of ICICI Bank from May 1, 2009

(b) ICICI Bank Ltd: Financial Statement

Table 4.6.6: Profit Loss Accounts (Rs. Crore)

	Mar ' 10	Mar ' 09	Mar ' 08	Mar ' 07	Mar ' 06
Income					
Operating income	32,747.36	38,250.39	39,467.92	28,457.13	17,517.83
Expenses					
Personnel expenses	1,925.79	1,971.70	2,078.90	1,616.75	1,082.29
Selling expenses	236.28	669.21	1,750.60	1,741.63	840.98
Adminstrative expenses	7,440.42	7,475.63	6,447.32	4,946.69	2,727.18
Expenses capitalised	-	-	-	-	-
Cost of sales	9,602.49	10,116.54	10,276.82	8,305.07	4,650.45
Operating profit	5,552.30	5,407.91	5,706.85	3,793.56	3,269.94
Other recurring income	305.36	330.64	65.58	309.17	466.02
Adjusted PBDIT	5,857.66	5,738.55	5,772.43	4,102.73	3,735.96
Financial expenses	17,592.57	22,725.93	23,484.24	16,358.50	9,597.45
Depreciation	619.50	678.60	578.35	544.78	623.79
Other write offs	-	-	-	-	-
Adjusted PBT	5,238.15	5,059.96	5,194.08	3,557.95	3,112.17
Tax charges	1,600.78	1,830.51	1,611.73	984.25	556.53
Adjusted PAT	3,890.47	3,740.62	4,092.12	2,995.00	2,532.95
Non recurring items	134.52	17.51	65.61	115.22	7.12
Other non cash adjustments	-	-0.58	-	-	-
Reported net profit	4,024.98	3,757.55	4,157.73	3,110.22	2,540.07
Earnigs before appropriation	6,834.63	6,193.87	5,156.00	3,403.66	2,728.30
Equity dividend	1,337.95	1,224.58	1,227.70	901.17	759.33
Preference dividend	-	-	-	-	-
Dividend tax	164.04	151.21	149.67	153.10	106.50
Retained earnings	5,332.63	4,818.07	3,778.63	2,349.39	1,862.46

7. IDBI Bank

(a) History

1964: The Company was incorporated on 1st July, at Mumbai. The Bank was established as a wholly owned subsidiary of the Reserve Bank of India on 1st July, under a special statute, viz., Industrial Development Bank of India Act.

1965: With effect from 1st April, the Bank introduced a scheme for rediscounting bills/promissory notes arising out of sale of indigenous machinery on deferred payment basis. The Bank decided to supplement its refinance operations with a measure of risk-sharing with other institutions on a systematic basis and introduced a participation scheme for this purpose, with effect from 1st April, 1966.

1972: The IDBI took initiative in establishing a technical consultancy service centre at the State level in Kerala in February called the Kerala Industrial and Technical Consultancy Organization and contributed 51% to its paid-up capital of Rs 2 lakhs.

1973: North Eastern Industrial and Technical Consultancy Organisation, Ltd. (NEITCO), was sponsored by the IDBI in May. Another technical consultancy organisation, viz., Bihar Industrial and Technical Consultancy Organisation, Ltd. (BITCO), was set up. Refinance facilities are provided to eligible banks, which are authorised dealers in foreign exchange, against medium-term export credits granted to exporters in the private sector, who are manufacturers recognised export houses or other exporters of standing.

1976: With a view to promoting fuller utilisation of capacity, technological up gradation and export development, the Government of India established in March, the Technical Development Fund (TDF). - Two Seed Capital Assistance Schemes were introduced by IDBI during the year viz. (i) SFC's Special Share Capital Scheme and (ii) IDBI's own scheme.

1977: IDBI introduced in January, at the instance of the Government of India, a scheme for providing rupee assistance, to industrial units receiving import licences, under the TDF. IDBI, apart from giving resource support for setting up of IFCI, UTI and SFCs, helped in establishing Shipping Credit and Investment Corporation of India, Ltd., Stock Holding Corporation of India Ltd., Securities and Exchange Board of India, Discount and Finance House of India, Ltd., Tourism Finance Corporation of India Ltd., Over The Counter (OTC) Exchange of India, Biotech Consortium India Ltd., and Indian Investment Management Company Ltd.

1985: A new scheme known as Equipment Refinance Scheme was introduced with effect from July 1st. The Bank introduced a new scheme called the Foreign Currency Refinance scheme. Under this Scheme, the Bank would extend foreign currency refinance facility to SIDCs/SIICs under the Bank's Normal Refinance Scheme.

1986: Small industries development fund was set up in May to pay concentrated attention to the provision of financial and non-financial inputs to the small scale sector. 30,00,000 shares issued.

1987: The National Equity Fund Scheme was introduced in August for providing equity type support to new tiny and small scale industrial units which are engaged in manufacturing activities and also for rehabilitation of potentially viable sick SSI units.

1991: With effect from 1st April, DAF was merged with the General Fund. The Bank's resources can be augmented through issue of bonds and debentures with or without Government guarantee. IDBI introduced 3-year 9% capital for sale to the public in the domestic market. 66, 00,000 shares were issued.

1992: The Bank issued unsecured bonds for a minimum aggregate amount of Rs 300 crores as follows: Deep Discount Bond had a face value of Rs 1, 00,000 was issued at a deeply discounted price of Rs 2,700 with a maturity period of 25 years from the date of allotment. The bank entered the area of merchant banking to provide professional advice and services to industry for raising resources from capital market, acquisition of assets on lease and mergers/take-overs of existing units. The Bank set up a foreign exchange dealing room to deal with all foreign exchange transactions.

1993: Authorised Capital reclassified. Equity Shares sub-divided. 2530, 00,000 Pref. shares were issued. Under Section 4 of IDBI Act, 1964, Government of India by the notification in Official Gazette date 16.11.1994 converted 2530, 00,000 No. of equity shares into Preference shares.

1994: The Bank obtained the membership of National Stock Exchange. IDBI Bank Ltd. promoted and incorporated in September as a commercial bank with an authorised capital of Rs 500. The Bank had set up a Mutual Fund as a trust with a view to offering innovative investment products to investors backed by high quality servicing. 17, 30, 93,300 shares were allotted to public.

1995: 17 new ventures were sanctioned. The beneficiary industries were electronics, industrial automation, industrial products and machinery, computer software etc. The bank entered into an Umbrella Grant Agreement with the World Bank for US $ 50 million aimed at phasing out use of ozone Depleting Substances in industry as part of ongoing efforts to reduce environmental degradation. The Bank offered 16,80,00,000 No. of Equity shares of Rs 10 each to Public at a premium of Rs 120 each along with

1,44,20,000 No. of equity shares of Rs 10 each at a price of Rs 130 per share was offered for sale by Government of India.

1997: The Bank accepted 68 debenture trusteeship assignments in respect of bonds and debentures aggregating to Rs 2,743 crores. IDBI became the first financial institution to apply NSDL as DP. IDBI has signed an agreement with National Securities Depository Ltd (NSDL) to get its equity shares admitted for dematerialization.

1998: The Industrial Development Bank of India (IDBI) has commissioned a study on the country's debt market. The IDBI has tied up a 0 million line of credit with the Export Import Bank of Japan for financing Indo-Japanese joint venture projects in India. The IDBI is set to enter the capital market with a mega Rs 1,000-1,500 crore debt issue (Flexibond 4). This will be IDBI's maiden retail issue in the current fiscal. American Express Bank, the travel related and financial services company, has entered into a strategic alliance for financial services with IDBI Bank.

1999: IDBI Bank Ltd, came out with a maiden public offering of four crore equity shares of Rs 10 each at a premium of Rs 8 per share aggregating Rs 72 crore, said four lakh shares were reserved for its employees and another 40 lakh shares were reserved for IDBI's equity holders on a competitive basis. American Express Bank (Amex) has entered into a strategic alliance with IDBI Bank for its personal financial services (PFS) division to jointly explore the development of products such as smart card and debit card, and market complementary products and services to customers of both the banks.

2000: The Company proposal for the forfeiture of 3, 03,100 No. of equity shares of Rs. 10/- each for non-payment of allotment money. The Bank has been made the nodal agency for disbursing the Montreal Protocol-approved million compensation package to four Indian companies, including SRF Ltd., and Gujarat Flurocar bonds. IDBI and CIDC would set up a joint working group to chalk out modalities for lending to the construction industry and risk assessment of the business. IDBI has become the first all-India financial institution to qualify for the ISO 9002 certification for its treasury operations. Industrial Development Bank of India and the Export-Import bank of the United States have signed an memorandum of understanding for financing to support import of US-sourced goods for Indian borrowers.

2001: The Industrial Development Bank of India and Morgan Guaranty Trust Company of New York have entered into a long-term rupee interest rate swap. The Industrial Development Bank of India has launched a new company IDBI Trusteeship Services Ltd. for carrying out trusteeship and other related business. Industrial Development Bank of India has formed a new company -- IDBI Trusteeship Services Ltd. for carrying out trusteeship and related businesses

2001: India's largest term lender Industrial Development Bank of India raised Rs 55 crore (.68 million) through a private placement of 90-day commercial paper, debt dealers said.

2002: ICRA assigns downward rating to IDBI long-term programmes. Government gives nod for the restructuring package for the company by repealing the IDBI Act and facilitating the conversion of the development financial institution into a stand-alone bank

2003:. IDBI board okayed 50 % Asset Management Company (AMC) stake sell off to Principal Financial Group of the USA. Off loads 25 lakh Discount and Finance House of India (DFHI) equity shares to State Bank of India (SBI). Acquires entire stake of Tata Finance Ltd. in Tata Homefinance Ltd. for Rs 49.98 crore, enters housing finance sector.

2004: Standard & Poor's (S&P) Ratings Services on February 19 assigned Industrial Development Bank of India's (IDBI) proposed 0 million senior unsecured notes a 'BB' rating. An obligation rated BB is less vulnerable to non-payments and other speculative issues.

2005: Industrial Development Bank of India Ltd (IDBI) has informed that the Public Issue of IDBI Flexibonds - 23, which was opened for subscription on March 21, 2005 has been closed on March 29, 2005.IDBI enters into CO-Financing tie-up with SIDBI.

2007: IDBI, Federal Bank and Fortis Sign Joint Venture Agreement To Establish A New Life Insurance Company In India. IDBI Launches new 600 days ‘Suvidha Plus FD Scheme

2008: Industrial Development Bank Of India Limited has submitted to a copy of the Resolution passed by the Board by circulation on March 12, 2008 in respect of change of name of the Bank to IDBI Bank Limited by passing a Special Resolution through Postal Ballot in terms of Section 192A of the Companies Act, 1956. Company name has been changed from Industrial Development Bank of India Ltd to IDBI Bank Ltd. IDBI ties up with Motilal Oswal Securities for online trading

2009: IDBI Bank has slashed its benchmark prime-lending rate (BPLR) by 25 basis points to 12.75 per cent. The reduction will come into effect from July 1 and will apply to all loans linked to the BPLR, including home loans, according to a press release from the bank. The bank cut deposit rates by 25-50 basis points earlier this week. IDBI Bank bags IBA's prestigious Banking Technology award. IDBI Bank Ltd and Tata Motors Limited (TML) sign MoU for Vehicle Loan Financing.

(b) IDBI's Role as a Catalyst

IDBI's role as a catalyst to industrial development encompasses a wide spectrum of activities. IDBI can finance all types of industrial concerns covered under the provisions of the IDBI Act. With over three decades of service to the Indian industry, IDBI has grown substantially in terms of size of operations and portfolio.

(c) Developmental Activities of IDBI

(i) Promotional activities: In fulfilment of its developmental role, the Bank continues to perform a wide range of promotional activities relating to developmental programmes for new entrepreneurs, consultancy services for small and medium enterprises and programmes designed for accredited voluntary agencies for the economic upliftment of the underprivileged. These include entrepreneurship development, self-employment and wage employment in the industrial sector for the weaker sections of society through voluntary agencies, support to Science and Technology Entrepreneurs' Parks, Energy Conservation, Common Quality Testing Centres for small industries.

(ii) Technical consultancy organisations: With a view to making available at a reasonable cost, consultancy and advisory services to entrepreneurs, particularly to new and small entrepreneurs, IDBI, in collaboration with other All-India Financial Institutions, has set up a network of Technical Consultancy Organisations (TCOs) covering the entire country. TCOs offer diversified services to small and medium enterprises in the selection, formulation and appraisal of projects, their implementation and review.

(iii) Entrepreneurship development institute: Realising that entrepreneurship development is the key to industrial development, IDBI played a prime role in setting up of the Entrepreneurship Development Institute of India for fostering entrepreneurship in the country. It has also established similar institutes in Bihar, Orissa, Madhya Pradesh and Uttar Pradesh. IDBI also extends financial support to various organisations in conducting studies or surveys of relevance to industrial development.

(d) IDBI: Financial Statements

Table 4.6.7; Profit And Loss Accounts **(Rs. In crores)**

	Mar ' 10	**Mar ' 09**	**Mar ' 08**	**Mar ' 07**	**Mar ' 06**
Income					
Operating income	15,272.63	12,668.35	9,159.74	6,994.23	6,398.80
Expenses					
Material consumed	-	-	-	-	-
Manufacturing expenses	-	-	-	-	-
Personnel expenses	756.99	569.24	384.61	282.90	318.51
Selling expenses	-	48.38	25.25	11.01	16.95
Adminstrative expenses	983.45	811.35	599.00	597.99	554.26
Expenses capitalised	-	-	-	-	-
Cost of sales	1,740.44	1,428.97	1,008.86	891.90	889.72
Operating profit	526.97	933.66	786.47	414.84	508.26
Other recurring income	2,290.96	113.73	138.48	211.15	217.29
Adjusted PBDIT	2,817.93	1,047.39	924.94	625.99	725.55
Financial expenses	13,005.22	10,305.72	7,364.41	5,687.49	5,000.82
Depreciation	90.98	52.70	83.50	122.00	143.55
Other write offs	-	-	-	-	-
Adjusted PBT	2,726.95	994.69	841.44	504.00	582.00
Tax charges	-	127.10	93.25	52.31	27.46
Adjusted PAT	-	845.26	728.64	451.69	554.54
Non recurring items	-	13.28	0.81	178.62	6.35
Other non cash adjustments	-	-	-	-	-0.11
Reported net profit	1,031.13	858.54	729.46	630.31	560.78
Earnigs before appropriation	1,102.33	879.58	2,044.36	1,661.02	1,348.23
Equity dividend	217.46	181.20	144.95	108.65	108.57
Preference dividend	-	-	-	-	-
Dividend tax	31.47	30.79	22.27	18.47	15.23
Retained earnings	853.40	667.59	1,877.14	1,533.90	1,224.43

8. The Export-Import Bank of India

Export-Import Bank of India is the premier export finance institution of the country, set up in 1982 under the Export-Import Bank of India Act 1981. Government of India launched the institution with a mandate, not just to enhance exports from India, but to integrate the country's foreign trade and investment with the overall economic growth. Since its inception, Exim Bank of India has been both a catalyst and a key player in the promotion of cross border trade and investment. Commencing operations as a purveyor of export credit, like other Export Credit Agencies in the world, Exim Bank of India has, over the period, evolved into an institution that plays a major role in partnering Indian industries, particularly the Small and Medium Enterprises, in their globalisation efforts, through a wide range of products and services offered.

(a) History

1958: The signing of a $150000;000[loan agreement for *India* by the Export-Import Bank revealed a approach. It also a milestone in the gradual Shift of the bank to an instrument of pure foreign aid of the Plan type.

1982: Export-Import Bank of India was established on January 1st, 1982.The Bank fills an institutional gap in the area of financing India's international trade. With its setting up, a long felt need for an apex bank that can function as the principal financial institution for interfacing with institutions engaged in financing export and import trade was fulfilled.

1983: The Bank introduced a new facility under the name "Exim Syndicate Facility" to attract greater participation in export credit from commercial banks in India, who were authorised dealers in foreign exchange.

1984 - The Bank also introduced two new lending programmes, one relating to financing of deemed exports and the other to financing of 100% export units and units in free trade zones. Bank entered into an arrangement with Templeton Worldwide Inc. U.S.A. to help medium sized Indian Companies access capital.

1987: The Bank introduced EME scheme where in the Bank undertook up to 50% of the total cost incurred on export marketing activities. Rs 22 crores capital subscribed for by Government.

1992: A new programme viz., Export Vendor Development Finance was introduced, which seeks to provide integrated financing packages to manufactures - exporters and export trading houses to implement strategic vendor developing plans. Rs 3942, 53,214 capitals subscribed for by Government.

1993: The Bank promotes Indian exports through a variety and a range of lending programmes. The Bank offers export bills rediscounting facility, refinance of supplier's credit, refinance of term loans to export oriented units and bulk import finance to commercial banks in India.

1994: Another new programme for providing underwriting facilities was launched in January. Under this programme, the bank would offer underwriting as well as bridge loan facility to eligible Indian exporting companies to raise funds from public by way of equity or debentures.

1995: During the year Exim Bank offered strategic market entry support to 16 companies for Rs 8.6 mn. to encourage exporters to make responsive bids under international competitive bidding procedure. During the year, the Bank signed a framework co-operation agreement with the European Bank for Reconstruction and Development (EBRD) headquartered in London.

1996: Bank entered into three interest rate swap agreements as part of liability management. During April-December 1995, the total value of issues launched was Rs 141.5 billion. - The concept of a back-to-back inland letter of credit has been introduced to enable an advance licence holder to source his inputs from domestic suppliers.

1997: The Bank introduced maturity linked interest rates for supplier's credits in rupees and foreign currency as well as lines of Credit/Buyer's Credits extended to overseas institutions/government for financing exports from India.

1998: Mumbai, 27th April: Export-Import Bank *of* India *(*Exim Bank*)* has reported a 33 per cent rise in net profit to 2.06bn rupees in 1997-98 as it recovered over 10bn rupees of non-performing assets (NPAs) during the year.

1999: Bank introduced a number of financing programmes with a view to expanding coverage of Bank's finance for exporters, importers and for investment overseas. During the year, Bank introduced the long term working capital finance programme for export-oriented units for augmenting their long term working capital.

2000: Export-Import Bank of India and Exim Bank of Thailand signed an agreement in Bangkok for a line of credit of $ 10 million from Exim India to Exim Thailand. International Finance Corporation, West LB Bank and Export Import Bank of India will be forming a joint venture company for structured finance activities.

2001: Export Import Bank of India and Banco de Comercio Exterior de Colombia S.A. (Bancoldex), Colombia, signed an agreement in New Delhi for establishing reciprocal lines of credit for US $10 million. The export-Import Bank of India is all set to form a joint venture with the Washington-based International Finance Corporation and German Bank West LB.

2002: Export-Import Bank of India (Exim Bank) signs pact with Banco Bradesco for a line of credit of $10 million with Banco Bradesco SA, Brazil to promote India's exports to Brazil.

2004: The Export-Import (Exim) Bank of India has signed an agreement with Uniao De Bancos Brasileiros (Unibanco) to provide a line of credit of $10 million to finance India's export of equipment, goods and services to Brazil.

2005: Exim Bank signs MoU with CFTRI to promote units in Africa. Exim Bank signs agreement with DHAN Foundation. GPCL enters into full-fledged services area in Iran. Exim Bank signed a memorandum of cooperation with United Bank of India. The Export-Import Bank of India has signed MoU with the Instituto de Credito Oficial of Spain to promote trade.

2007: Exim Bank of India has inked a pact with International Finance Corporation (IFC), Washington, a member of the World Bank group, under the Global Trade Finance Programme (GTFP) of IFC.

2008: Soldiers from China and India conduct a flush-out operation during their joint anti-terror trainin in India's Belgaum, December 7, 2008. Eximbank grants loans to support Chery's expansion 2008-1The China Export and Import Bank .

2009: This follows the superannuation of Mr TC Venkat Subramanian, Chairman and Managing Director of the Export-Import Bank of India, on October 31, 2009, the bank said in a release. “Until a successor to Mr TC Venkat Subramanian is appointed by the ...

2010: The credit line agreement for the Nyabarongo Hydro Power project was signed in Delhi, in January 2010, by Rwanda and the Export-Import Bank of India (Exim Bank of India). "We red the first batch of the money totalling to $20 m which was ...

(b) Organization Structure

Exim Bank is managed by a Board of Directors, which has representatives from the Government, Reserve Bank of India, Export Credit Guarantee Corporation (ECGC) of India, a financial institution, public sector banks, and the business community.

(i) The Bank's functions are segmented into several operating groups including: Corporate Banking Group which handles a variety of financing programmes for Export Oriented Units (EOUs), Importers, and overseas investment by Indian companies. Project Finance / Trade Finance Group handles the entire range of export credit services such as supplier's credit, pre-shipment Agri Business Group, to spearhead the initiative to promote and support Agri-exports. The Group handles projects and export transactions in the agricultural sector for financing.

(ii) Small and medium enterprise: The group handles credit proposals from SMEs under various lending programmes of the Bank. Export Services Group offers variety of advisory and value-added information services aimed at investment promotion. Export Marketing Services Bank offers assistance to Indian companies, to enable them establish their products in overseas markets. Besides these, the Support Services groups, which include: Research & Planning, Corporate Finance, Loan Recovery, Internal Audit, Management Information Services, Information Technology, Legal, Human Resources Management and Corporate Affairs.

(c) Export Import Bank of India: Financial Statement

Table 4.6.8: Balance Sheets

	Mar ' 09	Mar ' 08	Mar ' 07	Mar ' 06	Mar ' 05
Sources of funds					
Owner's fund					
Equity share capital	1,399.99	1,099.99	999.99	949.99	849.99
Share application money	-	-	-	-	-
Preference share capital	-	-	-	-	-
Reserves & surplus	2,583.79	2,207.15	1,969.72	1,857.06	1,727.94
Loan funds					
Secured loans	-	-	-	-	-
Unsecured loans	2,819.09	283.90	70.25	45.40	8.21
Total	6,802.87	3,591.05	3,039.96	2,852.46	2,586.14
Uses of funds					
Fixed assets					
Gross block	88.45	75.34	81.22	57.57	58.79
Less : revaluation reserve	-	-	-	-	-
Less : accumulated depreciation	-	-	-	-	-
Net block	88.45	75.34	81.22	57.57	58.79
Capital work-in-progress	-	-	-	-	-
Investments	2,160.97	1,858.60	1,289.61	922.37	970.98
Net current assets					
Current assets, loans & advances	36,736.60	30,530.12	23,255.28	17,707.31	13,529.78
Less : current liabilities & provisions	3,015.64	2,306.50	1,612.60	1,324.01	1,102.47
Total net current assets	33,720.96	28,223.62	21,642.68	16,383.30	12,427.31
Miscellaneous expenses not written	-	-	-	-	-
Total	35,970.38	30,157.56	23,013.50	17,363.24	13,457.07
Notes:					
Book value of unquoted investments	-	-	-	-	-
Market value of quoted investments	-	-	-	-	-
Contingent liabilities	5,132.64	6,026.40	-	7,429.75	5,205.69
Number of equity shares outstanding (Lacs)	-	-	-	9499.92	8499.92

9. HSBC

(a) History - HSBC

HSBC North America Holdings (a subsidiary of the British HSBC Holdings plc) was established in 2004. It composed of all of HSBC's U.S. and Canadian operations not to mention HSBC Finance Corporation and HSBC Bank USA, N.A. as it still does today. HBSC North America Holdings Inc. is one of the largest financial service groups in the USA to date, with total assets of $557 billion, serving nearly 68 million customers. The HSBC Bank Group is one of the world's largest banking and financial services businesses and is based in London.

1980 - The Hong Kong and Shanghai Corporation (established 1865) acquired 51% of shares of the Marine Midland Bank of New York. By 1987, the Hong Kong and Shanghai Corporation fully owned the Marine Midland Bank of New York.

1998 - Marine Midland was rebranded as HSBC.

1999 – HBSC Bank acquired the Republic National Bank, New York, resulting in the HSBC Head Office being relocated to 452 Fifth Avenue from the HSBC centre in Buffalo.

2003 – HSBC Bank acquired Household International, due to a merger was renamed HSBC Finance Corporation.

(b) HSBC Corporate Structure

Reporting into HSBC North America Holdings Inc. is the wholly owned subsidiary HSBC USA Inc. which is currently one of USA's largest bank holding businesses (ranked within the top 10 by assets).The main subsidiaries of HSBC USA Inc. are HSBC Bank USA, N.A. and HSBC National Bank USA. Collectively these banks operate throughout the United Staes with just under 500 branches to date and growing.

10. Citi Bank

(a) History – Citi Bank

Citibank, founded in 1812, used to be known as the City Bank of New York, which was later changed to the First National City Bank of New York. These days, Citibank is a very large, international bank. Citibank is part of the financial giants Citigroup, which is one of the biggest companies in the world. Citibank is better known as the consumer banking arm of this economic giant. Citibank was the largest bank in the United States in terms of holding in 2007. In 2009, they are still close to being the top bank in the United States. The first person to own and manage the City Bank of New York in 1812 was a man by the name of Samuel Osgood. Samuel Osgood was previously the Postmaster General of the United States

More than fifty years later, in 1863, this bank joined the United States' newest national banking system and was then known as National City Bank of New York. In 1897, this bank was the first ever to establish a foreign department and a year prior to this it was also the first contributor to the Federal Reserve Bank of New York. In 1914, a branch of National City was opened in Buenos Aires, Argentina. A few years later in the year 1919, this bank was also the first bank to have one billion dollars in assets, which at the time was very impressive. It was not until the 1970s that Citibank took on the name that it still has today. First National City Bank and the First National City Corporation were renamed Citibank and Citicorp.

In November of 2008, Citibank had to be rescued by the United States government. There was an initial aid of twenty-five billion given to this corporation. There was another twenty-five billion invested in them afterwards. The Citigroup Corporation now has about three hundred and six billion dollars in risky assets. As of now, Citibank is working on stabilizing itself once more in this economy. You can find branches of Citibank in over one hundred countries around the world. The larger part of Citibank's offices that are in the United States can be found mostly in New York City, Chicago, Los Angeles and a few other major cities. This financial institution offers not only all the standard banking transactions, but they also offer investment products, insurance and credit cards.

(b) Organizational Structure

"It is the formal arrangement of jobs within an organization" Developing an organization structure manager go through the process called organizational design, that involves decision about six key elements i.e work specialization, departmentalization and formalization etc. Now we analyze the Citibank's organizational structure according to these factors. As work specialization is used to describe the degree to which activities is organization are divided into separate jobs. This means that an entire task is not done by one individual but instead is broken down into jobs by different persons. In Citibank task are divided into different jobs according to the requirements and work specialization can be seen e.g. in the dealing of debit cards a single person is not involved in the process. There is a CRM (customer relation manager) and a CRO (customer relation officer) while CRM deals with validation of debit cards and CRO deals with the transaction relating debit cards.

The basis by which jobs are grouped together is called departmentalization. In case of Citibank you can see two major forms of departmentalization i.e. functional and geographical departmentalization. First of all they have divided into departments according to the functions i.e. dealing with cash, banking operation, sales and receive that they provide for each of the above categories there is a separate department as can be seen in organizational charts .then for the completion of these functions.

11. Standard and Chartered Bank

(a) History – Standard Chartered Bank

Standard Chartered was formed in 1969 through a merger of two banks: The Standard Bank of British South Africa, founded in 1863, and the Chartered Bank of India, Australia and China, founded in 1853.Both companies were keen to capitalize on the huge expansion of trade and to earn the handsome profits to be made from financing the movement of goods between Europe, Asia and Africa. The Chartered Bank founded by James Wilson following the grant of a Royal Charter by Queen Victoria in 1853. Chartered opened its first branches in Mumbai (Bombay), Kolkata and Shanghai in 1858, followed by Hong Kong and Singapore in 1859. Traditional trade was in cotton from Mumbai (Bombay), indigo and tea from Kolkata, rice from Burma, sugar from Java, tobacco from Sumatra, hemp from Manila and silk from Yokohama. It played a major role in the development of trade with the East which followed the opening of the Suez Canal in 1869 and the extension of the telegraph to China in 1871.

It commenced business in Port Elizabeth, in January 1863. Was prominent in financing the development of the diamond fields of Kimberley from 1867 and later extended its network further north to the new town of Johannesburg when gold was discovered there in 1885. Expanded in Southern, Central and Eastern Africa and, by 1953, had 600 offices. In 1965, it merged with the Bank of West Africa, expanding its operations into Cameroon, Gambia, Ghana, Nigeria and Sierra Leone. From the early 1990s, Standard Chartered has focused on developing its strong franchises in Asia, Africa and the Middle East. It has concentrated on consumer, corporate and institutional banking and on the provision of treasury services - areas in which the Group had particular strength and expertise. Since 2000 the Bank has achieved several milestones with a number of strategic alliances and acquisitions, which have extended the customer and geographic reach and broadened the product range of the bank.

12. Rajkot Nagarik Sahakari Bank

(a) History

Rajkot Nagarik Sahakari Bank is a leading Co-Operative Bank in Gujarat State, India. Bank was established on 5th October 1953 With a small Capital Of Rs. 4890 and Membership of 59 under the leadership of Late Keshavlal Amrutlal Parekh as a Chairman, and Late Janmashankar Antani as a M.D. Bank has made tremendous & real progress, Bank became pride of saurashtra region & achieved new heights in banking as well as Co-.operative sector under the leadership of former Chairman Late Shri Arvindbhai Maniar. During past years bank has played vital & leading role for the development of industries, business & Economy of Rajkot City, Bank was the first co-operative institute to start functioning in the erstwhile state of Saurashtra. Bank was inaugurated by "Sahakar Maharshi "late Shri Vainkunthbhai Metha.

Bank has developed in manifolds with the time. Membership (Share Holder) of bank is unting towards 2, 50,000 which is a record by itself & provides an example of how a mass movement can be turned into the instrument for social up liftment. Today Bank has more than 7, 20,000+ deposit accounts with a deposit base of 1141.60+ Crores, And 40000+ Establishments/Individuals enjoy the facility of Rs 760.42 crores of Advances. Since inception bank was guided by the people with foresight & vision, which Includes the names Like Shri Keshubhai Patel, Shri Vajubhai Vala, Shri Shashikant Mehta etc. Being in the service sector, with a vision of current & future trends, Bank started automation & modernization way back in 1987 and by 1995 all the Branches were computerized. Bank is enjoying the schedule bank status since 1989. In year 2001 bank was registered under multi-state co-operative society Act. This bank has opened a branch in Mumbai, economic capital of India and become multi-state schedule co-operative bank.

(b) Rajkot Nagarik Sahakari Bank Ltd: Financial Statement

Table 4.6.9: Profit and Loss Accounts (Rs. in Thousands)

Sr. No.	Year Ending	Membership	Share Capital	Reserve	Deposits	Advances	Profit	Dividend
1-5 yrs.								
1.	1953	49	5		43			
2.	1954	504	12		63	64	(3)	
3.	1955	1441	32	1	141	173	2	
4.	1956	2227	54	2	240	274	8	4%
5.	1957	2897	87	9	646	517	8	4%
Middle Years								
6.	1962	7338	781	305	5953	3647	75	5%
7.	1967	11151	1410	1058	12465	5891	123	5%
8.	1972	14790	1460	2395	31670	24393	377	8.5%
9.	1977	23803	2504	7340	96402	59656	939	9%
10.	1982	38622	8799	31934	317808	264176	2704	12%
11.	1987	76232	13437	114571	977493	667704	6606	12%
12.	1992	1,09,349	3,14,50	35,43,42	166,55,65	142,84,40	1,05,28	12%
13.	1997	1,67,282	5,19,96	85,62,10	323,68,43	244,45,57	2,40,03	15%
14.	1998	1,81,359	5,98,14	98,44,65	379,02,22	268,29,43	3,27,74	15%
Last Years								
15.	1999	1,87,657	6,27,61	113,99,75	461,65,10	291,46,26	4,35,03	15%
16.	2000	1,92,923	7,27,29	132,95,35	570,14,00	402,66,02	6,06,22	15%
17.	2001	2,07,579	7,63,75	163,81,34	705,35,44	487,42,65	7,33,54	15%
18.	2002	2,10,724	7,66,06	209,11,30	684,22,02	792,60,75	9,12,11	15%
19.	2003	2,14,540	7,68,23	225,20,51	711,72,33	785,33,29	13,09,31	25%
20.	2004	2,15,556	8,71,54	245,44,73	798,12,60	421,54,61	14,00,78	15%
21.	2005	2,15,888	9,22,27	256,70,01	837,19,89	428,98,91	81,272	15%
22.	2006	2,16,274	9,81,46	263,05,63	855,45,41	430,90,82	83,115	15%
23.	2007	2,18,006	19,54,87	251,26,34	864,09,20	804,84,18	8,35,55	15%
24.	2008	2,23,063	18,48,02	261,79,67	983,95,67	629,37,88	12,17,00	15%

5. Data Analysis

1. Part 1: For Bankers

2. Part II: For Customers

3. Part III: Hypotheses Testing

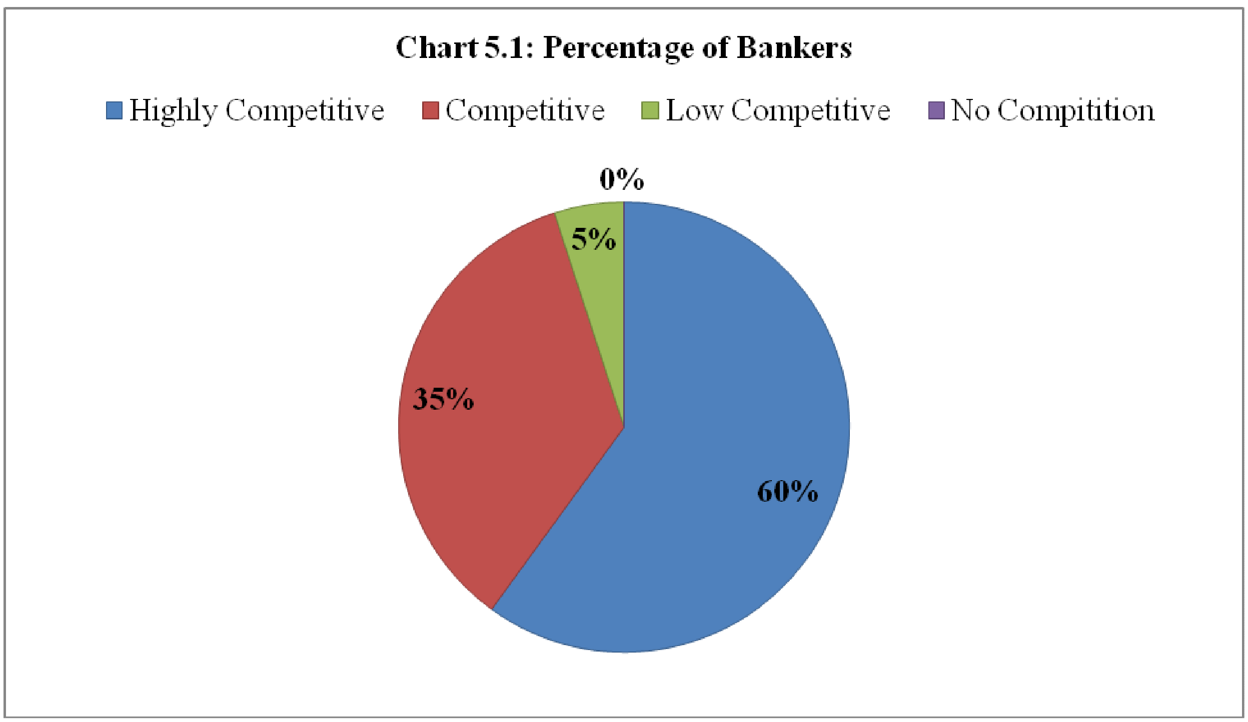
5. Data Analysis

Part 1-For Bankers

1. How do you find the business environment for banking sector?

Table 5.1: Type of Business Environment in Banking

Option	Type of business environment in banking	No. Of Bankers Out of total 100	Percentage
a	Highly Competitive	60	60
b	Competitive	35	35
c	Low Competitive	05	05
d	No Competition	00	00
e	No idea	00	00
	Total	100	100

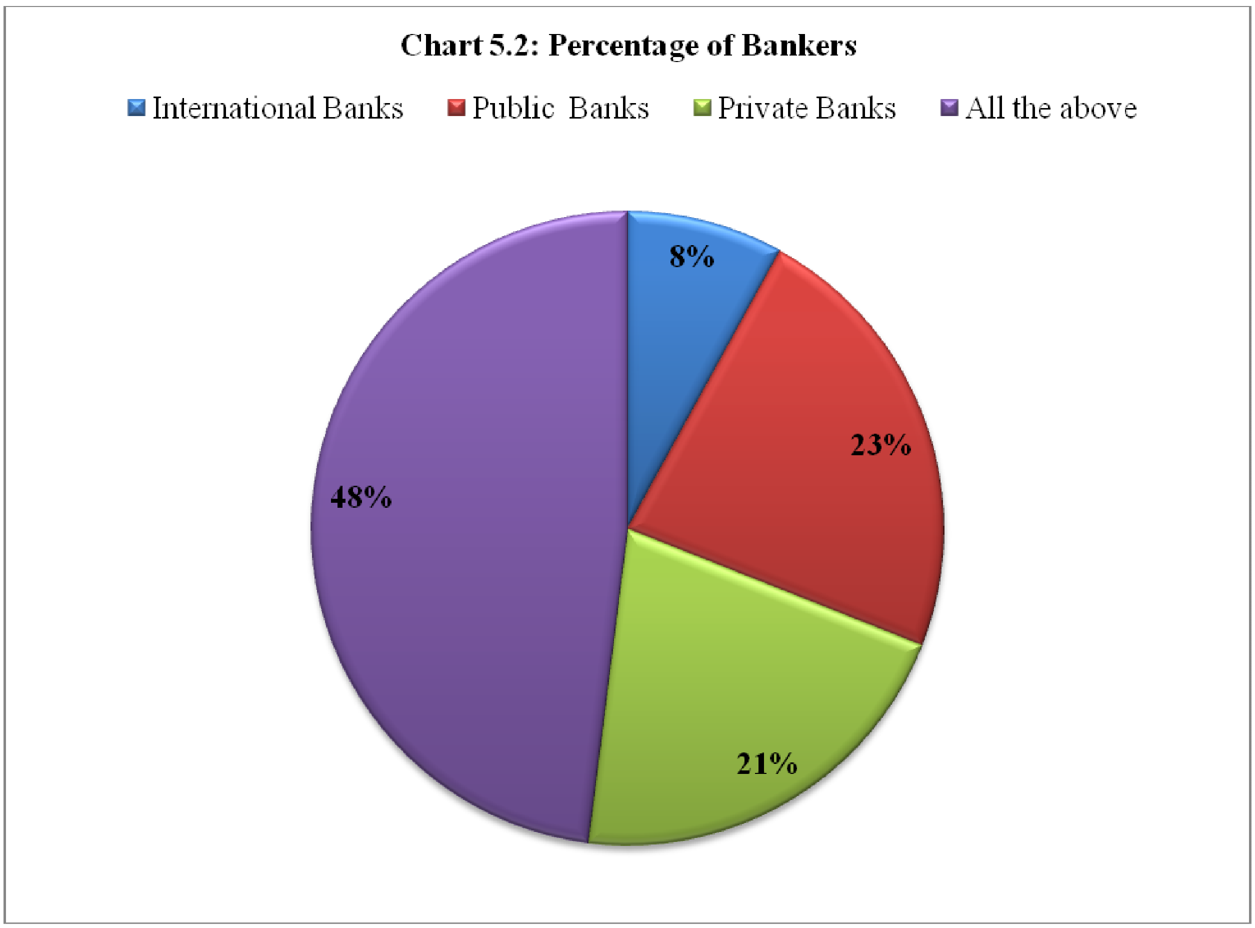


Interpretation: The above pie chart shows that out of 100 mangers, Maximum i.e. 60% find the business environment is highly completive, 35 % find competitive, and rest 5% say that there is low competition in banking sector in the survey nobody said that there is no completion.

2. Who are mainly your Competitors in banking sector?

Table 5.2: Major Competitors in Banking Sector

Option	Major competitors in banking sector	No. Of Bankers Out of total 100	Percentage
a	Foreign Banks	08	08
b	Public Banks	23	23
c	Private Banks	21	21
d	All the above	48	48
	Total	100	100

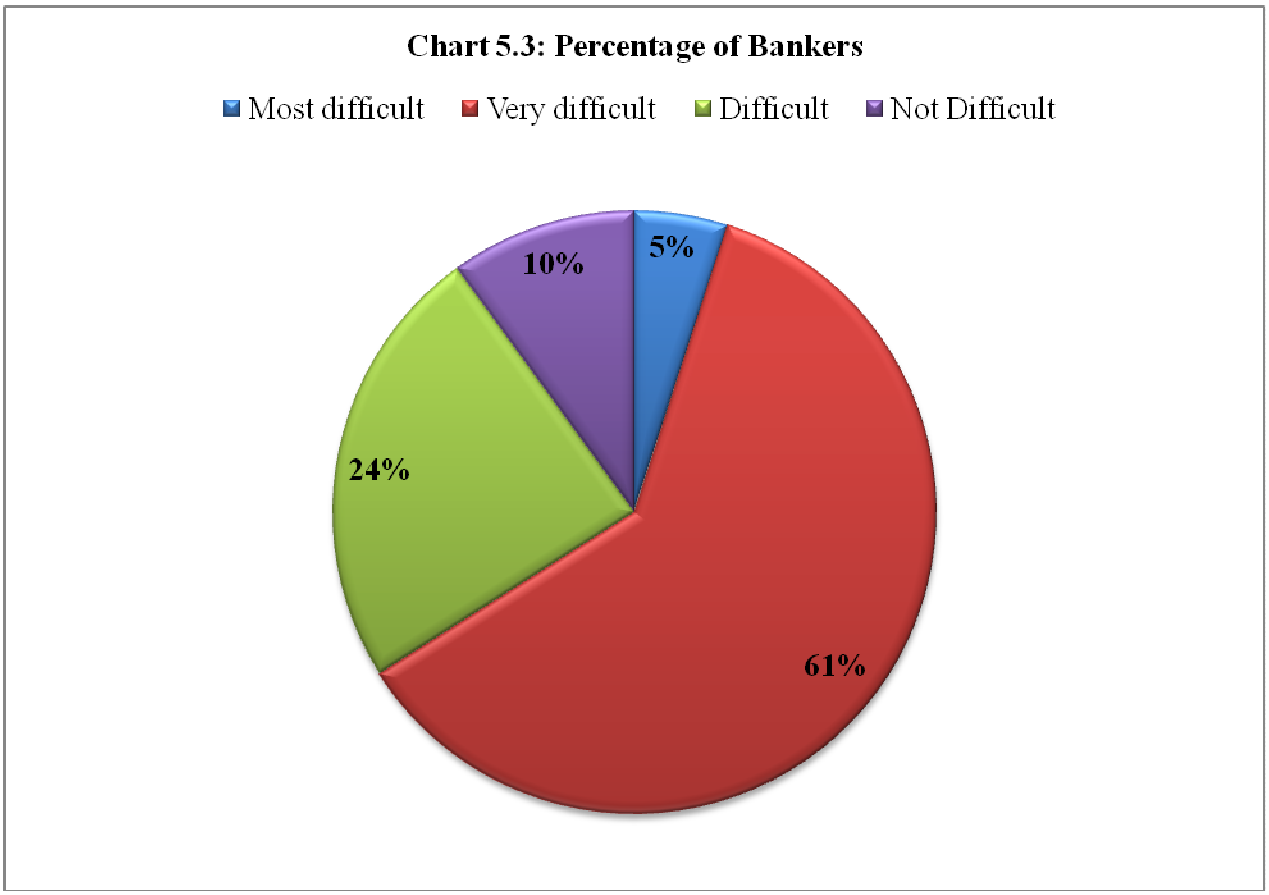


Interpretation: In the survey, according to 8% mangers international banks are the main competitors, 8% feel public banks and 32% think Pvt. Bank and rest 48% are of the opinion that all three types of bank i.e. foreign, Public & Pvt. give completion in banking sector.

3. Do your bank find difficult to survive, grow, stabilize and excel in business?

Table 5.3: Level of Difficulty Faced in Present Environment

Option	Level of difficulty faced in present environment	No. Of Bankers Out of total 100	Percentage
a	Most difficult	05	05
b	Very difficult	61	61
c	Difficult	24	24
d	Not Difficult	10	10
	Total	100	100

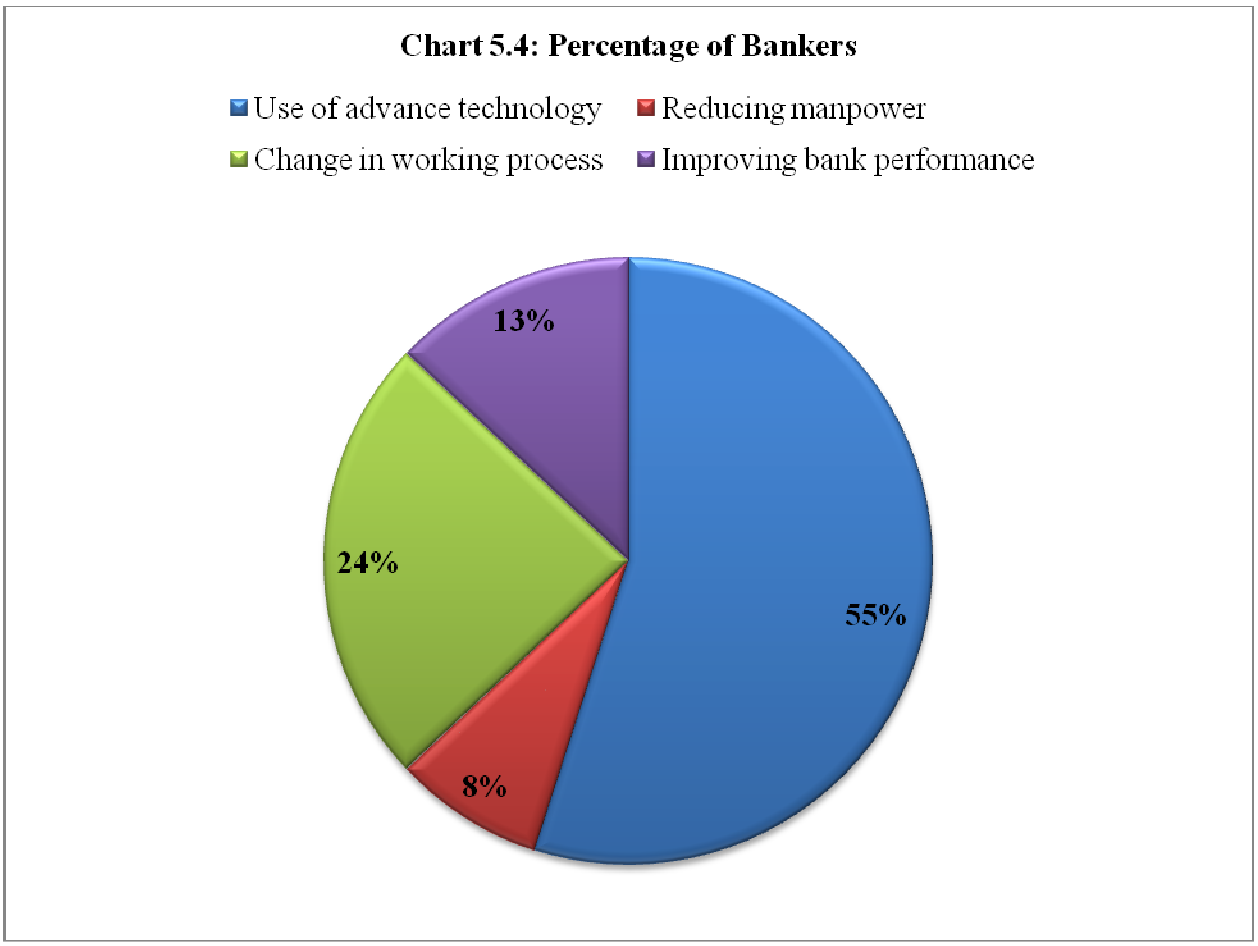


Interpretation: The above pie chart says that only 5% of the managers find difficult to survive, grow, stabilize and excel in business. Majority i.e. 61% feel it is very difficult to service, 24% find it difficult and 10% say that they find no difficulty in serving and growing in business.

4. What strategy your bank has adopted to do banking business effectively in competitive situation in market?

Table 5.4: Strategy of Bank for Effective Business Adopted

Option	Strategy of bank for effective business adopted	No. Of Bankers Out of total 100	Percentage
a	Use of advance technology	55	55
b	Reducing manpower	08	08
c	Change in working process	24	24
d	Improving bank performance	13	13
	Total	100	100

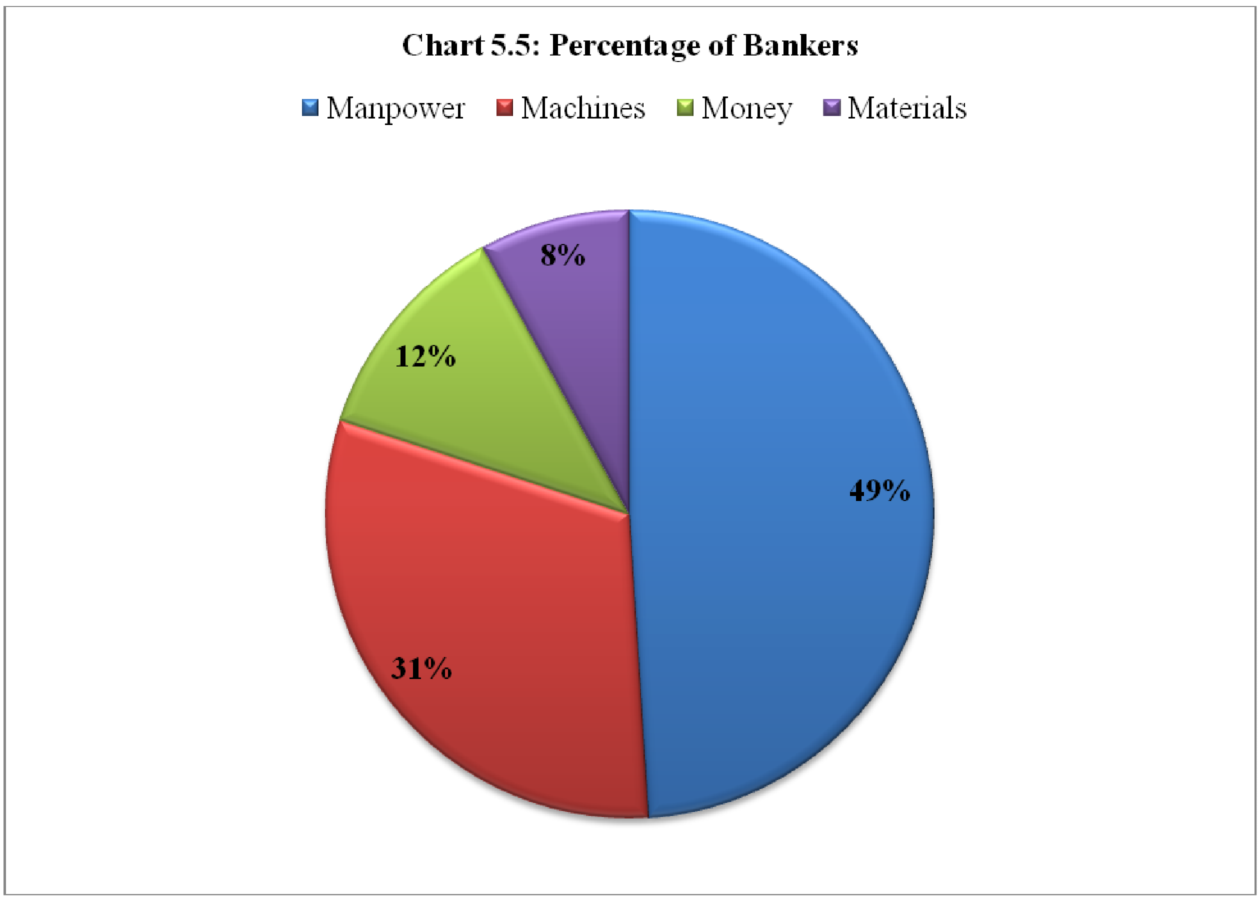


Interpretation: The above pie charts depicts that 55% bankers adopt the advance technology to effectively complete in market 8% say reducing manpower gives an edge. 24% feel change in working process and the find 13% says that only improving bank performance would be effective in the competitive situation in market.

5. According to importance, rank the resources being used in your bank for business activities.

Table 5.5: Resources Utilized

Option	Resources utilized	Rank according to importance	No. Of Bankers Out of total 100	Percentage
a	Manpower	I	49	49
b	Machines	III	12	12
c	Money	II	31	31
d	Materials	IV	08	08
	Total		100	100

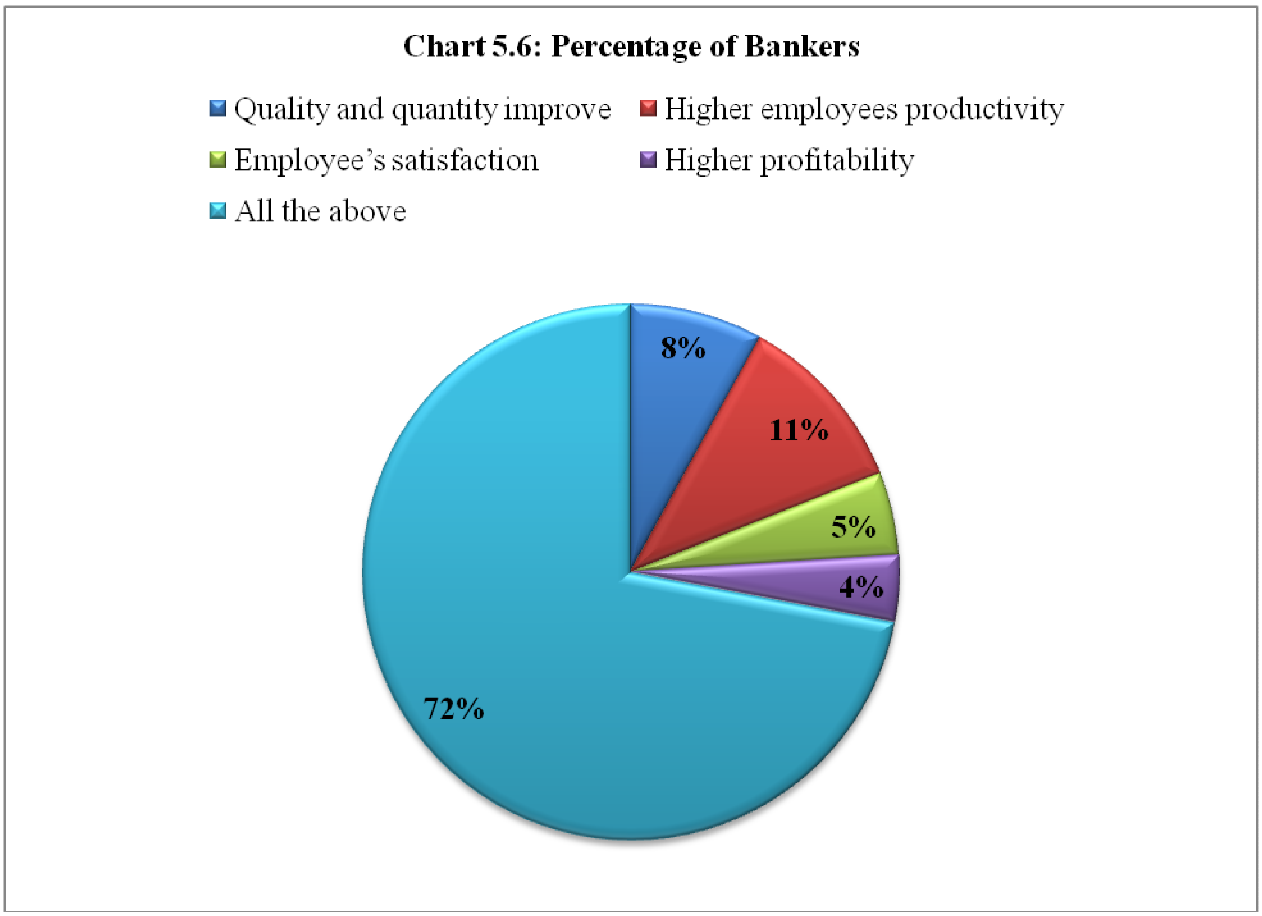


Interpretation: According to survey 49% ranked manpower as the no I resource, 12 % ranked machines no III, 31 % ranked money no II and 8% say that material comes at the 4th important position to be used in the bank for business activities.

6. What are the advantages of higher employee's performance to the bank?

Table 5.6: Advantages of Higher Performance

Option	Advantages of higher performance	No. Of Bankers Out of total 100	Percentage
a	Quality and quantity improve	08	08
b	Higher employees productivity	11	11
c	Employee's satisfaction	05	05
d	Higher profitability	04	04
e	All the above	72	72
	Total	100	100



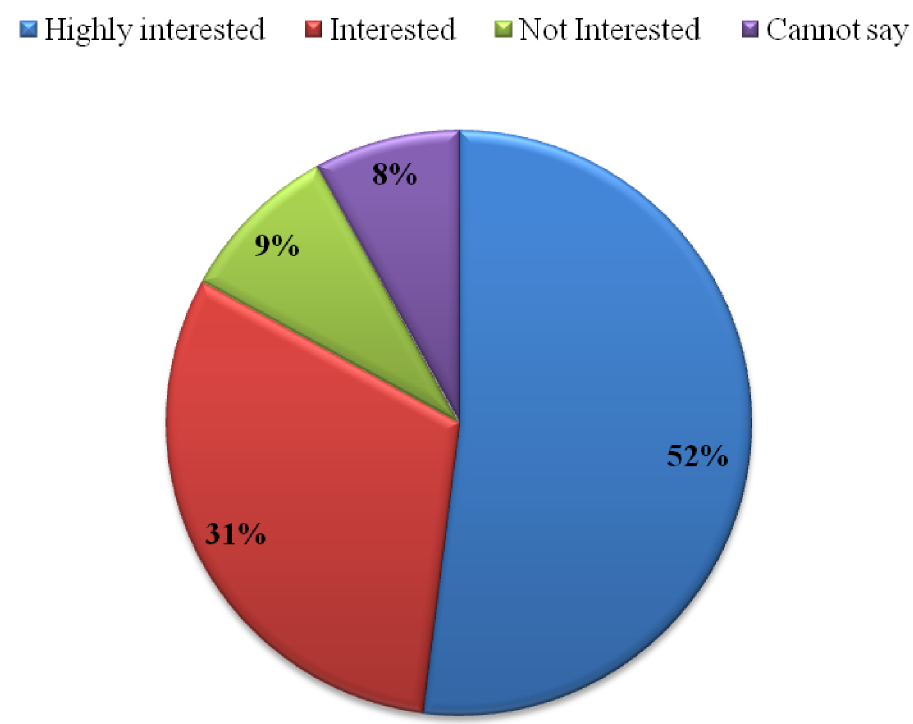
Interpretation: As per the above pie chart quality and quantity improvement is the advantage which 8% bankers voted for, 11% say higher employees productivity 5% say employees satisfaction, 4% are in favour of higher profitability and majority of the bankers i.e. 72% feel that all the above are the advantages of higher employees' performance to the bank.

7. Do your management is interested to manage performance of employees consistently?

Table 5.7: Management Interest in Performance Management

Option	Management interest in performance management	No. Of Bankers Out of total 100	Percentage
a	Highly interested	52	52
b	Interested	31	31
c	Not Interested	09	09
d	Cannot say	08	08
	Total	100	100

Chart 5.7: Percentage of Bankers

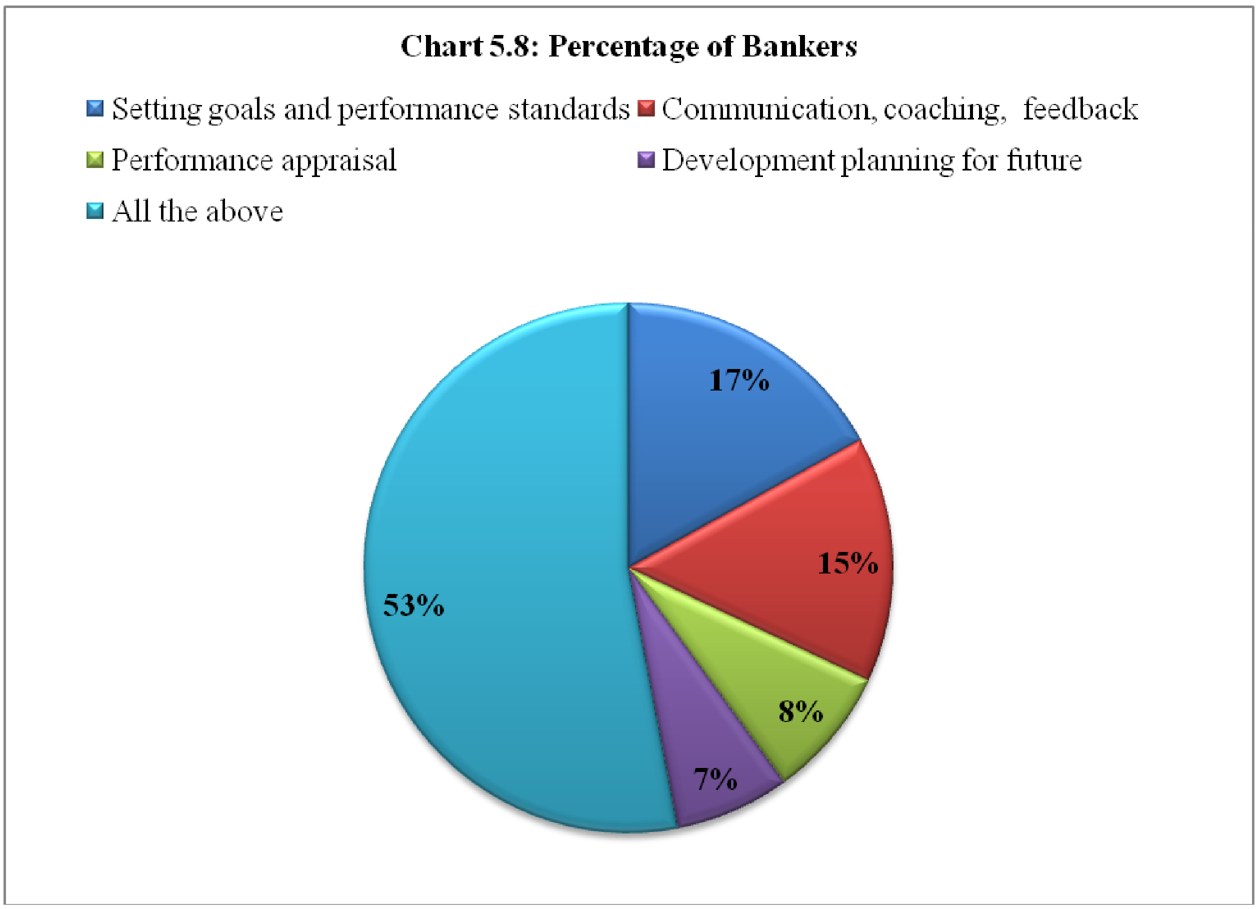


Interpretation: According to the survey 52% votes said that the management is highly interested to manage performance of employees consistently, 31% said only interested, 9% said not interested and the remaining 8% are not able to say anything about the interest of the management.

8. What are the functions being performed by performance management in your bank?

Table 5.8: Performance Management Functions

Option	Performance management functions	No. Of Bankers Out of total 100	Percentage
a	Setting goals and performance standards	17	17
b	Communication, coaching, feedback	15	15
c	Performance appraisal	08	08
d	Development planning for future	07	07
e	All the above	53	53
	Total	100	100

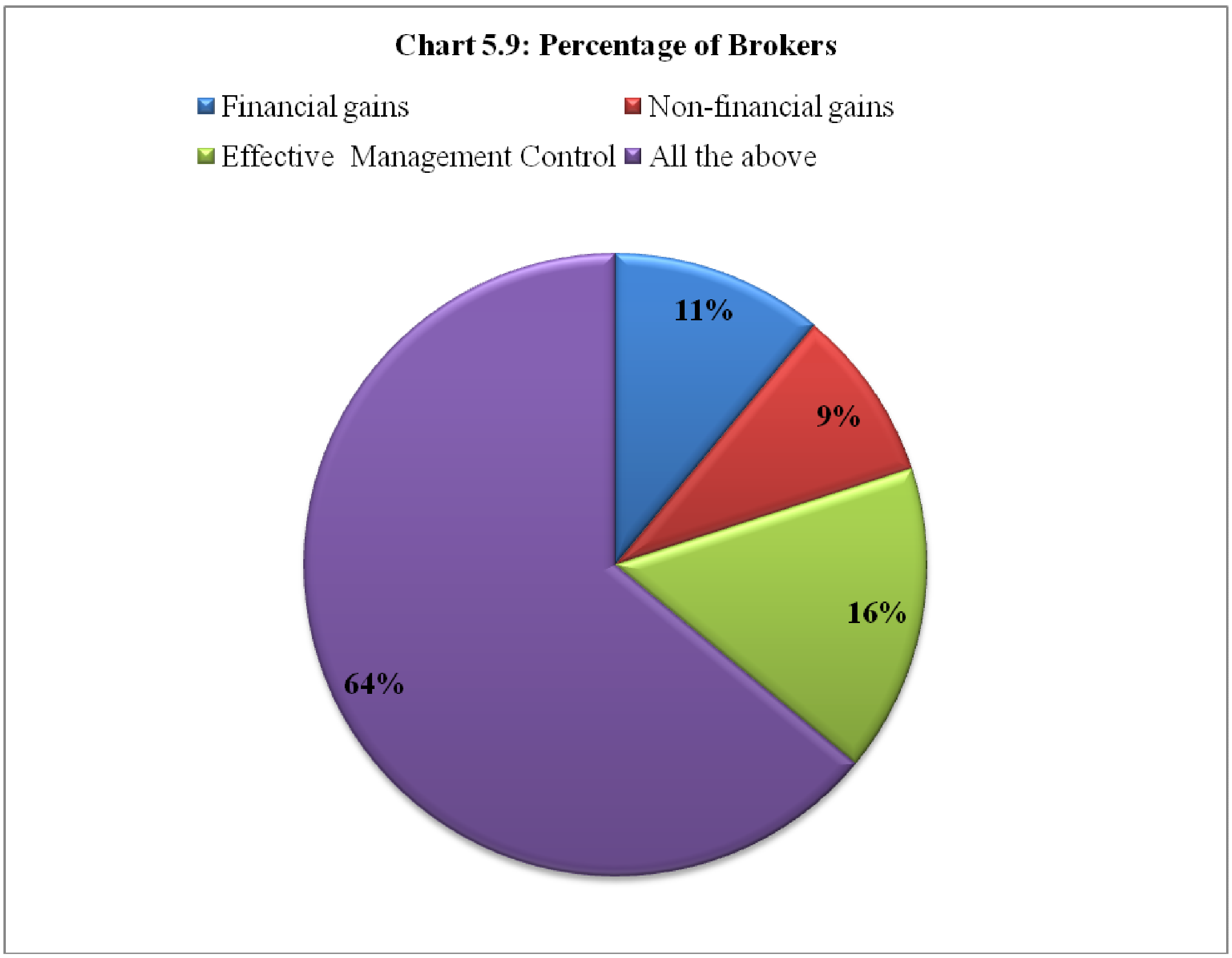


Interpretation: When surveyed about the functions performed by the performance management of bank, 17% said setting goals and performance standards, 15% said communication, coaching, feedback, 8% said performance appraisal, 7% said development planning for future and 53% said that all the above functions are performed by performance management.

9. What are the benefits from performance management to your bank?

Table 5.9: Benefits of Performance Management

Option	Benefits of performance management	No. Of Bankers Out of total 100	Percentage
a	Financial gains	11	11
b	Non-financial gains	09	09
c	Effective Management Control	16	16
d	All the above	64	64
	Total	100	100

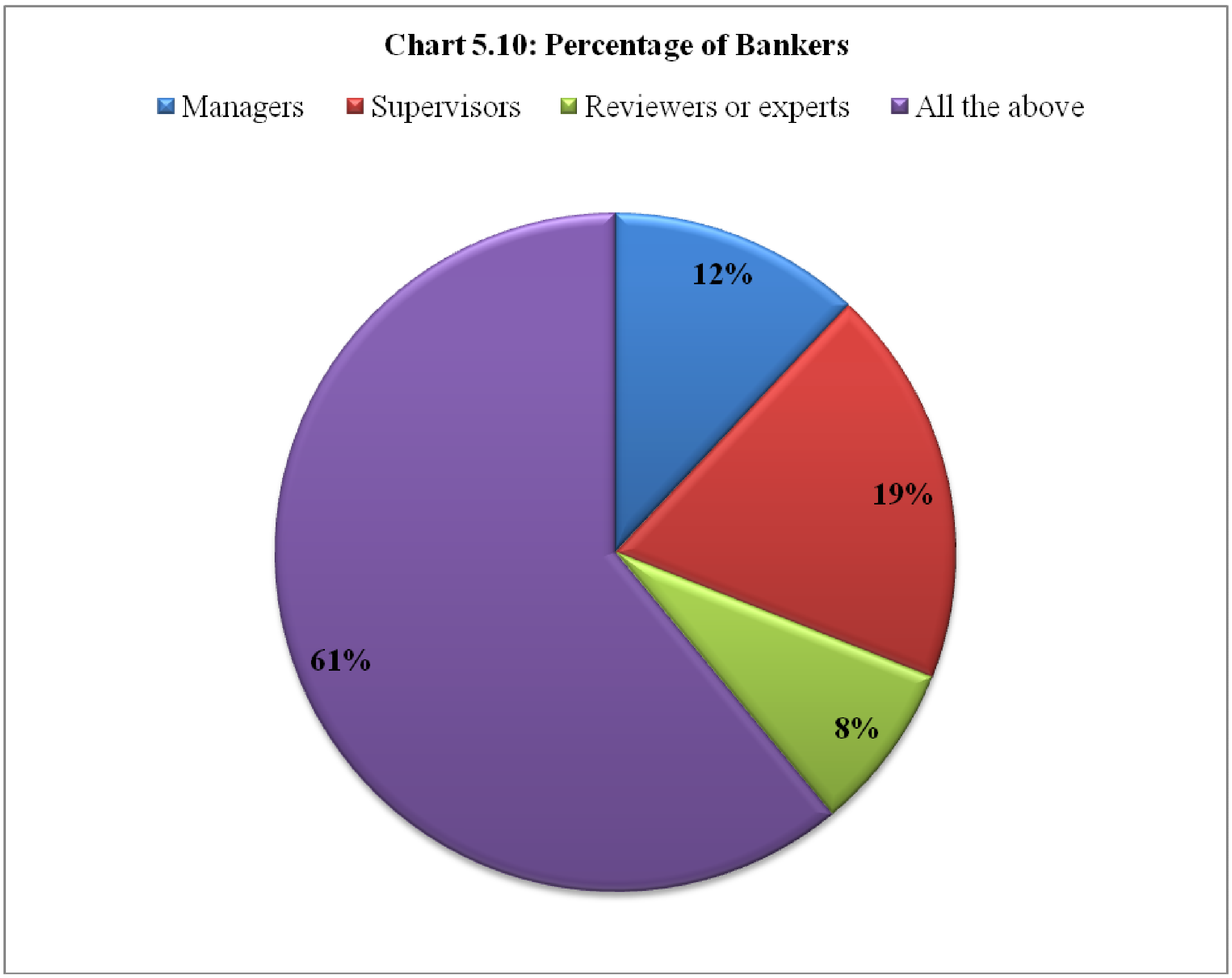


Interpretation: The results say that 11% of the bankers find financial gains as the benefits, 9% find nonfinancial gains, 16% say effective management control and majority 64% of them said all the above are the benefits from performance management to bank.

10. Who does play important role in performance management process in your bank?

Table 5.10: Important Role Played in Performance Appraisal Process

Option	Important role played in performance appraisal process	No. Of Bankers Out of total 100	Percentage
a	Managers	12	12
b	Supervisors	19	19
c	Reviewers or experts	08	08
d	All the above	61	61
	Total	100	100

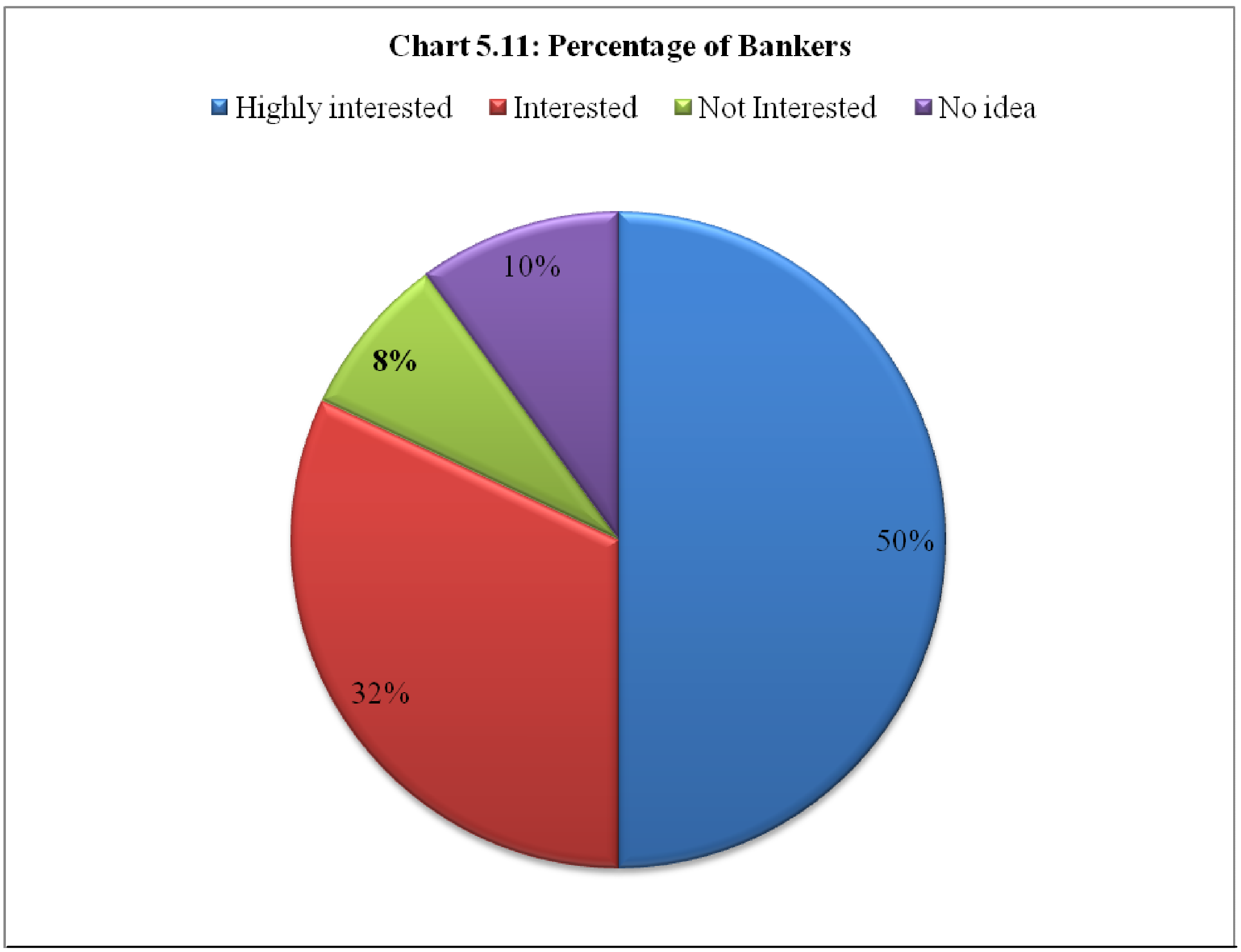


Interpretation: The above pie chart says that 12% believe that mangers play the most important role in performance management process, 19% feel supervisors play important role, 8% feel reviewers but majority i.e. 61% say that not only one but all (managers, supervisors and reviewers or experts) play important role in performance management performance in bank.

11. Is management interested to improve productivity of every employee in your organization?

Table 5.11: Management Interest for Productivity Improvement

Option	Management interest for productivity improvement	No. Of Bankers Out of total 100	Percentage
a	Highly interested	50	50
b	Interested	32	32
c	Not Interested	08	08
d	No idea	10	10
	Total	100	100

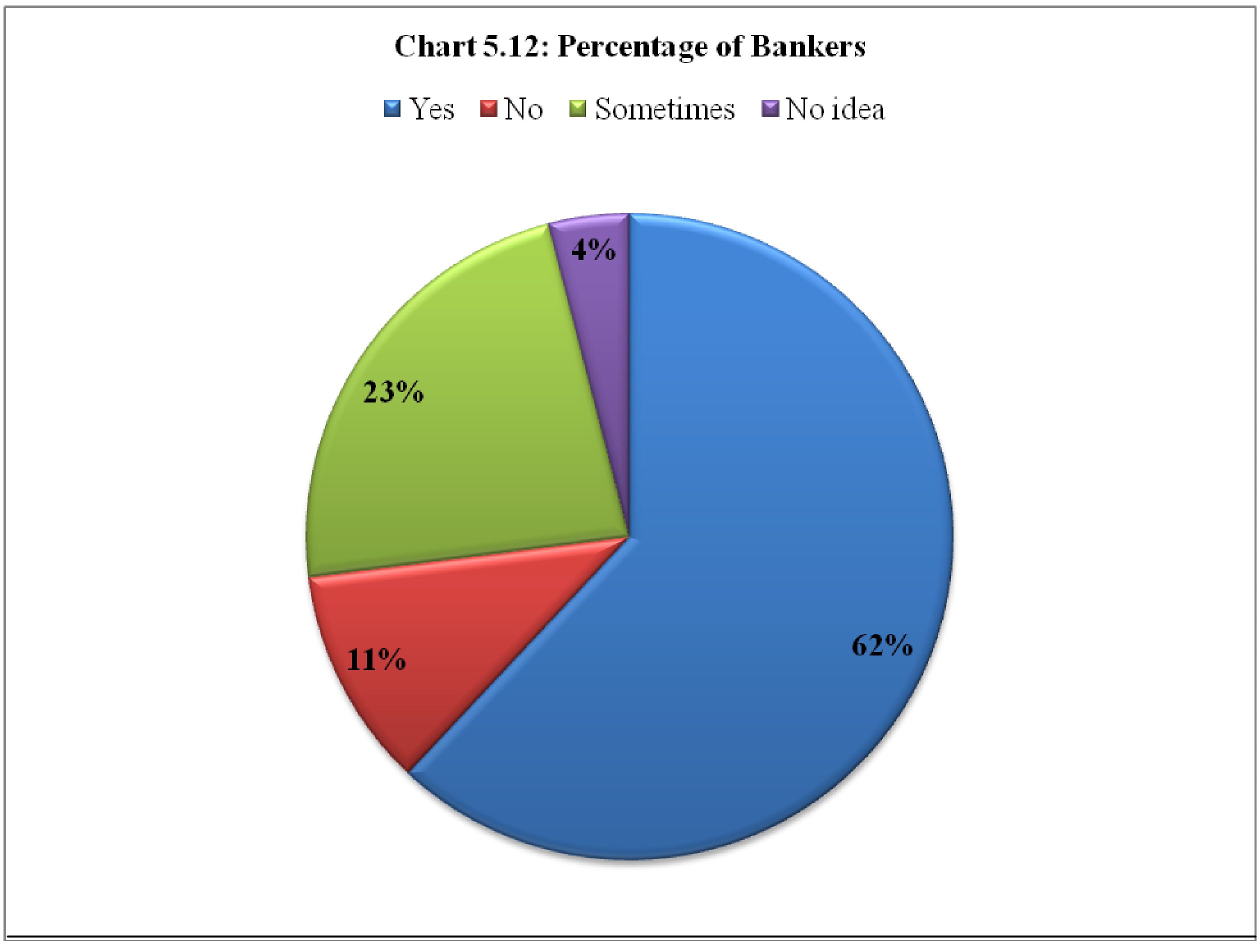


Interpretation: According to above pie chart 50% say that the management is highly interested, 32% say interested, 8% say not interested and the rest 10% say that they don't have any idea whether management is interested or to improve productivity of employees in their organization.

12. Does the performance appraisal is regularly carried by the responsible manager/supervisor?

Table 5.12: Performance Appraisal Carried Out Regularly

Option	Performance appraisal carried out regularly	No. Of Bankers Out of total 100	Percentage
a	Yes	62	62
b	No	11	11
c	Sometimes	23	23
d	No idea	04	04
	Total	100	100



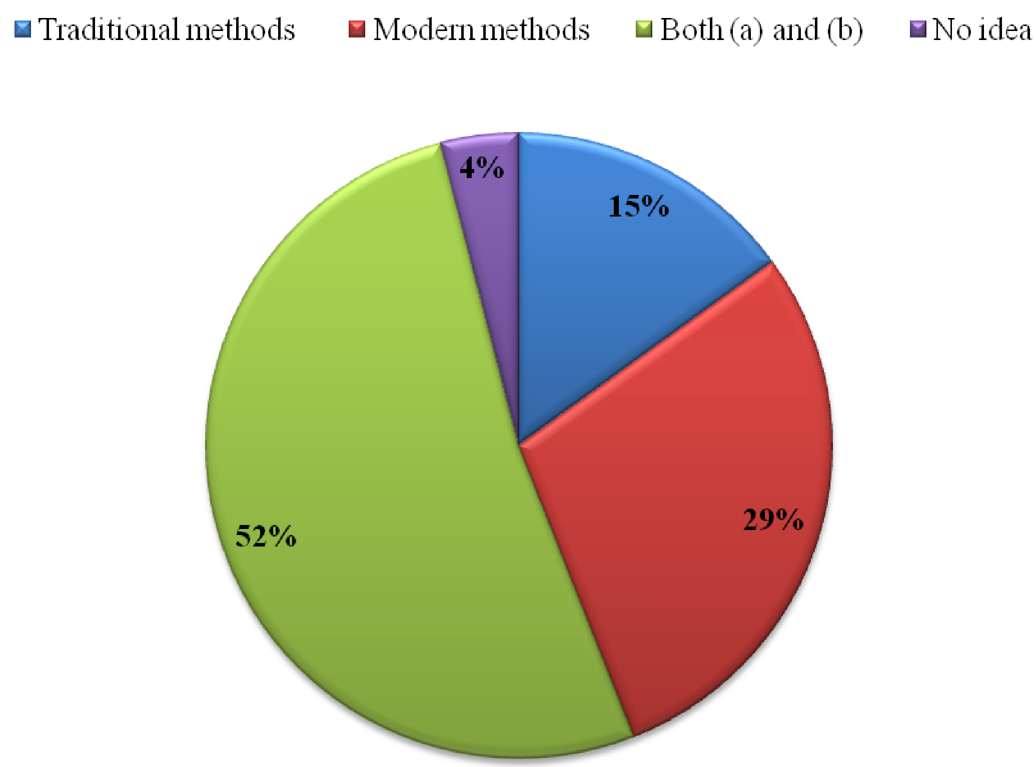
Interpretation: The above pie chart says that majority 62% say that the performance appraisal is regularly carried by the responsible manages but 11% say no, 23% say sometimes and 4% have no idea about the performance appraisal process.

13. Which method is being used for performance appraisal?

Table 5.13: Performance Appraisal Method Used

Option	Performance appraisal method used	No. Of Bankers Out of total 100	Percentage
a	Traditional methods	15	15
b	Modern methods	29	29
c	Both (a) and (b)	52	52
d	No idea	04	04
	Total	100	100

Chart 5.13: Percentage of Bankers

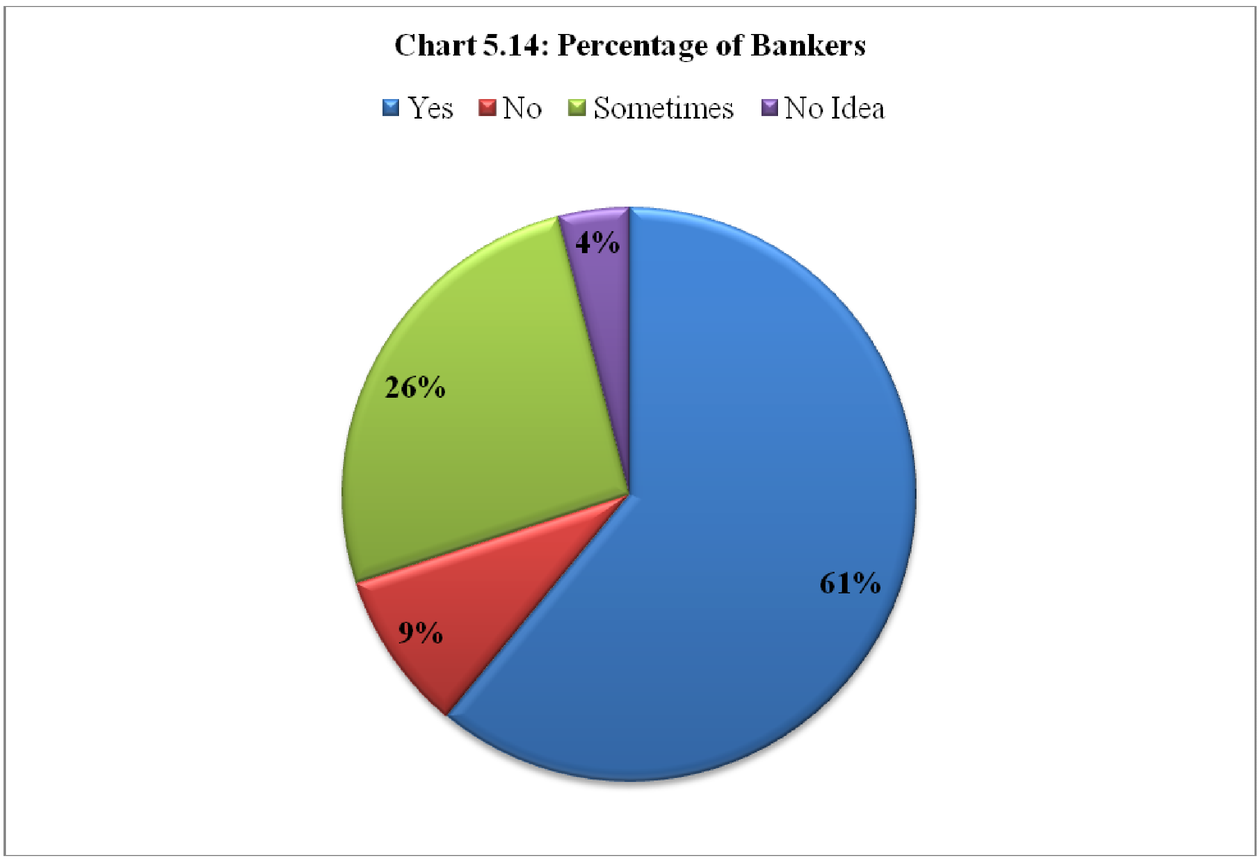


Interpretation: 15% bankers say that traditional methods are used for performance appraisal, 29% say modern methods, majority i.e. 52% say that both the methods are used and the minority 4% have got no idea.

14. Do you feel performance appraisal is beneficial for whole organisation?

Table 5.14: Performance Appraisal is Beneficial

Option	Performance appraisal is beneficial	No. Of Bankers Out of total 100	Percentage
a	Yes	61	61
b	No	09	09
c	Sometimes	26	26
d	No Idea	04	04
	Total	100	100

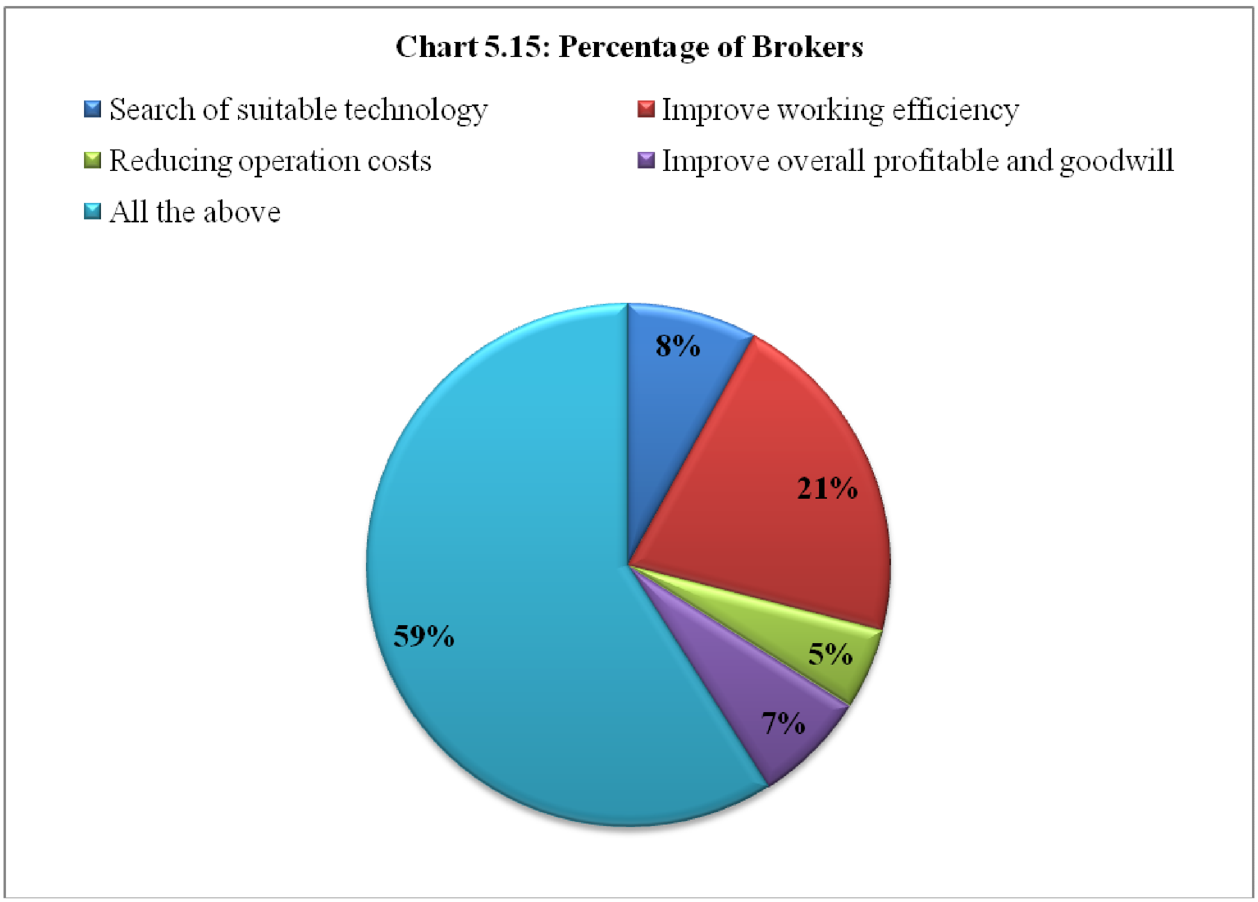


Interpretation: According to the above pie chart, majority 61% feel that performance appraisal is beneficial, 9% say it is not, 26% say sometimes it is beneficial and the rest 4% have got no idea. Whatever performance appraisal is beneficial for whole organization or not.

15. What are the objectives of measuring productivity of employees?

Table 5.15: Objective of Measuring Productivity

Option	Objective of measuring productivity	No. Of Bankers Out of total 100	Percentage
a	Search of suitable technology	08	08
b	Improve working efficiency	21	21
c	Reducing operation costs	05	05
d	Improve overall profitable and goodwill	07	07
e	All the above	59	59
	Total	100	100

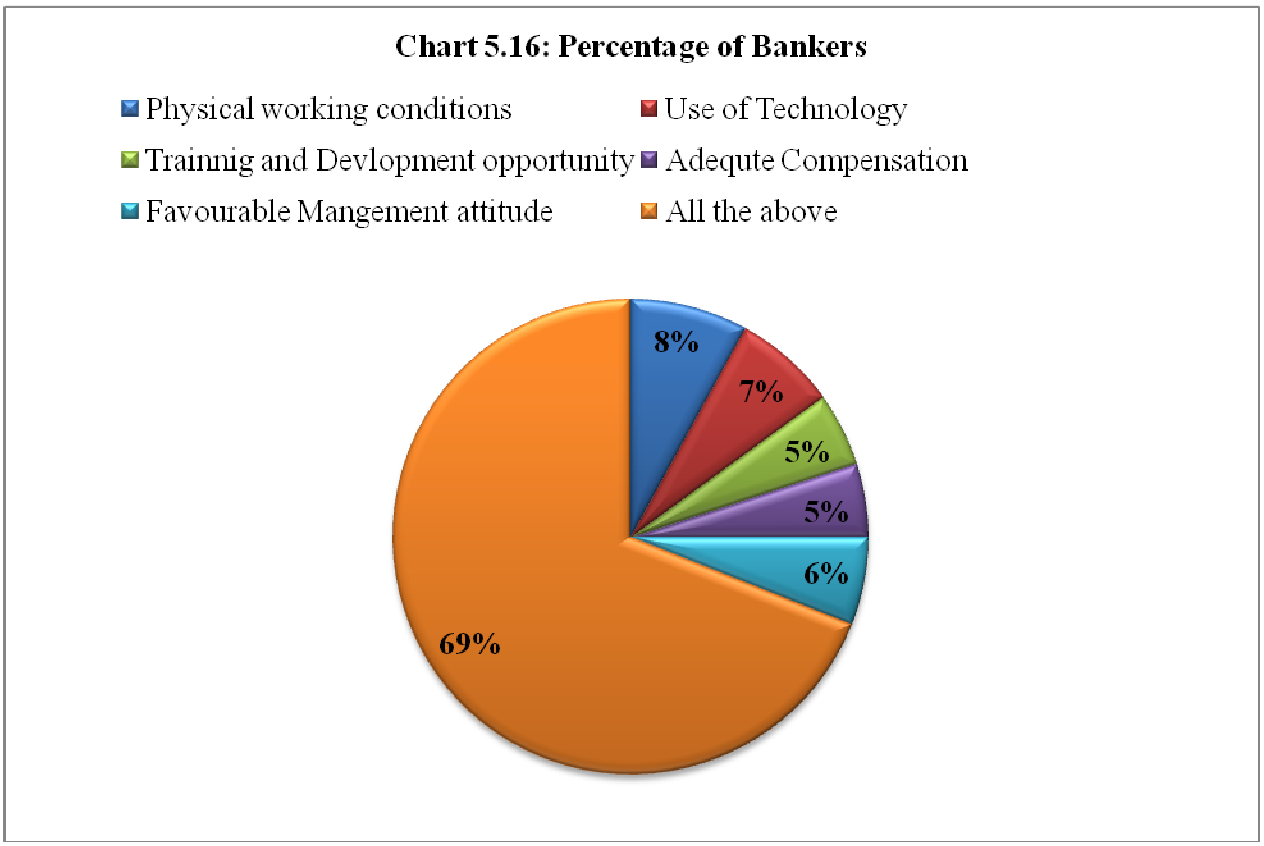


Interpretation: Out of 100 bankers, 8% feel that the search of suitable technology is the main objective of measuring productivity, 21% feel improving work efficiency, 5% feel reducing operation cost, 7% say improving overall profitable & goodwill but 59% of bankers said all the above are the objectives of measuring productivity of employees.

16. Which factors do affect the employee's productivity in your bank?

Table 5.16: Factors Affect Employees' Productivity

Option	Factors affect employees' productivity	No. Of Bankers Out of total 100	Percentage
a	Physical working conditions	08	08
b	Use of Technology	07	07
c	Trainnig and Devlopment opportunity	05	05
d	Adequte Compensation	05	05
e	Favourable Mangement attitude	06	06
f	All the above	69	69
	Total	100	100

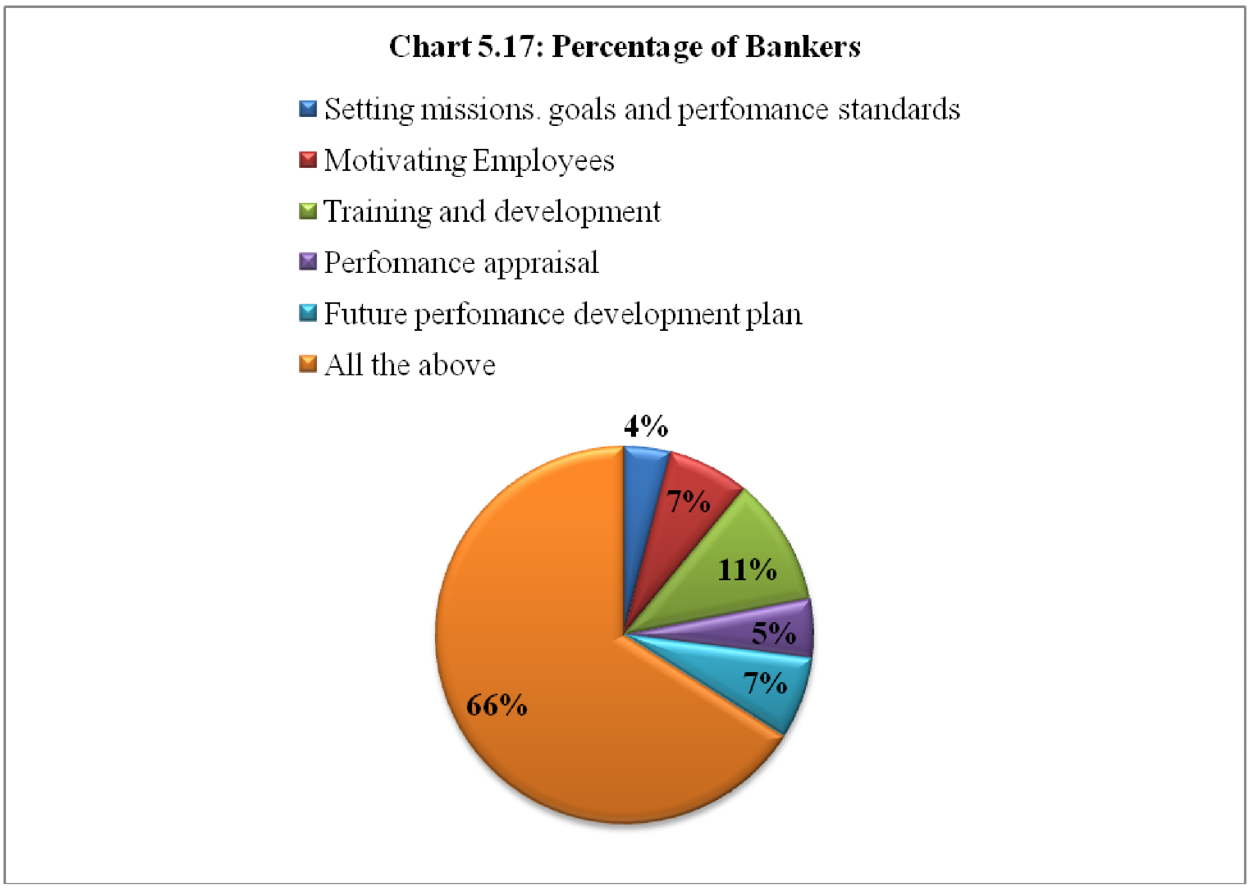


Interpretation: From the above pie chart we can say that first five options have got more or less equal % of opinion like 8% believe that physical working condition affect the employees productivity, 7% believe that use of technology may affect, equal % of votes i.e. 5% goes to training & development opportunity and adequate compensation, 6% believe favourable management attitude is the important factor but maximum i.e. 69% consider that all the above factors affect the employee's productivity in bank.

17. How is productivity improved in your bank?

Table 5.17: Factors for Improving Productivity

Option	Factors for improving productivity	No. Of Bankers Out of total 100	Percentage
a	Setting missions. goals and perfomance standards	04	04
b	Motivating Employees	07	07
c	Training and development	11	11
d	Perfomance appraisal	05	05
e	Future perfomance development plan	07	07
f	All the above	66	66
	Total	100	100



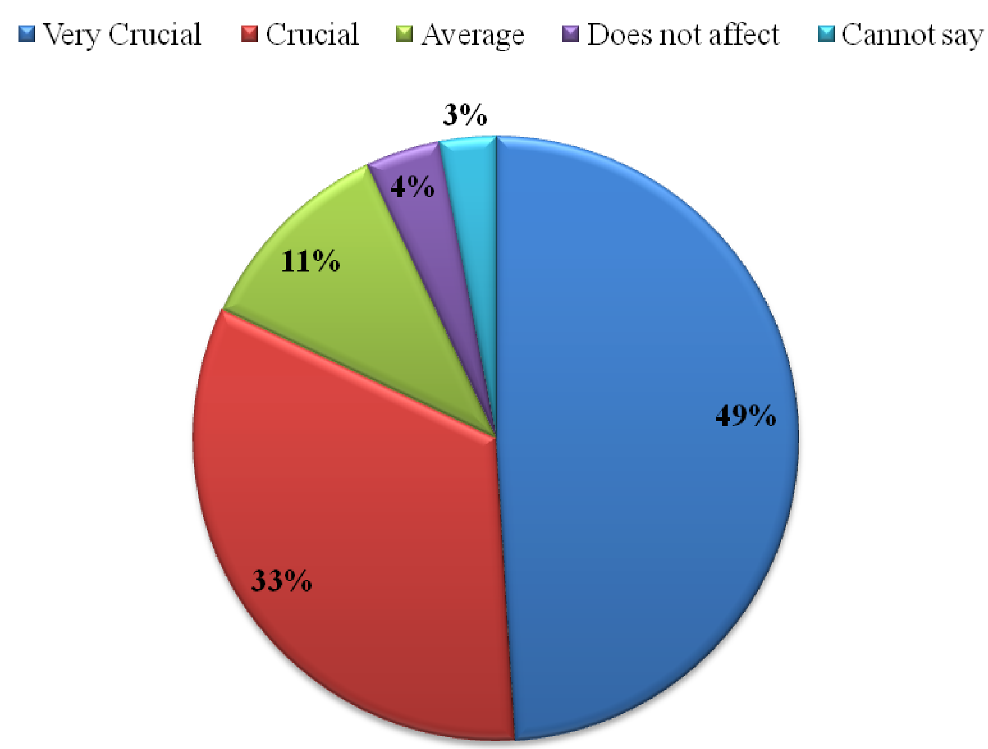
Interpretation: Analyzing the pie chart, we can say that only 4% bankers believe that setting missions, goals & performance standards improve the bank's productivity. Only 7% are in favour that employee's motivation is important. 11% say training & development, 5% say performance appraisal improves the productivity, 7% believe in favourable management attitude & majority 66% believe that all the above are important to improve the productivity in the bank.

18. Do employees play very crucial role in getting competitive edge over competitors in banking?

Table 5.18: Role of Employees

Option	Role of employees	No. Of Bankers Out of total 100	Percentage
a	Very Crucial	49	49
b	Crucial	33	33
c	Average	11	11
d	Does not affect	04	04
e	Cannot say	03	03
	Total	100	100

Chart 5.18: Percentage of Bankers

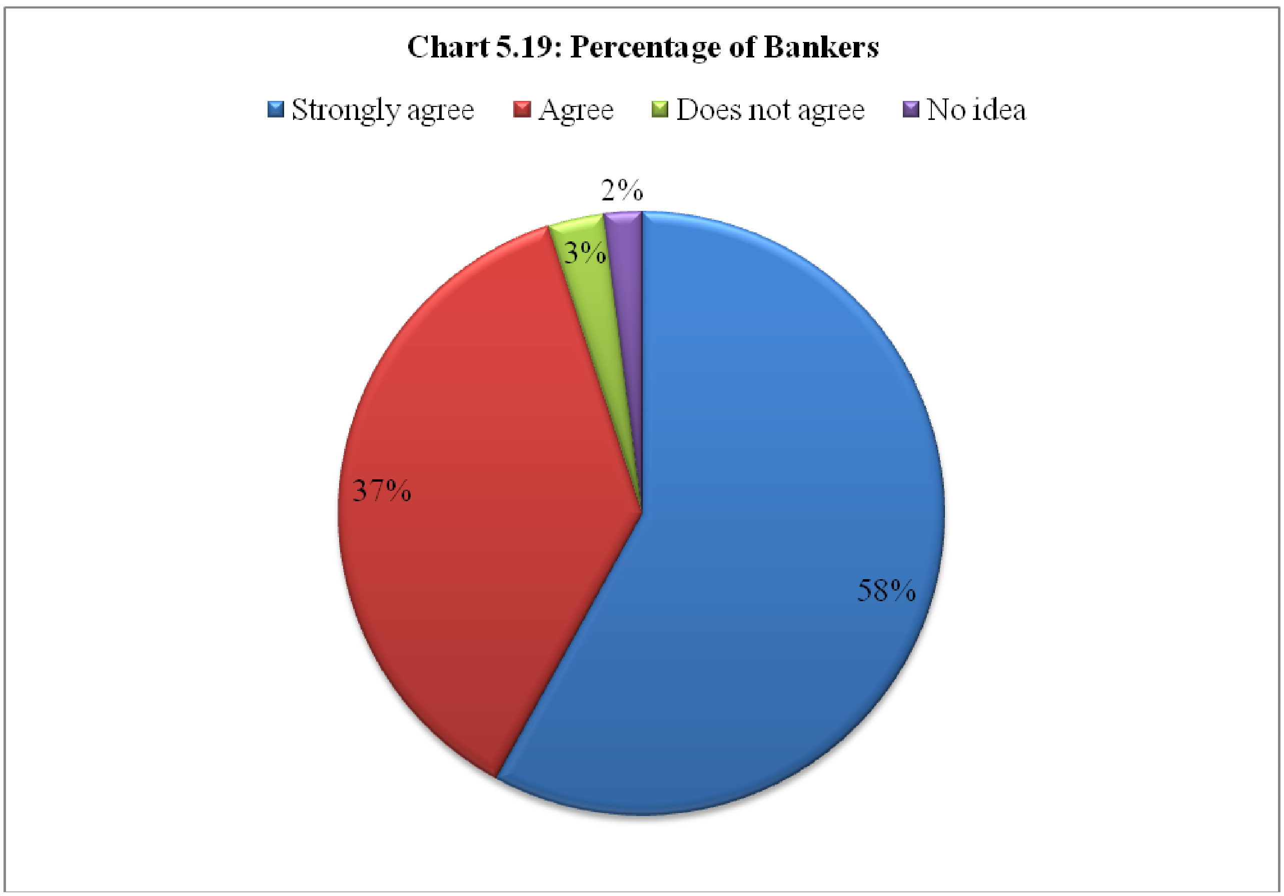


Interpretation: From the above pie-chart, 03% cannot say about the statement, 04% say does not affect, 11% agree that average role to gain competitive edge, only 33% agree that employees contribution is crucial to gain competitive benefits and majority of bankers 49% say the role is very crucial.

19. Do you agree the employees providing banking service to customers are the service providers, organisation for customers, brand and marketers?

Table 5.19: Employees Are Service Providers, Organization for Customers, Brand and Marketers

Option	Employees are service providers, organization for customers, brand and marketers	No. Of Bankers Out of total 100	Percentage
a	Strongly agree	58	58
b	Agree	37	37
c	Does not agree	03	03
d	No idea	02	02
	Total	100	100

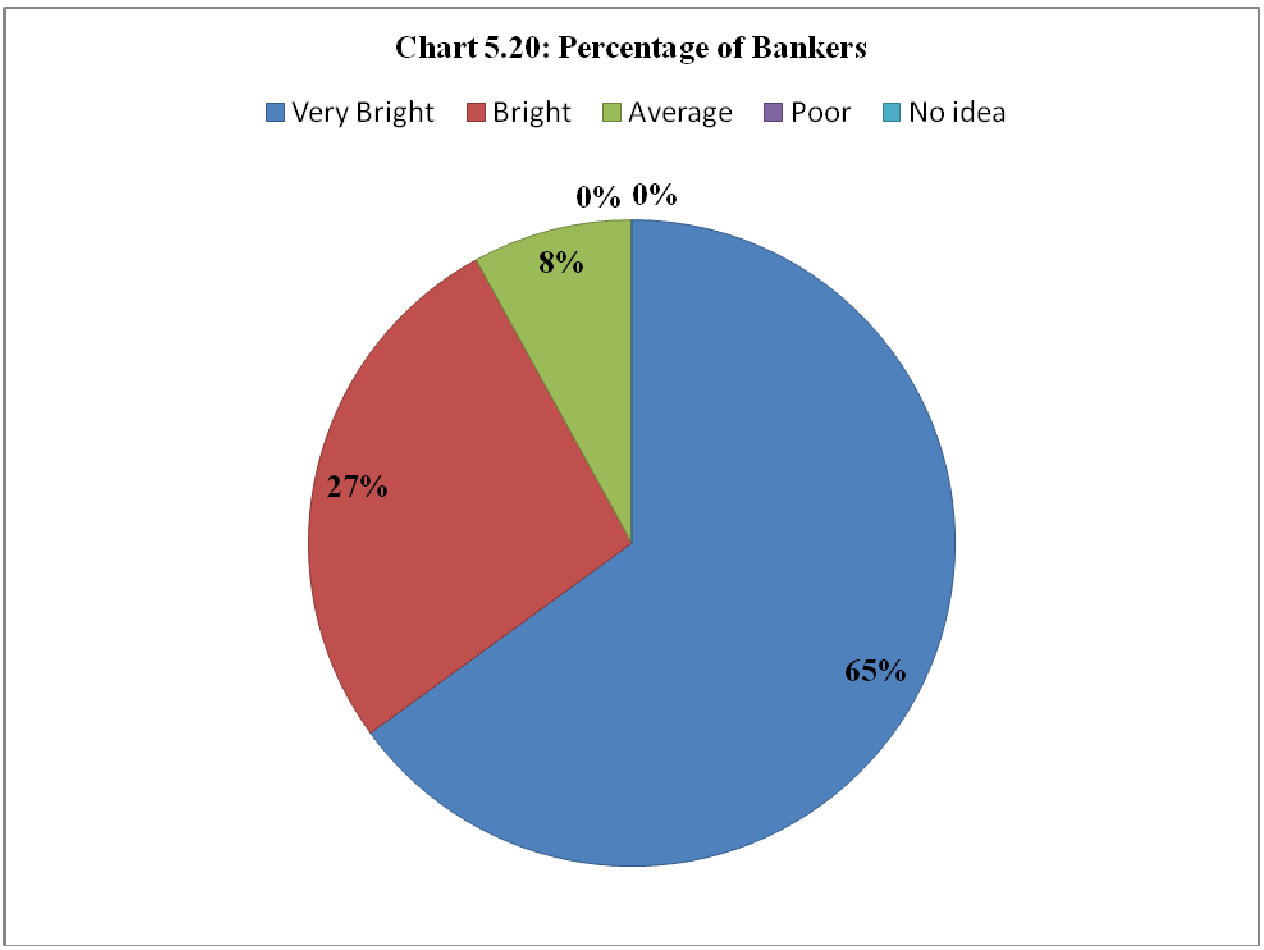


Interpretation: Out of 100 bankers, 58% strongly agree with the statement that employees of bank are them to provide services to the customers, 37% feels that they agree upon the statements but not strongly agree, 3% does not agree upon the statement and 2% have no idea about.

20. The future of bank with higher productivity and performance of employees would be bright in highly competitive situation in future.

Table 5.20: Future of Banks with Higher Productivity

Option	Future of banks with higher productivity	No. Of Bankers Out of total 100	Percentage
a	Very Bright	65	65
b	Bright	27	27
c	Average	08	08
d	Poor	00	00
e	No idea	00	00
	Total	100	100

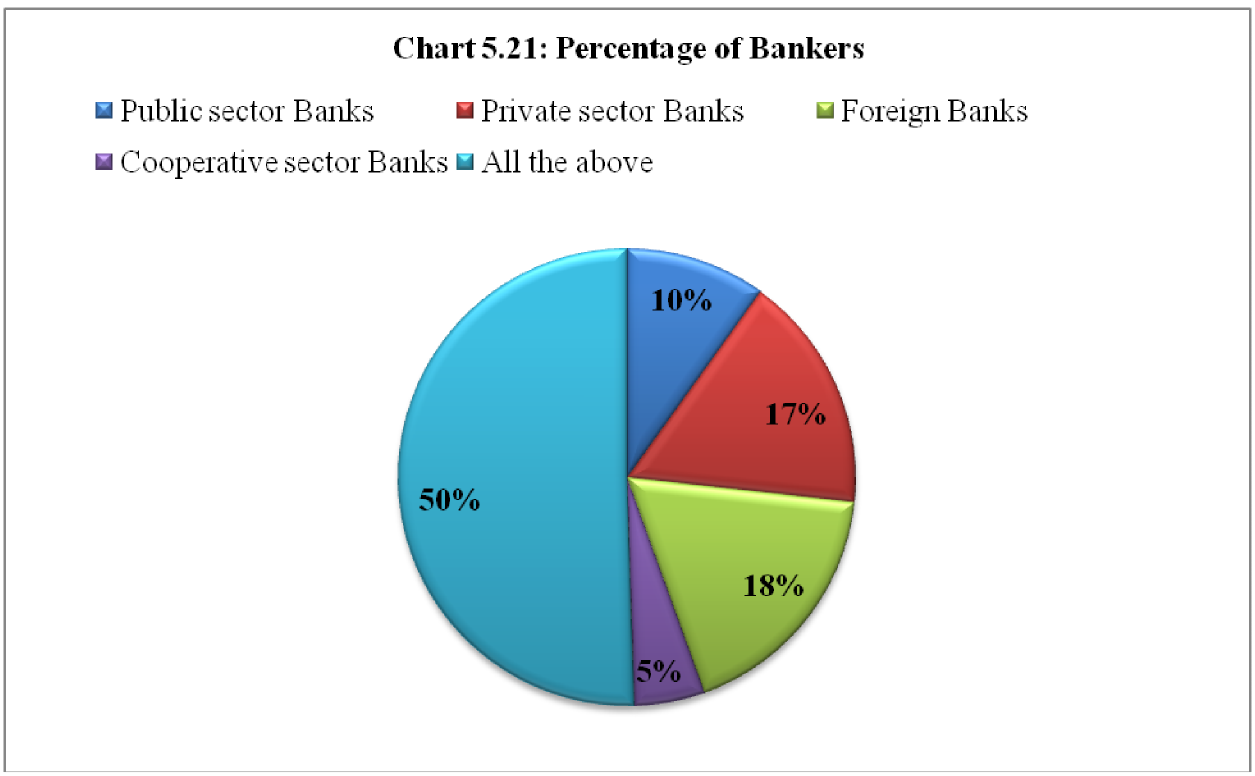


Interpretation: According to the pie chart 65% bankers agree to the statement and by applying it the banks future will be very bright, 27% says that the future of the banks can be bright, but rest 8% thinks the banks future will be averages.

21 Which sector in banking is more conscious about higher productivity and performance of employees?

Table 5.21: Sector in Banking More Conscious About Higher Productivity and Performance

Option	Sector in banking more conscious about higher productivity and performance	No. Of Bankers Out of total 100	Percentage
a	Public sector Banks	10	10
b	Private sector Banks	17	17
c	Foreign Banks	18	18
d	Cooperative sector Banks	05	05
e	All the above	50	50
	Total	100	100



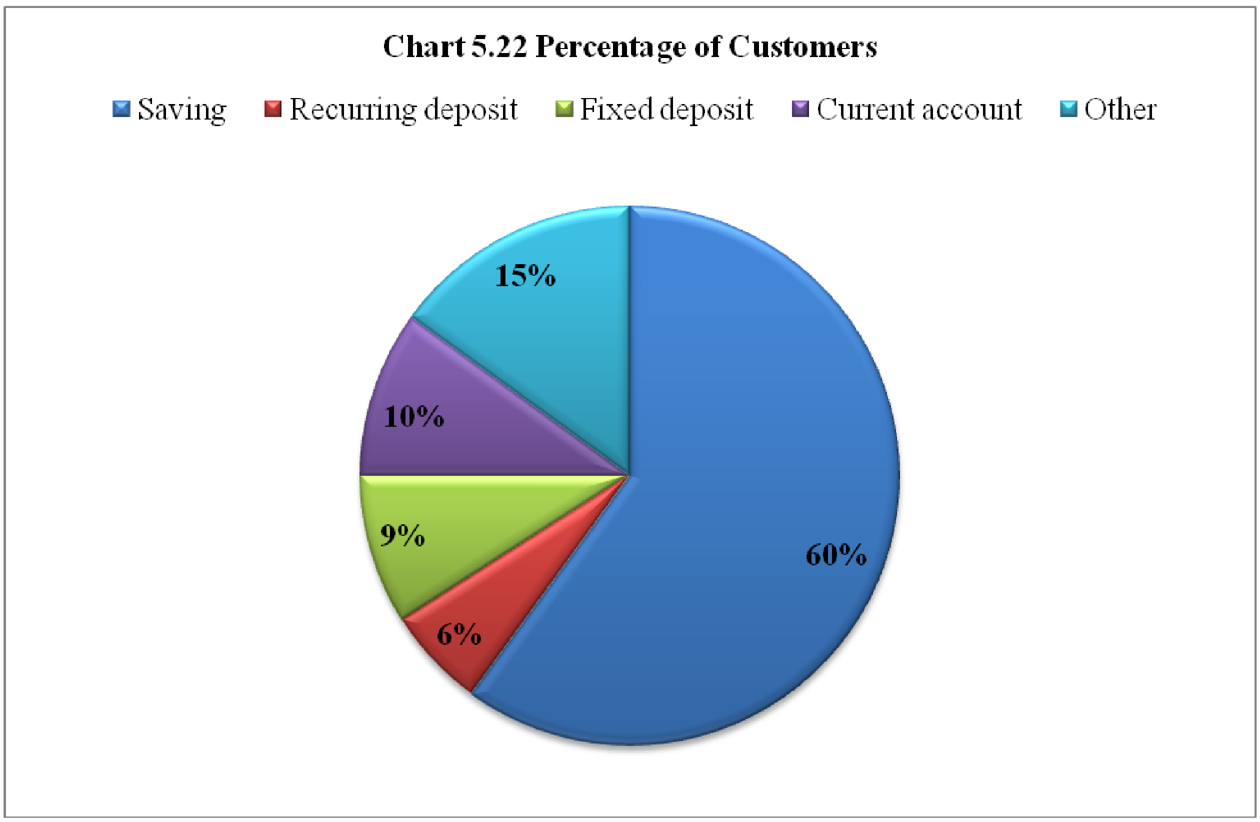
Interpretation: Analyzing pie-chart, 50 % agree that all the bank weather private, public, foreign and cooperative are conscious about their higher productivity and employee performance, 18% thinks only foreign banks are conscious for productivity 17% has focused their views on private bank, 10% thinks public sectors are conscious about their productivity and employees performance 5% gives their view in favors of co operative banks.

2. Part II: for Customers

22. Which type of bank account do you hold?

Table 5.22: Type of Account

Option	Type of Account	No. of Customers Out of total 400	Percentage
a	Saving	240	60
b	Recurring deposit	24	6
c	Fixed deposit	36	9
d	Current account	40	10
e	Other	60	15
	Total	400	100



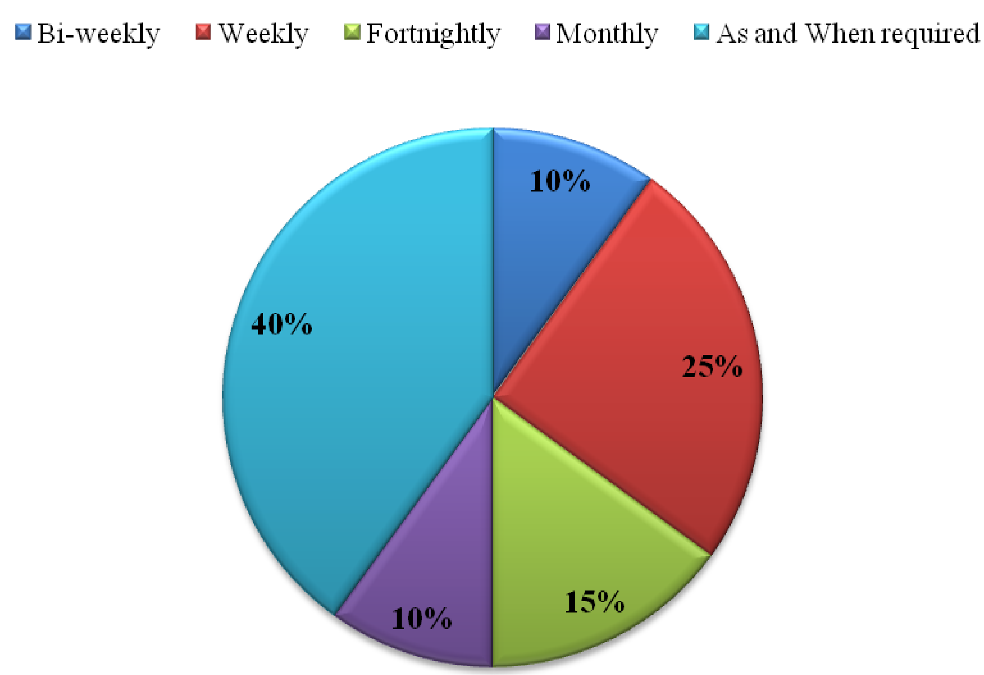
Interpretation: The above pie chart shows that 60% of the customers prefer saving bank account, 6% prefer recurring deposit 9% Fixed deposit, where as 10% of the customers prefer Current account prefer and rest 15% prefer other accounts

23. How frequently do you visit to your bank?

Table 5.23: Frequency of Visit

Option	Frequency of Visit	No. of Customers Out of total 400	Percentage
a	Bi-weekly	40	10
b	Weekly	100	25
c	Fortnightly	60	15
d	Monthly	40	10
e	As and When required	160	40
	Total	400	100

Chart 5.23: Percentage of customers

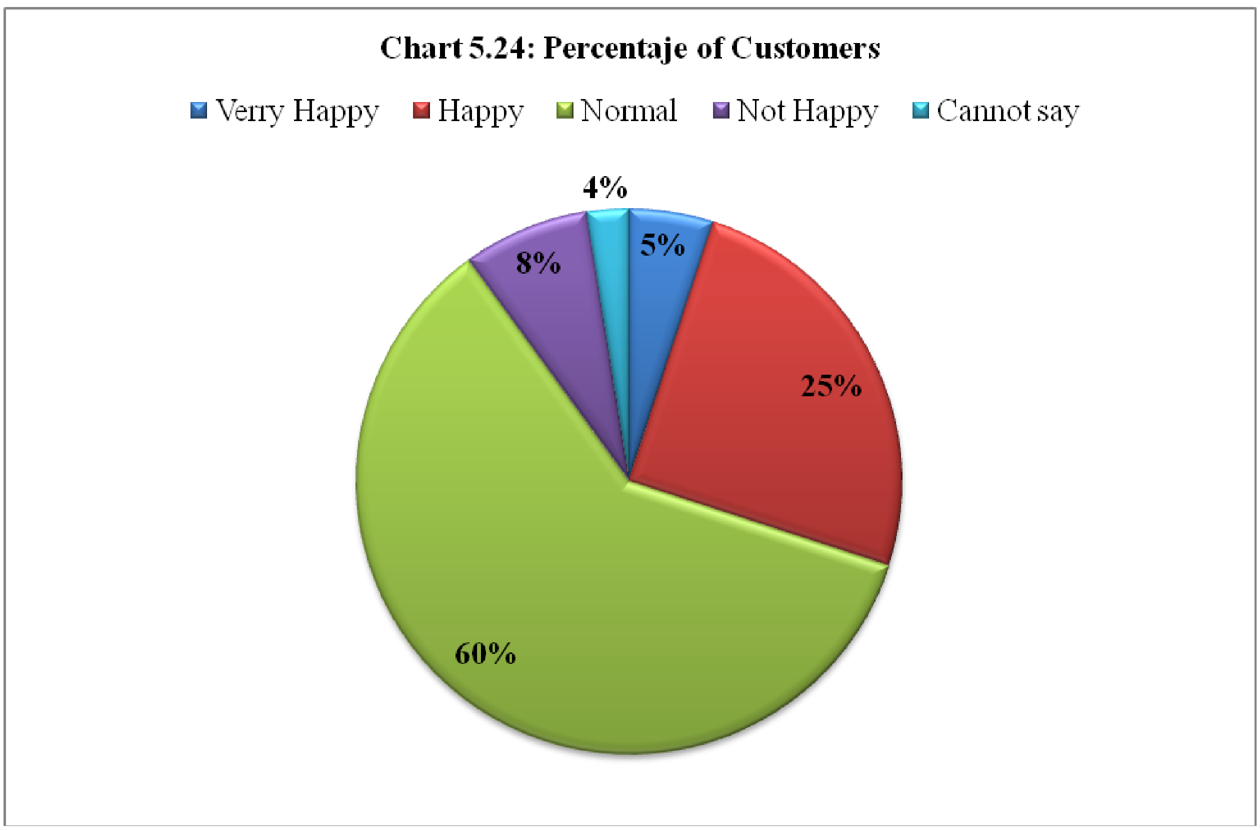


Interpretation: The above pie chart shows that 10% of the People visit bank by weekly, 25 % visit weekly, 15 % visit fortnightly, where as 10% visit once a month and 40% believe in visiting the bank as and when required

24. How do you feel when you visit to your bank?

Table 5.24: Type of Feeling

Option	Type of Feeling	No. of Customers Out of total 400	Percentage
a	Very Happy	20	5
b	Happy	100	25
c	Normal	240	60
d	Not Happy	30	7.5
e	Cannot say	10	2.5
	Total	400	100

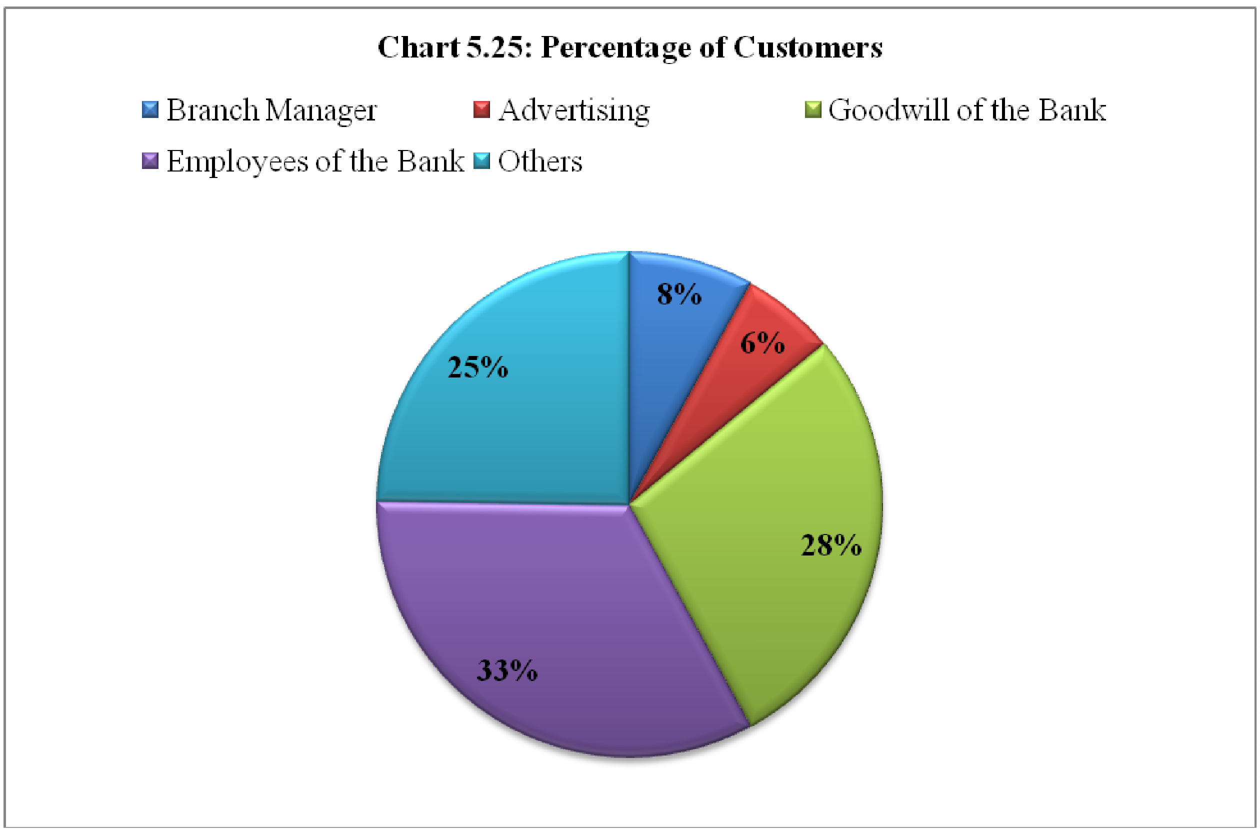


Interpretation: The above pie chart shows that majority of the customers i.e. 60% get a normal; feel on visiting the bank, 25% feel happy, 5% feel very happy, instead 7.5% customers are not happy while visiting the bank. The rest 2.5 % cannot say.

25. Who have convinced you to open an account or avail banking services from your bank?

Table 5.25: Source of Information

Option	Source of information	No. of Customers Out of total 400	Percentage
a	Branch manager	32	08
b	Advertising	24	06
c	Goodwill of bank	112	28
d	Employees of Bank	133	33.25
e	Others	99	24.75
	Total	400	100



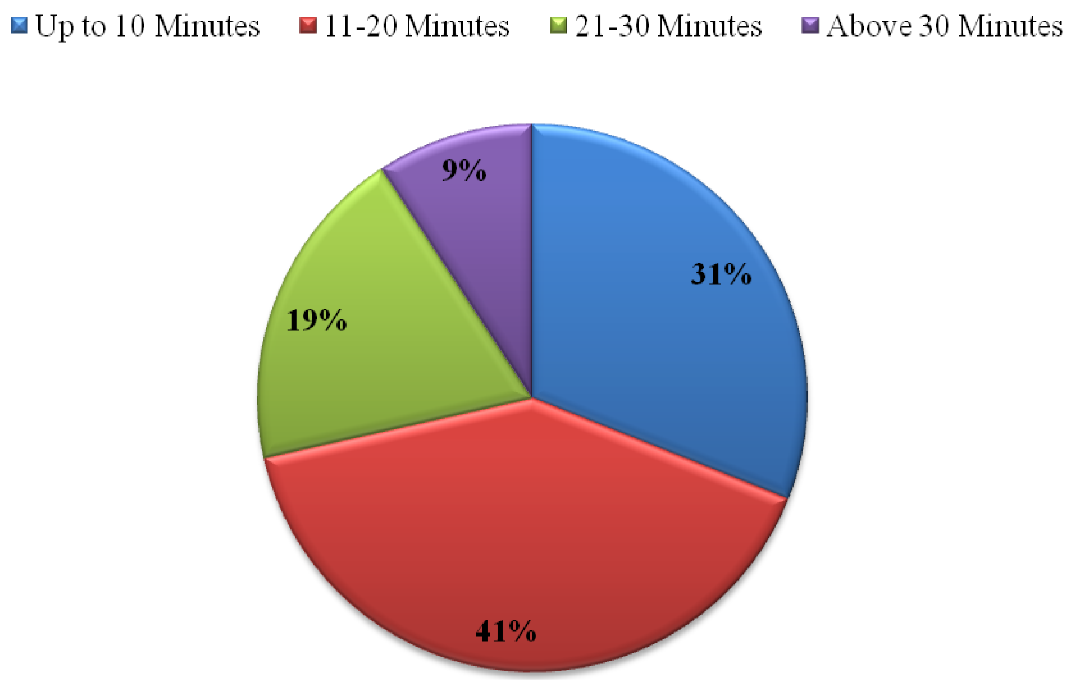
Interpretation: In opening an account in a bank around 33.25% get influenced by employees of the bank, 28% due to good will of the bank, 8% get convinced by the branch manager, advertising affects only 6% and rest 24.75% open their account due to other reasons.

26. How much time do you stand in queue for operating your account?

Table 5.26: Time Taken

Option	Time Taken	No. of Customers Out of total 400	Percentage
a	Up to 10 Minutes	124	31
b	11-20 minutes	162	40.5
c	21-30 minutes	77	19.25
d	Above 30 minutes	37	9.25
	Total	400	100

Chart 5.26: Percentage of Customers

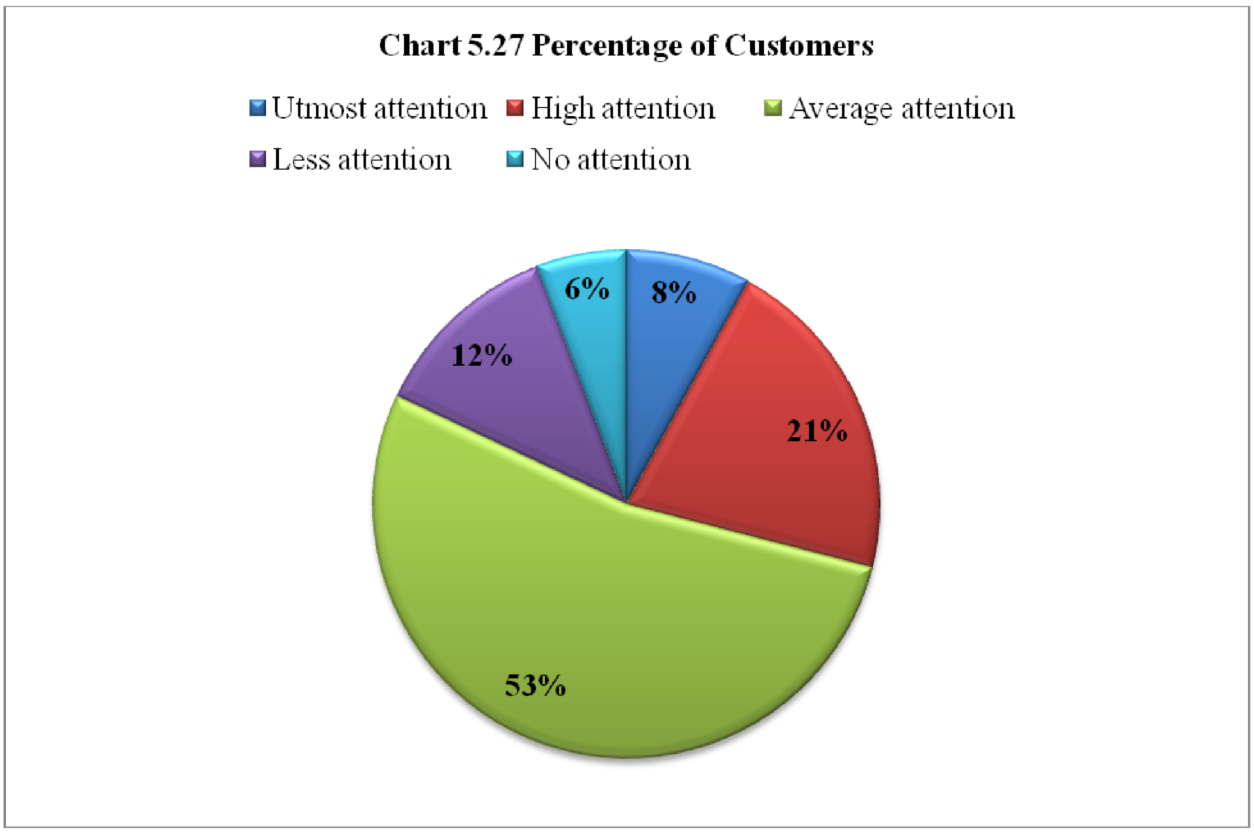


Interpretation: The above pie chart show that majority of the customers i.e. 40.5% have to stand in queue for 11-20 minutes for operating their account, 31% have to stand up to 10 minutes, 19.25% for 21 to 30 minutes where as 9.25 % of the customers says that they have to wait for 30 minutes to operate their account.

27. Do the employees pay proper attention towards customers?

Table 5.27: Level of Attention Paid

Option	Level of Attention Paid	No. of Customers Out of total 400	Percentage
a	Utmost attention	32	08
b	High attention	84	21
c	Average attention	212	53
d	less attention	49	12.25
e	No attention	23	5.75
	Total	400	100

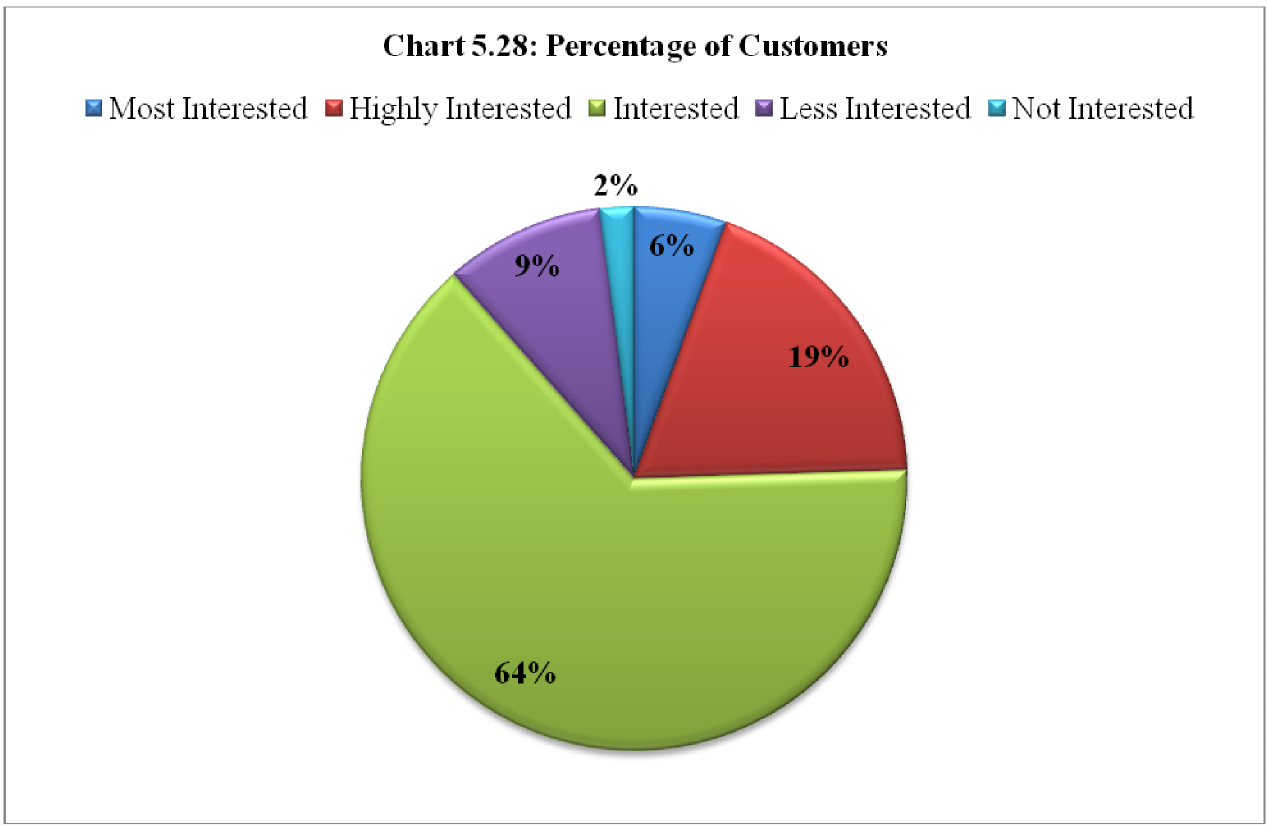


Interpretation: The above pie chart shows that 8% of the customers get maximum attention from the employees of the bank. 21% high, 53% average, 12.25% less, where as 5.75% of the customers have got no attention from the employees of the bank.

28. What level of interest employees have shown in their job?

Table 5.28: Level of Interest

Option	Level of interest	No. of Customers Out of total 400	Percentage
a	Most interested	22	5.5
b	Highly interested	76	19
c	Interested	256	64
d	Less Interested	38	9.5
e	Not interested	08	2.0
	Total	400	100

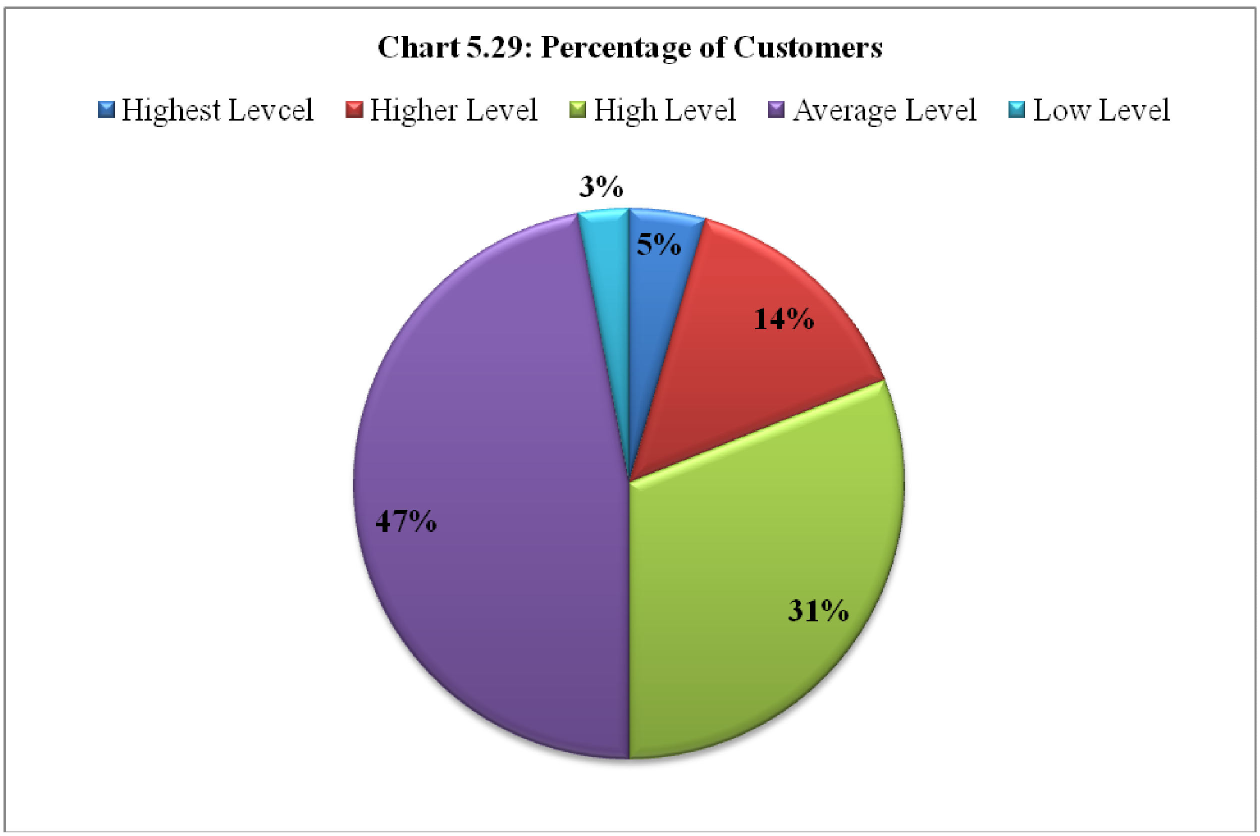


Interpretation: The survey shows that 64% of the customers says that employees are normally interested in their job, 19 % says that the employees are highly interested, 5.5 % says that they are mostly interested, according to 9.5% of the customers employees are less interested and the rest 2% says that employees are not at all interested in their job.

29. Do you find the employees have required level of competencies for performing jobs?

Table 5.29: Level of Competencies

Option	Level of Competencies	No. of Customers Out of total 400	Percentage
a	Highest Level	18	4.50
b	Higher Level	56	14.0
c	High Level	125	31.25
d	Average Level	189	47.25
e	Low Level	12	3.0
	Total	400	100

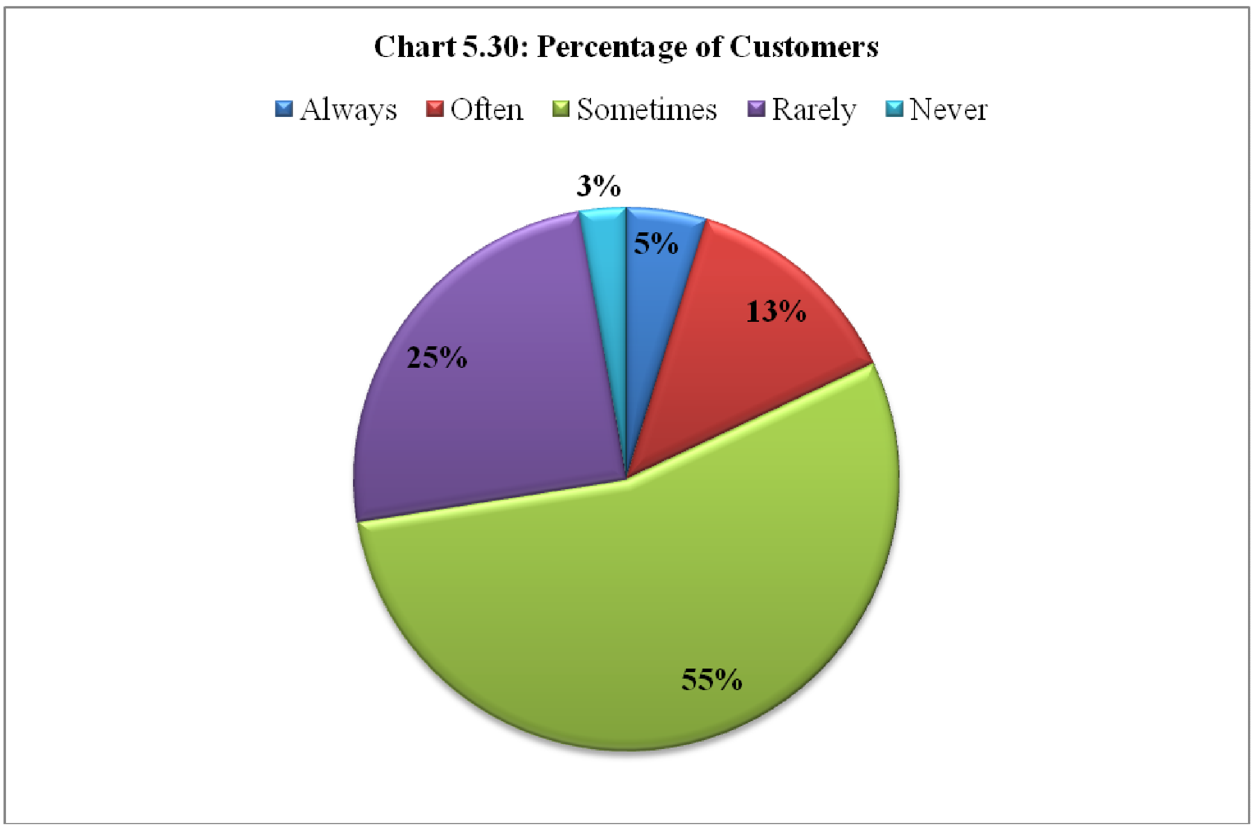


Interpretation: The above pie chart says that only 4.5 % of the customer feels that the employees have highest level of competence for performing their jobs, majority 47.25% of the customers believe that the employees have got the average level where as the minority i.e. 3% says that the employees have low level of competences.

30. While performing the job did you find the employees face difficulties?

Table 5.30: Difficulty Faced

Option	Difficulty Faced	No. of Customers Out of total 400	Percentage
a	Always	19	04.75
b	Often	53	13.25
c	Sometimes	218	54.50
d	Rarely	99	24.75
e	Never	11	02.75
	Total	400	100

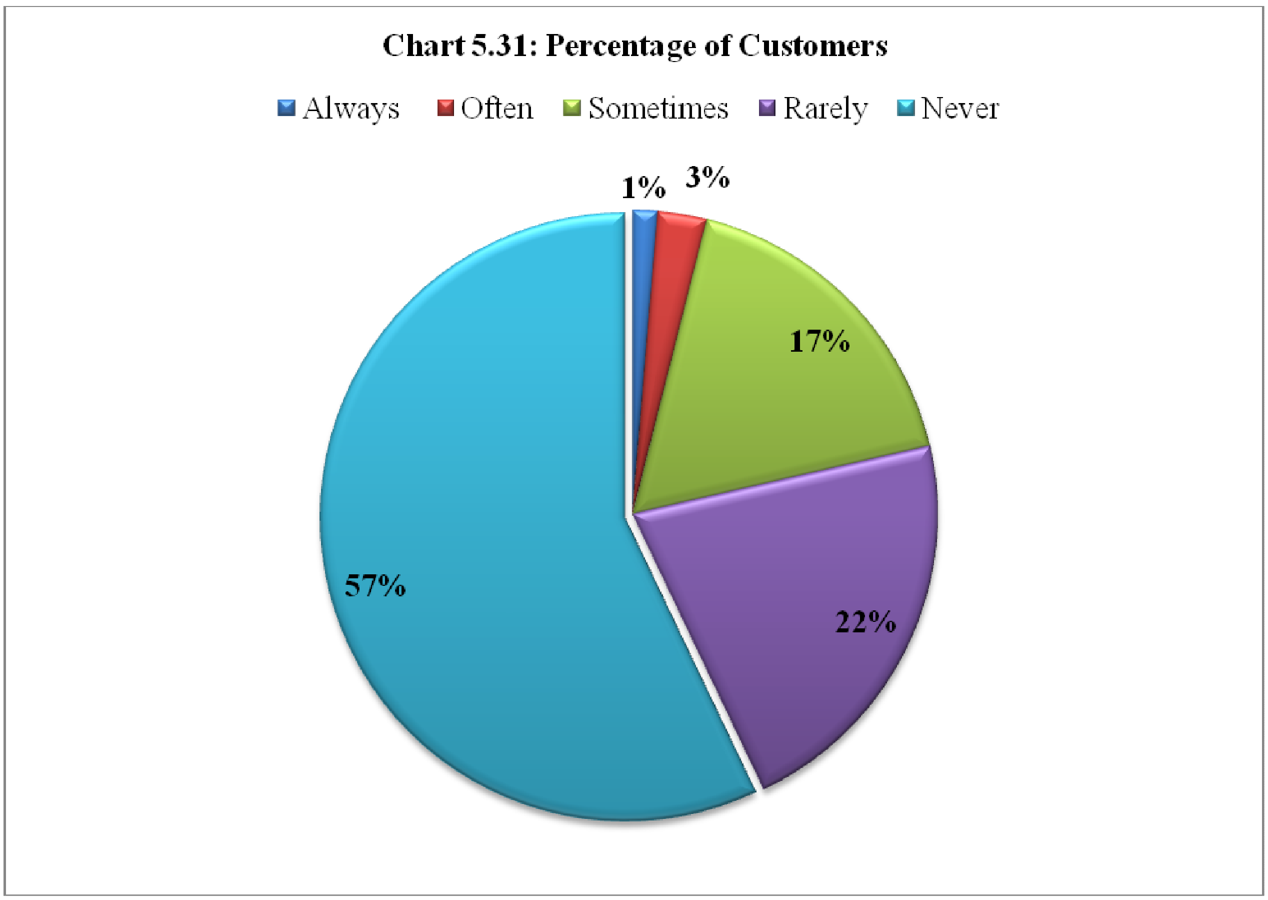


Interpretation: The above pie chart depicts that only 4.75% of the customers have always find the employees facing difficulty while performing job, 13.25% feel often, 54.50% feel sometimes, 24.75% rarely, and the rest 2.75% of the customers says that the employees never face difficulties in doing their job.

31. Did employees get involved in arguments with you while dealing?

Table 5.31: Involved In Arguments

Option	Involved in arguments	No. of Customers Out of total 400	Percentage
a	Always	11	02.75
b	Often	22	05.50
c	Sometimes	147	36.75
d	Rarely	181	45.25
e	Never	39	09.75
	Total	400	100

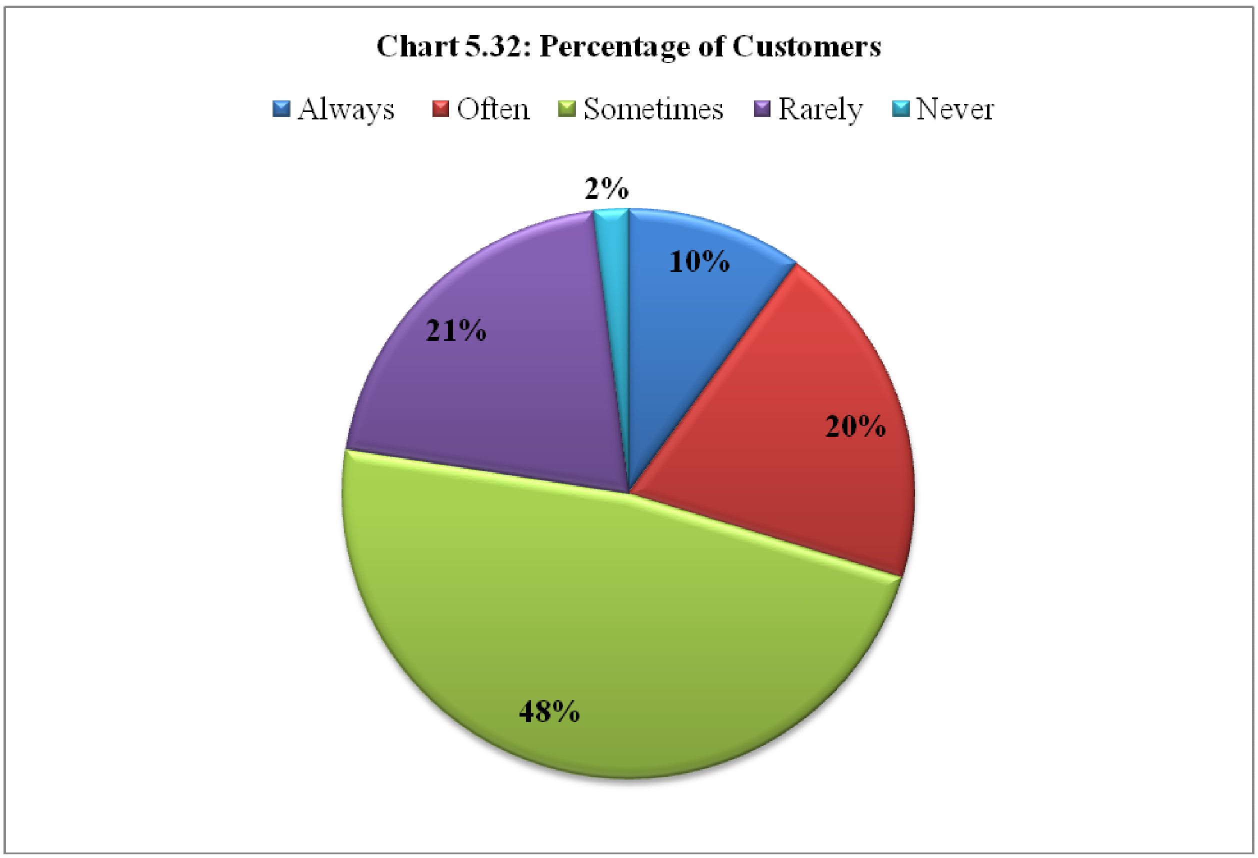


Interpretation: The above pie chart shows that only 2.75% of the customers have always seem employees getting involved in arguments, majority of the customers i.e. 45.25% have rarely seem employees involved in arguments while only 9.75% believe that the employees of the bank never argue while dealing with them.

32. Did you find willingness among employees to shoulder responsibility to handle customers?

Table 5.32: Willingness Found

Option	Willingness Found	No. of Customers Out of total 400	Percentage
a	Always	40	10.00
b	Often	79	19.75
c	Sometimes	191	47.75
d	Rarely	82	20.50
e	Never	08	02.00
	Total	400	100

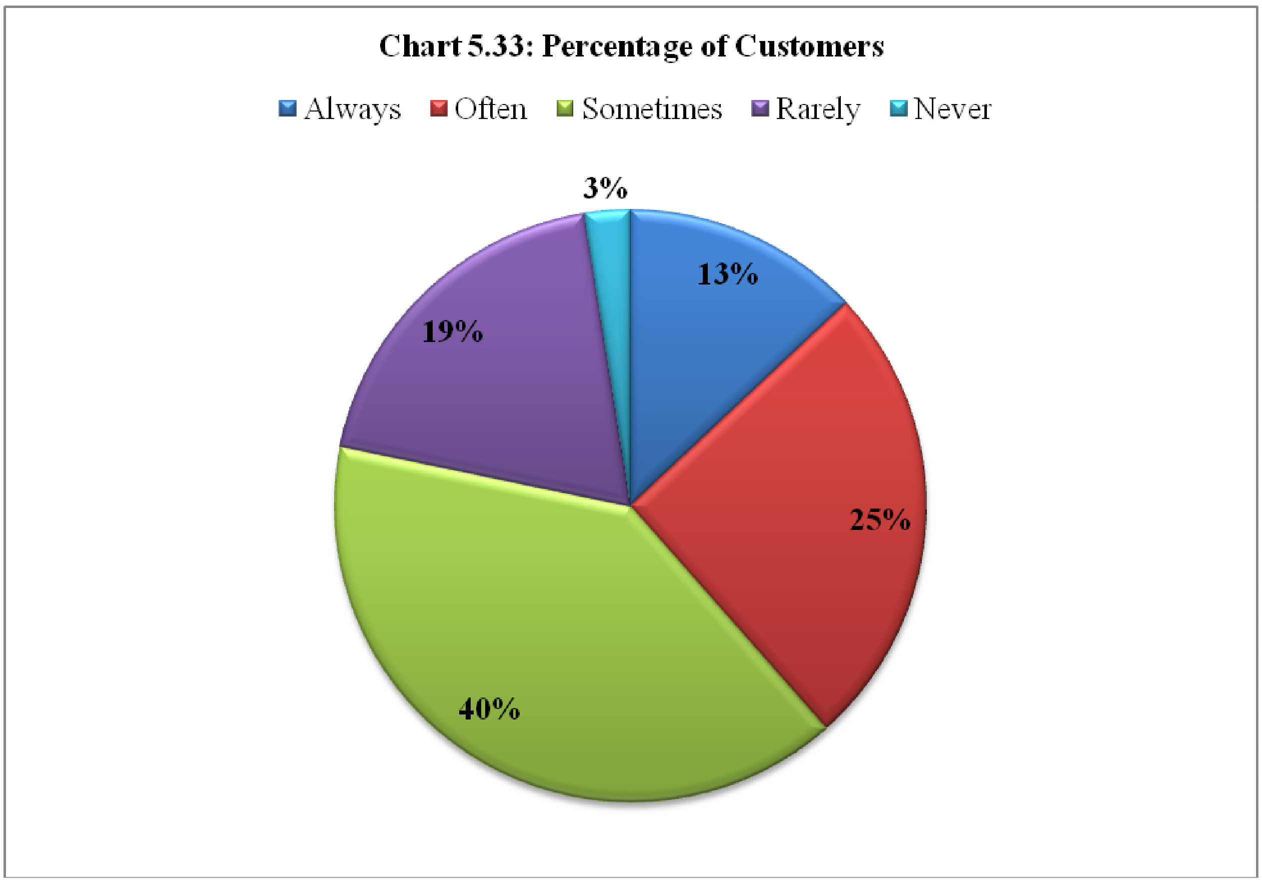


Interpretation: The survey show that 10% of the customers feel that the employees are always willing to handle customers, 19.25% say that employee are often ready, in contrast 20.50% say that employees are rarely willing and only 2% have seen the employees never ready to shoulder responsibilities to handle customers.

33. Did you find the employees motivated while performing their jobs?

Table 5.33: Motivation Observed

Option	Motivation observed	No. of Customers Out of total 400	Percentage
a	Always	52	13.00
b	Often	102	25.50
c	Sometimes	159	39.75
d	Rarely	77	19.25
e	Never	10	02.50
	Total	400	100

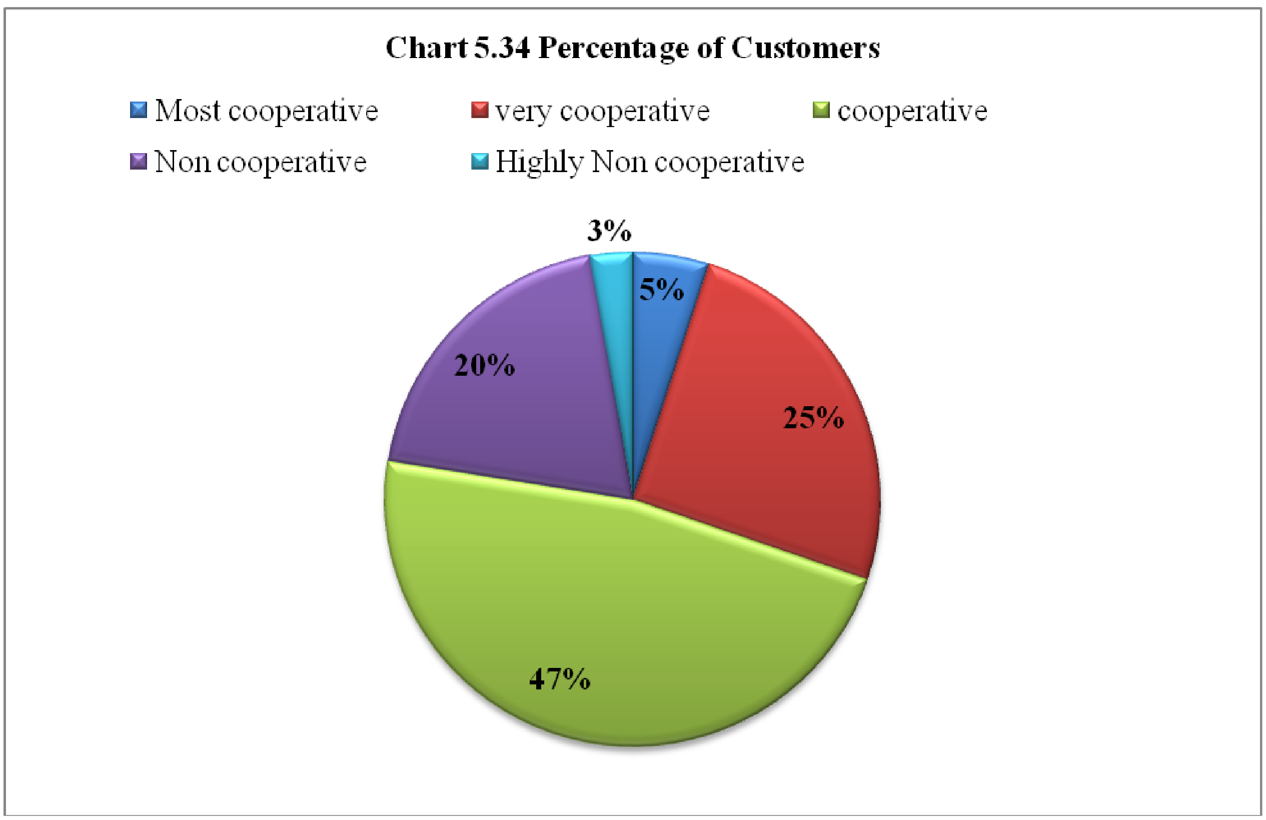


Interpretation: The above pie chart shows that only 2.5% of the customer have found no motivation in the employees, where as only 13% believe that employees are always motivated while performing their job.

34. How did you find the employees' behavior while attending customers?

Table 5.34: Type of Behavior

Option	Type of Behavior	No. of Customers Out of total 400	Percentage
a	Most Cooperative	20	05.00
b	Very Cooperative	101	25.25
c	Cooperative	189	47.25
d	Non Cooperative	79	19.75
e	Highly Non Cooperative	11	02.75
	Total	400	100

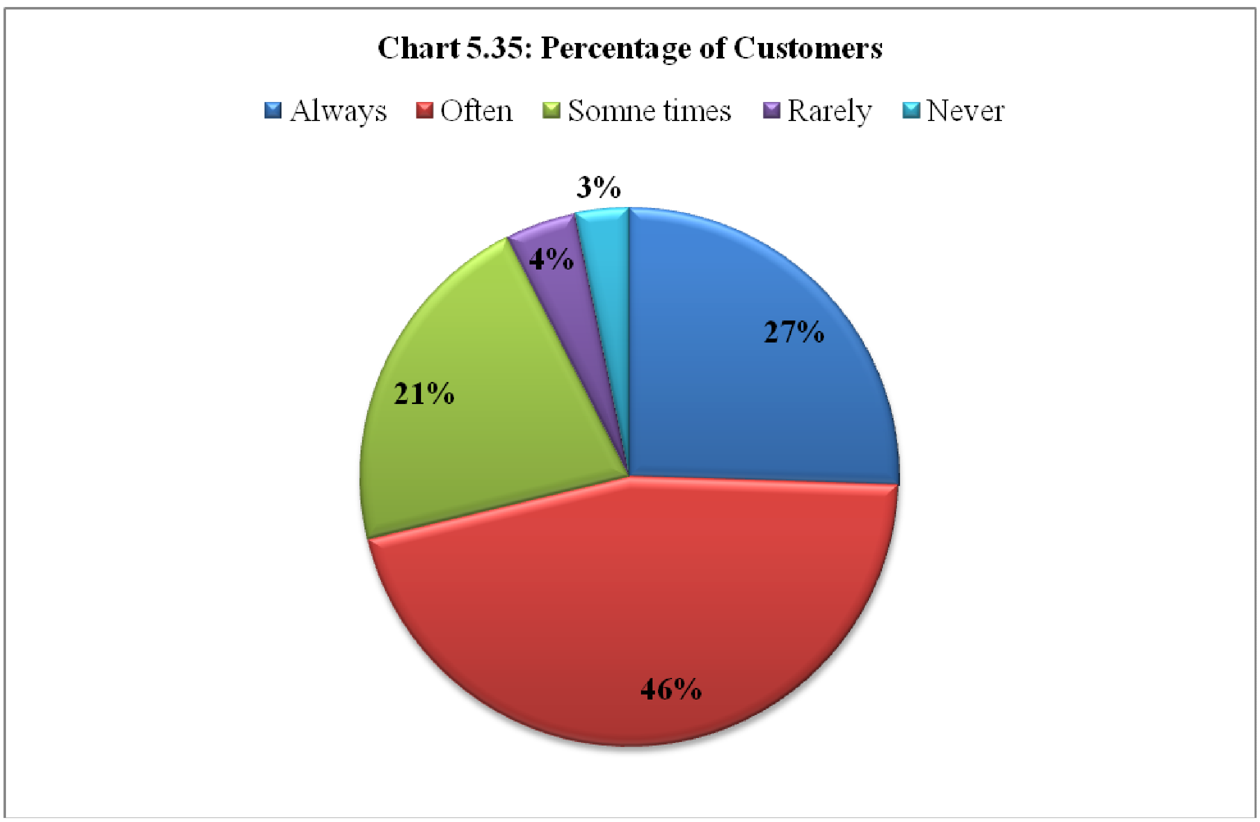


Interpretation: The above pie chart shows that in the survey of 400 customers 5% have found the employees behavior most cooperative, 25.25% have found very cooperative, majority i.e. 47.25% have got the normal cooperation, 19.75% have faced non cooperation and the rest 2.75% say that the employees behavior is highly non cooperative while attending them.

35. Did employees try to convince the customers whenever they faced difficulties in dealing in bank?

Table 5.35: Convincing Customers

Option	Convincing Customers	No. of Customers Out of total 400	Percentage
a	Always	102	25.50
b	Often	183	45.75
c	Sometimes	85	21.25
d	Rarely	17	04.25
e	Never	13	03.25
	Total	400	100

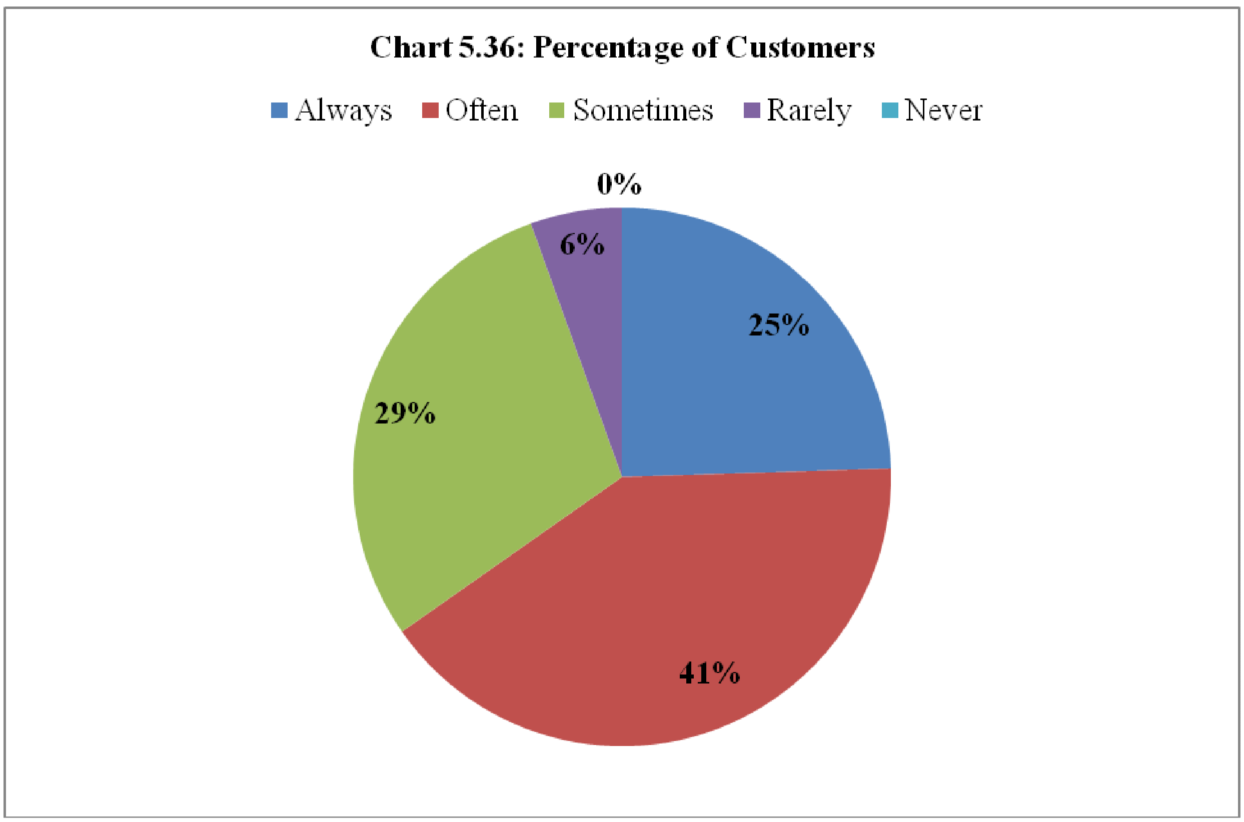


Interpretation: The survey says that 25.5% customers have seen employees convincing the customers in difficulties, 21.25% have sometimes seen the employees, 4.25% said rarely and only 3.25% of the customers are never convinced by the employees whenever they faced difficulties in handling in dealing with the bank.

36. Did they take initiatives to solve the problems faced while dealing customers?

Table 5.36: Initiative to Solve Problem

Option	Initiative to Solve Problem	No. of Customers Out of total 400	Percentage
a	Always	98	24.50
b	Often	163	40.75
c	Sometimes	117	29.25
d	Rarely	22	05.50
e	Never	00	00
	Total	400	100

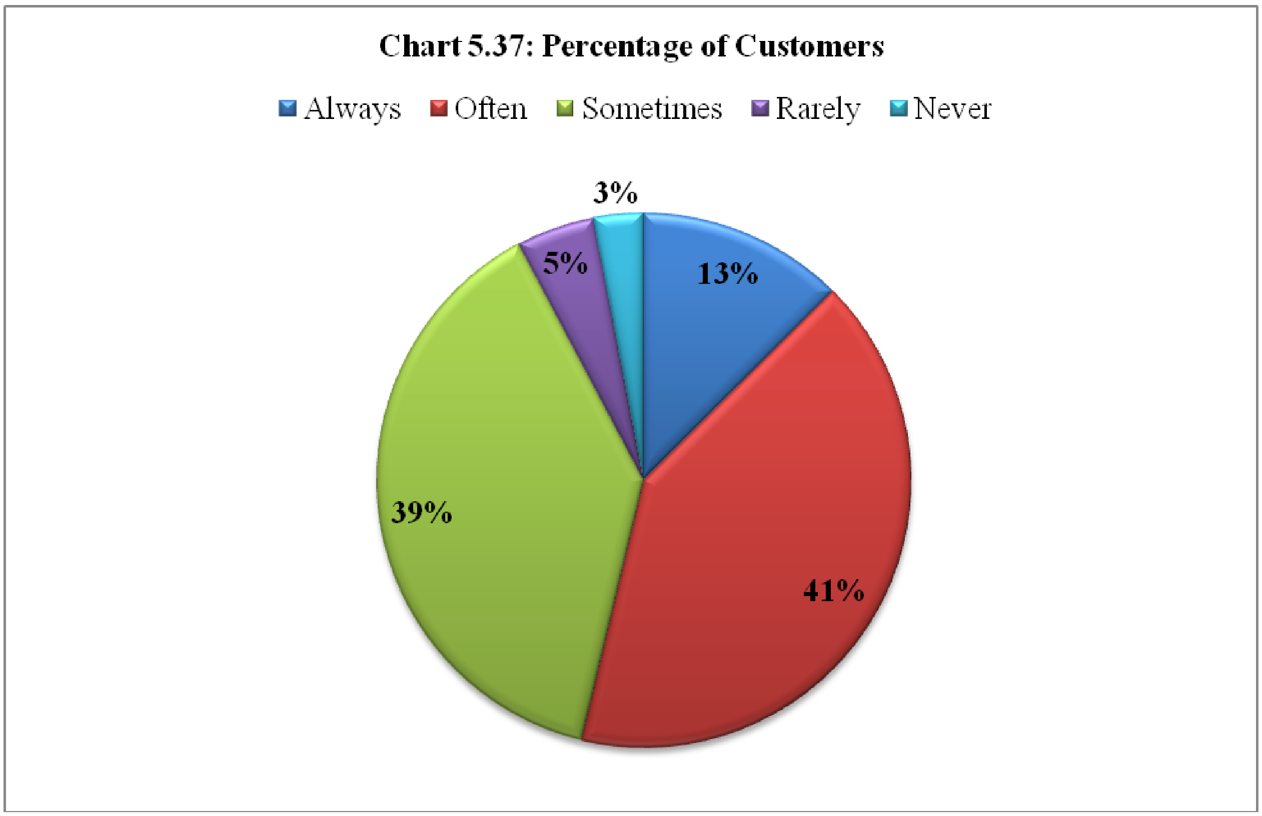


Interpretation: The above pie chart says that out of 400 customers 24.5% have always seen the employees solving the problems of the customers, 40.25% says often, 29.25% say sometimes, and the rest 5.5% have rarely seen employees taking initiative to solve their problems.

37. Did you find the employees satisfied as satisfied persons during your meeting in bank?

Table 5.37: Employee Satisfied

Option	Employee Satisfied	No. of Customers Out of total 400	Percentage
a	Always	50	12.50
b	Often	165	41.25
c	Sometimes	154	38.50
d	Rarely	19	04.75
e	Never	12	03.00
	Total	400	100

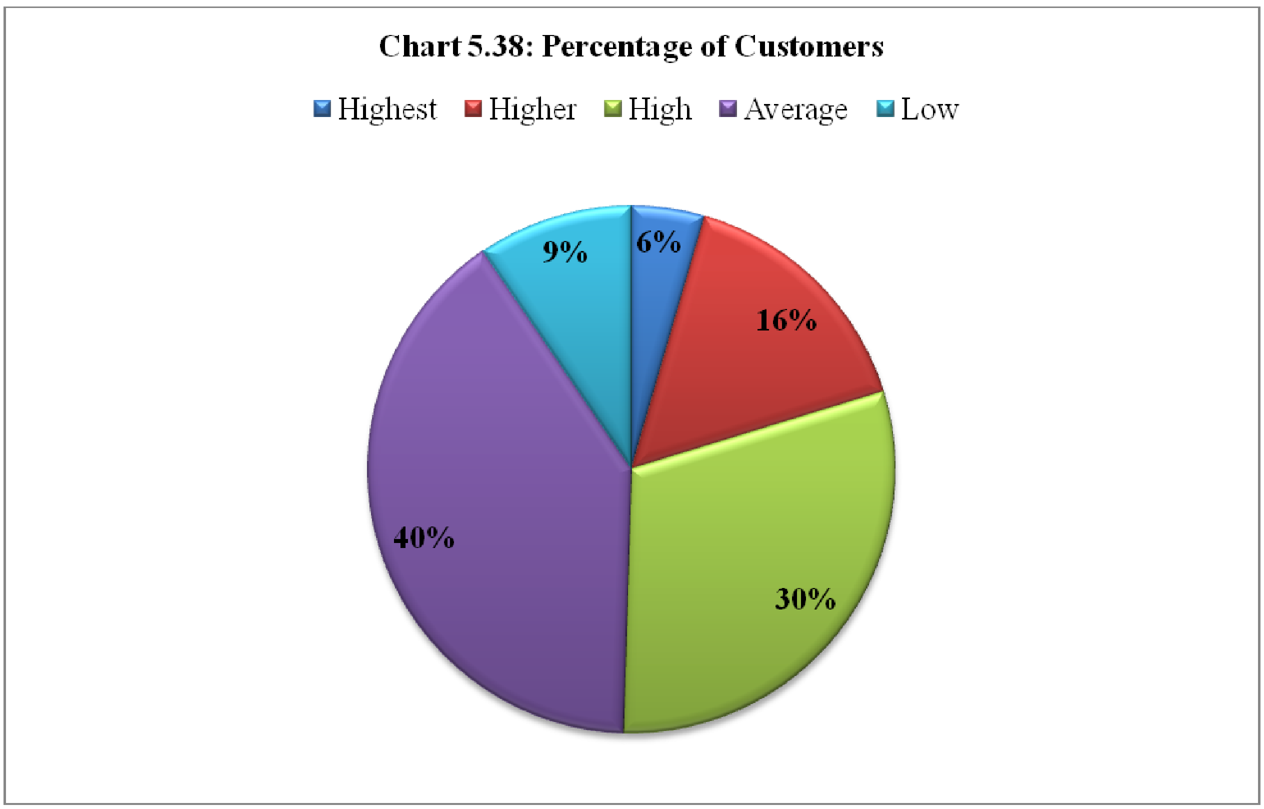


Interpretation: The survey says that 1majority that is 41.25% of the customers have often find the employees satisfied but only 3% say that the employees of the bank are never satisfied. 41.25% says that often, 38.5% believe some times and the rest 4.75% have rarely seen the satisfied employees.

38. What is your level of satisfaction from services delivered by bank employees in last one year?

Table 5.38: Customers Satisfaction

Option	Customers Satisfaction	No. of Customers Out of total 400	Percentage
a	Highest	18	04.50
b	Higher	63	15.75
c	High	121	30.25
d	Average	160	40.00
e	Low	38	09.50
	Total	400	100

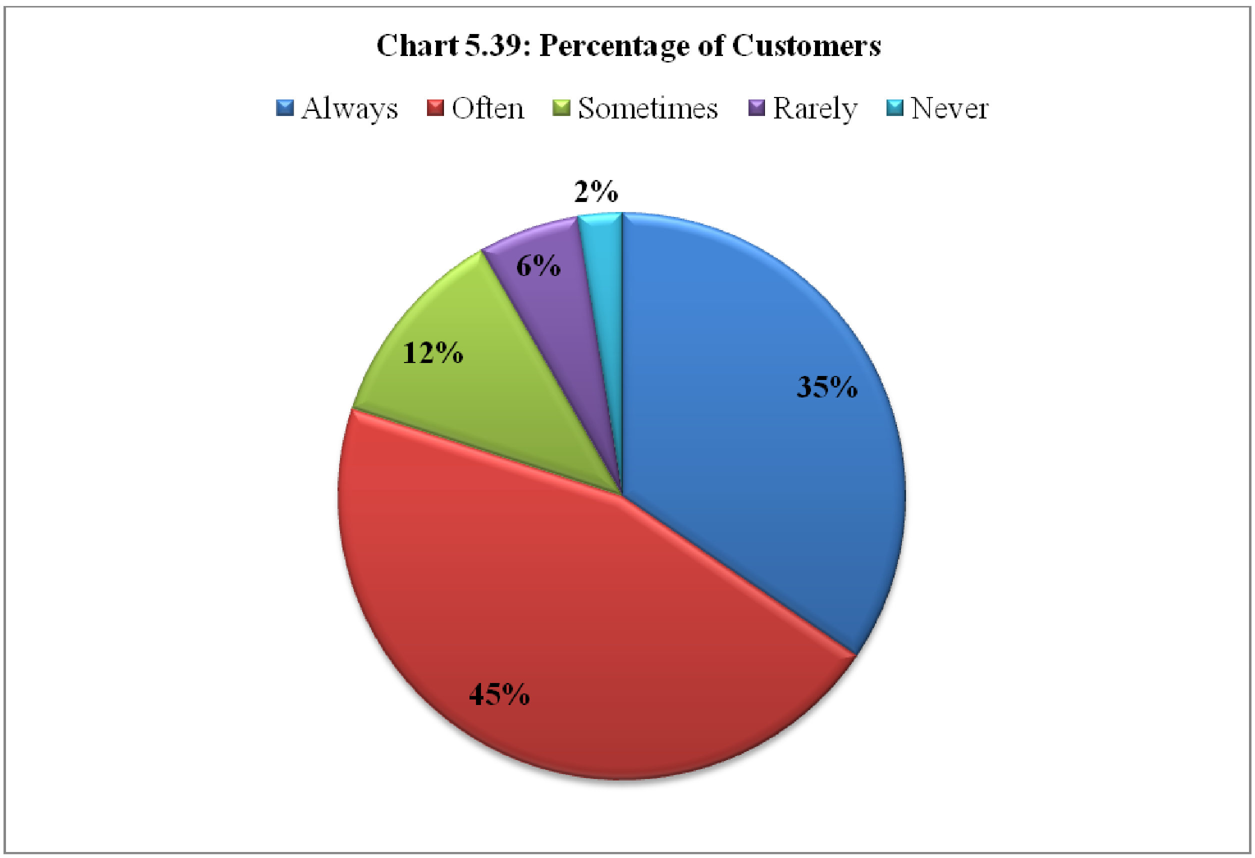


Interpretation: The above pie chart shows that only 4.5 % of the customers have highest level of satisfaction where as 9.5% have low level of satisfaction from the services delivered by bank employees.

39. Employees are products, brand, organisation for customers, and marketers for customers: Do you agree?

Table 5.39: Agree for Employees

Option	Agree for employees	No. of Customers Out of total 400	Percentage
a	Always	138	34.50
b	Often	182	45.50
c	Sometimes	47	11.75
d	Rarely	23	05.75
e	Never	10	02.50
	Total	400	100

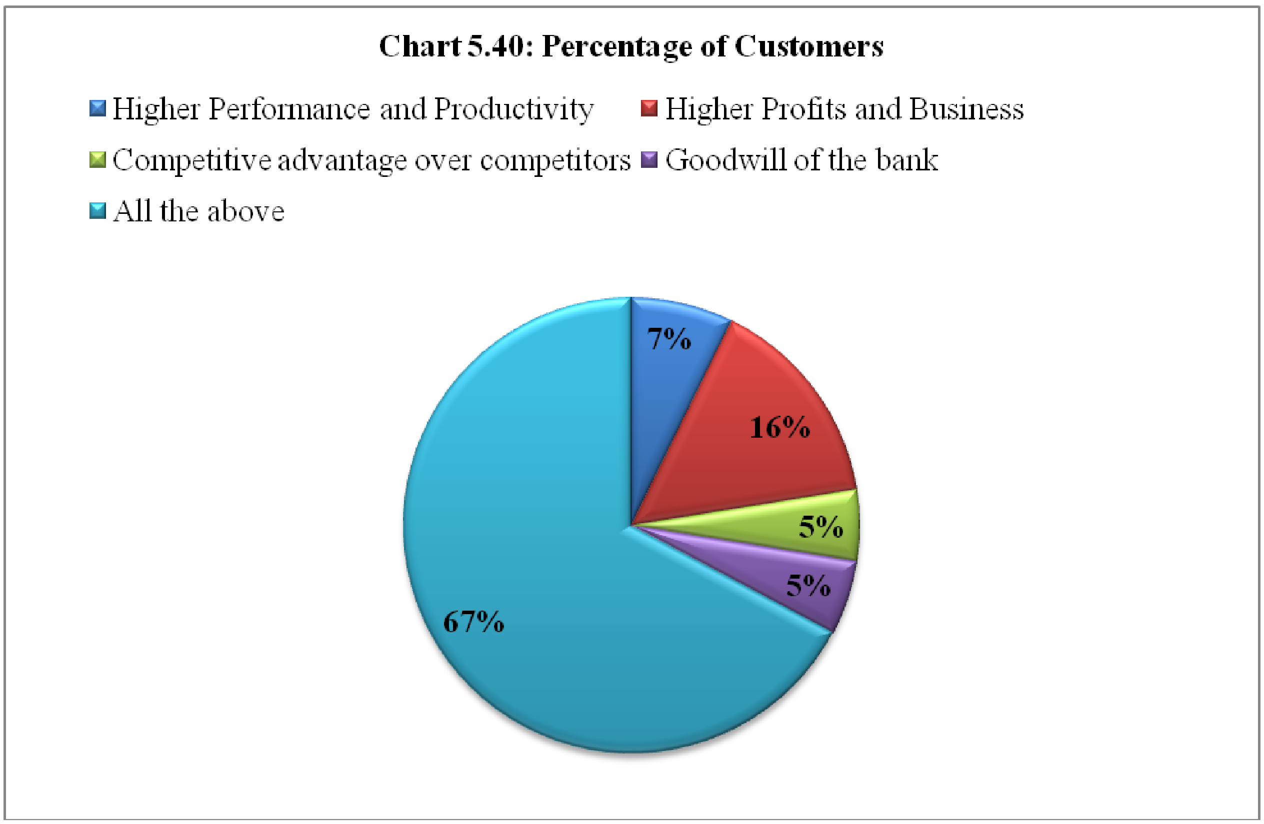


Interpretation: Out of 400 customers 34.5% says always, 45.5% often, 11.75% sometimes, 5.75% rare, and the rest 2.5% never agreed that the employees are products, brand, organization and marketers for customers.

40. Do employees contribute in achieving the following?

Table 5.40: Contribution in Achievement

Option	Contribution in achievement	No. of Customers Out of total 400	Percentage
a	Higher Performance and Productivity	29	07.25
b	Higher Profits and Business	61	15.25
c	Competitive advantage over competitors	20	05.00
d	Goodwill of the bank	21	05.25
e	All the above	269	67.25
	Total	400	100

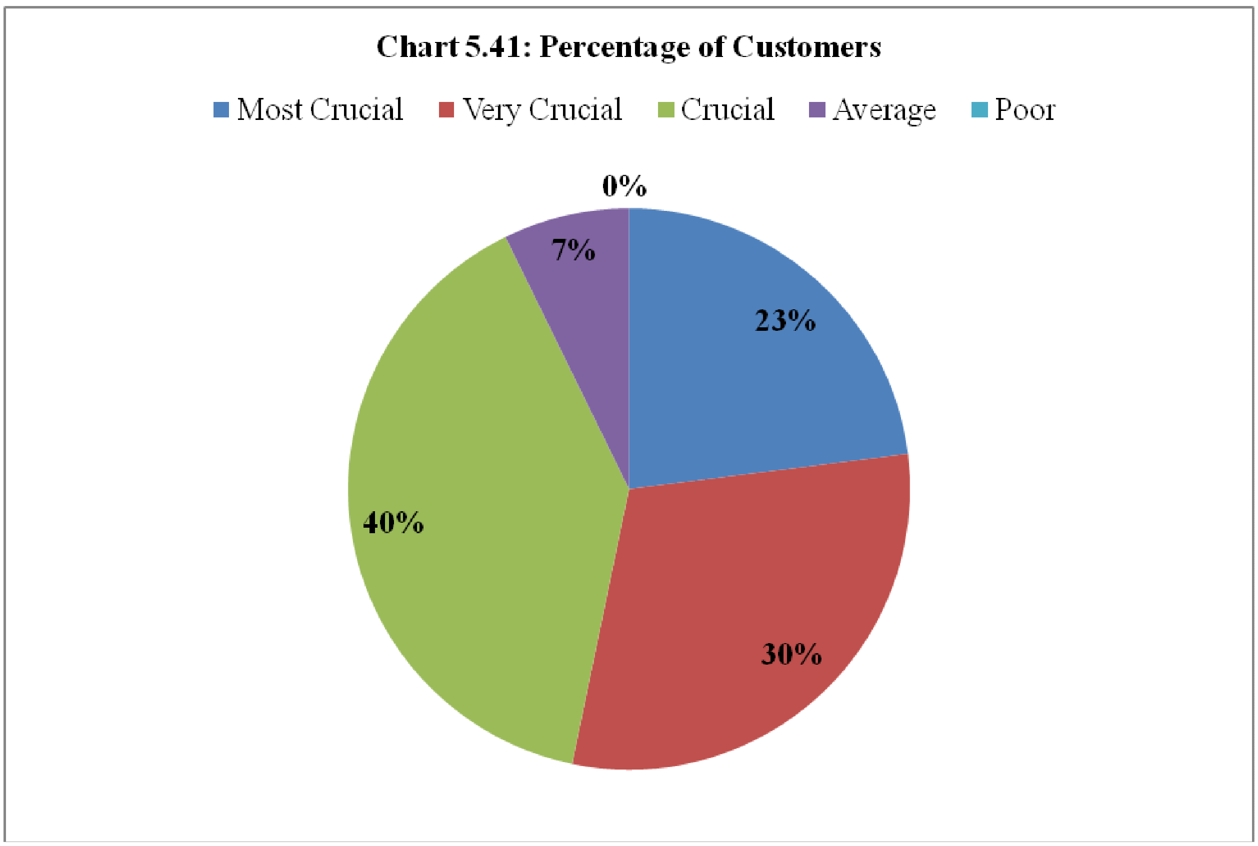


Interpretation: The above pie chart shows that only 5% of the customer believes that the employees contribute in the competitive advantage of the bank over competitors. 7.25% feel the contribution is towards higher performance and productivity.15.25% believe the contribution affects higher profits and business where as 5.25% says employees achieve goodwill of the bank. The rest is majority that is 67.25% believe that employees contribute in achieving all the above for their bank.

41. How do you evaluate the role of employees in banking service in present competitive scenario?

Table 5.41: Role Evaluation

Option	Role evaluation	No. of Customers Out of total 400	Percentage
a	Most Crucial	92	23.00
b	Very Crucial	121	30.25
c	Crucial	158	39.50
d	Average	29	7.25
e	Poor	00	00
	Total	400	100

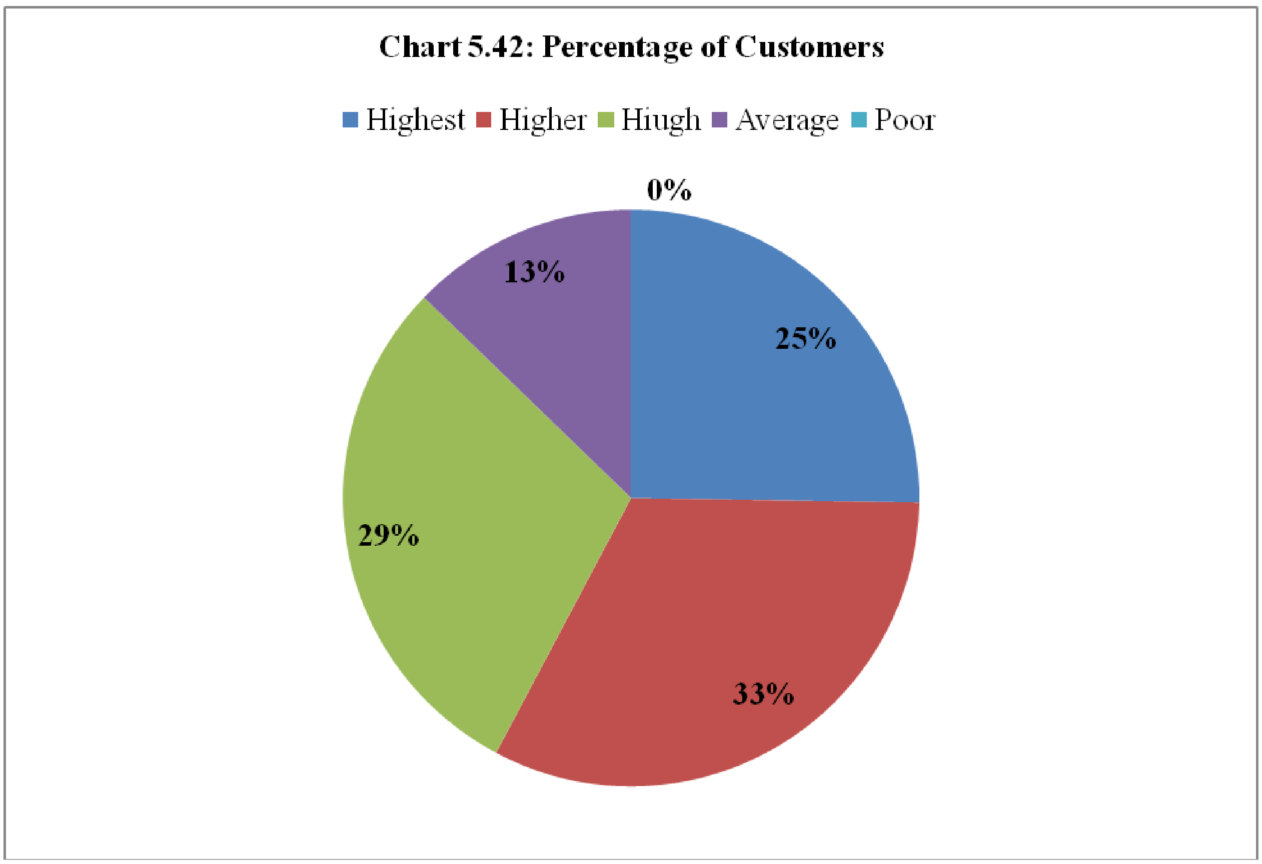


Interpretation: The survey says that majority of the customers that is 39.50% evaluate the role of employee as crucial, 23% feel most crucial, 30.25% very crucial and the rest 7.25% evaluate the role of employee as average in banking services in the present scenario.

42. What is the level of impact of employees' productivity on performance of bank, its profitability, progress and good will in the market?

Table 5.42: Impact on Performance

Option	Impact on Performance	No. of Customers Out of total 400	Percentage
a	Highest	101	25.25
b	Higher	130	32.50
c	High	118	29.5
d	Average	51	12.75
e	Poor	00	00
	Total	400	100



Interpretation: The survey says that around 25% found the level highest, 32.5% believe the level is higher, 29.5% says high, and the rest 12.75% feel that the impact of employees' productivity is average on the performance productivity, progress, and goodwill of the bank.

3. Part III: Testing of Hypotheses

(a) With Reference to the Question No. 6.

6. What are the advantages of higher employee's performance to the bank?

(i) Testing the data using the chi-square test

Step 1 - Stating the hypothesis;

Ho: There is no significant difference among selected banks regarding quality and quantity improvement, higher productivity, employee satisfaction and higher profitability.

Ha: There is significant difference among selected banks regarding all of the above, i.e. quality and quantity improvement, higher productivity, employee satisfaction and higher profitability.

Step 2 – Setting the rejection criteria;

Let the level of significance = α = 5%.

The degree of freedom = DOF = n-1 = 5-1 = 4

From the chi-squares table at α = 5%.

DOF = 4 the critical value of the chi-square distribution is 9.5.

Therefore $\chi^2_{tab} = 9.5$

Step 3 - Computing χ^2_{cal}

Observed Value 'O'	Not Observed	Expected Value (Avg.) = E
08	92	20
11	89	20
05	95	20
04	96	20
72	28	20

Now applying the formula $\chi^2_{cal} = \frac{(O-E)^2}{E}$

Preferences	Observed Value 'O'	Expected Value 'E'	O-E	$(O-E)^2$	$\frac{(O-E)^2}{E}$
a	08	20	-12	144	7.2
b	11	20	-9	81	4.05
c	05	20	-15	225	11.25
d	04	20	-16	256	12.80
e	72	20	52	2704	135.20
				Total	**170.5**

$\chi^2_{cal} = 170.5$

(ii) Interpretation

Now according to the rule of chi-square test calculated value of CHI, $\chi^2_{cal} > \chi^2_{tab}$, tabulated value of CHI, therefore Ho (null hypothesis) is rejected and hence Ha is accepted.
Therefore the conclusion is that there are advantages due to higher performance of employees to banks are higher productivity, employees' productivity, satisfaction and profitability of banks as a whole.

(b) With Reference to the Question No. 11.

11. Is management interested to improve productivity of every employee in your organization?

(i) Testing the data using the chi-square test

Step 1 - Stating the hypothesis;

Ho: The management is not interested and has no idea to improve productivity of every employee in the organization

Ha: The management is interested and has lot of ideas to improve productivity of every employee in the organization

Step 2 – Setting the rejection criteria;

Let the level of significance = α = 5%

The degree of freedom = DOF = n-1 = 4-1 = 3

From the chi-squares table at α = 5% and DOF = 4 the critical value of the chi-square distribution is 7.84. Therefore $\chi^2_{tab} = 7.84$

Step 3 Computing χ^2_{cal}

Observed Value	Not Observed	Expected Value (Avg.)
50	50	25
32	68	25
08	92	25
10	90	25

Now applying the formula $\chi^2_{cal} = \frac{(O-E)^2}{E}$

Preferences	Observed Value 'O'	Expected Value 'E'	O-E	$(O-E)^2$	$\frac{(O-E)^2}{E}$
a	50	25	25	625	25
b	32	25	07	049	1.96
c	08	25	17	289	11.56
d	10	25	-15	225	9
				Total	**47.52**

$\chi^2_{cal} = 47.52$

(ii) Interpretation

Now according to the rule of chi-square test calculated value of CHI, $\chi^2_{cal} > \chi^2_{tab}$, tabulated value of CHI, therefore Ho (null hypothesis) is rejected and hence Ha is accepted.
Therefore the conclusion is the management is interested to improve the productivity of every employee in the organization.

(c) With Reference to the Question No. 18.

18. Do employees play very crucial role in getting competitive edge over competitors in banking?

(i) Testing the data using the chi-square test

Step 1 - Stating the hypothesis;

Ho: The employees does not play crucial role in getting competitive edge over competitors in banking.

Ha: The employees play crucial role in getting competitive edge over competitors in banking.

Step 2 – Setting the rejection criteria;

Let the level of significance = α = 5%. The degree of freedom = DOF = n-1 = 5-1 = 4

From the chi-squares table at α = 5% and DOF = 4 the critical value of the chi-square distribution is 9.5. Therefore $\chi^2_{tab} = 9.5$

Step 3- Computing χ^2_{cal}

Observed Value	Not Observed	Expected Value (Avg.)
49	51	20
33	67	20
11	89	20
04	96	20
03	97	20

Now applying the formula $\chi^2_{cal} = \frac{(O-E)^2}{E}$

Preferences	Observed Value 'O'	Expected Value 'E'	O-E	$(O-E)^2$	$\frac{(O-E)^2}{E}$
a	49	20	29	841	42.05
b	33	20	13	169	8.45
c	11	20	-9	81	4.05
d	04	20	-16	256	12.8
e	03	20	-17	289	14.45
				Total	**81.8**

$\chi^2_{cal} = 81.8$

(ii) Interpretation

Now according to the rule of chi-square test calculated value of CHI, $\chi^2_{cal} > \chi^2_{tab}$, tabulated value of CHI, therefore Ho (null hypothesis) is rejected and hence Ha is accepted.

Therefore the conclusion is the employees play crucial role in getting competitive edge over competitors in banking.

(d) With Reference to the Question No. 19.

19. Do you agree the employees providing banking service to customers are the service providers, organization for customers, brand and marketers?

(i) Testing the data using the chi-square test

Step 1 - Stating the hypothesis;

Ho: There is no agreement that the employees providing banking service to customers are the service providers, organization for customers, brand and marketers.

Ha: There is strong agreement that the employees providing banking service to customers are the service providers, organization for customers, brand and marketers.

Step 2 – Setting the rejection criteria; Let the level of significance = α = 5%

The degree of freedom = DOF = n-1 = 4-1 = 3. From the chi-square table at α = 5% and DOF = 4 the critical value of the chi-square distribution is 7.84. Therefore $\chi^2_{\text{ta}b} = 7.84$

Step 3- Computing χ^2_{cal}

Observed Value	Not Observed	Expected Value (Avg.)
58	42	25
37	63	25
03	97	25
02	98	25

Now applying the formula $\chi^2_{cal} = \frac{(O-E)^2}{E}$

Preferences	Observed Value 'O'	Expected Value 'E'	O-E	$(O-E)^2$	$\frac{(O-E)^2}{E}$
a	58	25	32	1024	40.96
b	37	25	12	144	3.89
c	03	25	-22	484	19.36
d	02	25	-23	529	21.16
				Total	**85.37**

$\chi^2_{cal} = 85.37$

(ii) Interpretation

Now according to the rule of chi-square test calculated value of CHI, $\chi^2_{cal} > \chi^2_{tab}$, tabulated value of CHI, therefore Ho (null hypothesis) is rejected and hence Ha is accepted.
Therefore the conclusion is there is strong agreement that the employees providing banking service to customers are the service providers, organization for customers, brand and marketers.

(e) With Reference to the Question No. 21.

21. Which sector in banking is more conscious about higher productivity and performance of employees?

(i) Testing the data using the chi-square test

Step 1 - Stating the hypothesis;

Ho: The public sector, private sector, foreign banks and cooperative bank are more conscious about higher productivity and performance of employees

Ha: All the banks (public sector, private sector, foreign, and cooperative banks) are more conscious about higher productivity and performance of employees.

Step 2 – Setting the rejection criteria; Let the level of significance = α = 5%

The degree of freedom = DOF = n-1 = 5-1 = 4. From the chi-square table at α = 5% and DOF = 4 the critical value of the chi-square distribution is 9.5.

Therefore $\chi^2_{tab} = 9.5$

Step 3- Computing χ^2_{cal}

Observed Value	Not Observed	Expected Value (Avg.)
10	90	20
17	83	20
18	82	20
05	95	20
50	50	20

Now applying the formula $\chi^2_{cal} = \frac{(O-E)^2}{E}$

Preferences	Observed Value 'O'	Expected Value 'E'	O-E	$(O-E)^2$	$\frac{(O-E)^2}{E}$
a	10	20	-15	225	11.25
b	17	20	-8	64	3.2
c	18	20	-7	49	2.45
d	05	20	-20	400	20
e	50	20	25	625	31.25
				Total	**68.15**

$\chi^2_{cal} = 68.15$

(ii) Interpretation

Now according to the rule of chi-square test calculated value of CHI, $\chi^2_{cal} > \chi^2_{\text{ta}b}$, tabulated value of CHI, therefore Ho (null hypothesis) is rejected and hence Ha is accepted.
Therefore the conclusion is all the banks (public sector, private sector, foreign, and cooperative banks) are more conscious about higher productivity and performance of employees.

(f) With Reference to the Question No. 39.

39. Employees are products, brand, organisation for customers, and marketers for customers: Do you agree?

(i) Testing the data using the chi-square test

Step 1 - Stating the hypothesis;

Ho: There is no agreement that employees are products, brand, organization for customers, and marketers for customers:

Ha: There is an agreement that employees are products, brand, organization for customers, and marketers for customers.

Step 2 – Setting the rejection criteria;

Let the level of significance = α = 5%. The degree of freedom = DOF = n-1 = 5-1 = 4

From the chi-square table at α = 5% and DOF = 4 the critical value of the chi-square distribution is 9.5. Therefore $\chi^2_{\text{ta}b} = 9.5$

Step 3- Computing χ^2_{cal}

Observed Value	Not Observed	Expected Value (Avg.)
34.50	65.50	20
45.50	54.50	20
11.75	88.25	20
5.75	94.25	20
2.50	97.50	20

Now applying the formula $\chi^2_{cal} = \frac{(O-E)^2}{E}$

Preferences	Observed Value 'O'	Expected Value 'E'	$(O-E)^2$	$\frac{(O-E)^2}{E}$
a	34.50	20	210.25	10.50
b	45.50	20	650.25	32.50
c	11.75	20	68.70	3.43
d	5.75	20	203.70	10.90
e	2.50	20	306.25	15.30
			Total	**72.62**

$\chi^2_{cal} = 72.62$

(ii) Interpretation

Now according to the rule of chi-square test calculated value of CHI, $\chi^2_{cal} > \chi^2_{tab}$, tabulated value of CHI, therefore Ho (null hypothesis) is rejected and hence Ha is accepted.
Therefore the conclusion is there is an agreement that employees are products, brand, organization for customers, and marketers for customers.

(g) With Reference to the Question No. 40.

40. Do employees contribute in achieving the following?

(i) Testing the data using the chi-square test

Step 1 - Stating the hypothesis;

Ho: Employees contribute in achieving higher performance and productivity, higher profits and business, competitive advantage over comparators and goodwill of the bank.

Ha: Employees contribute in achieving all of the above.

Step 2 – Setting the rejection criteria;

Let The level of significance = α = 5%. The degree of freedom = DOF =n-1 = 5-1 = 4

From the chi-square table at α = 5% and DOF = 4 the critical value of the chi-square distribution is 9.5.

Therefore $\chi^2_{tab} = 9.5$

Step 3- Computing χ^2_{cal}

Observed Value	Not Observed	Expected Value (Avg.)
7.25	92.75	20
15.25	84.75	20
5.00	95.00	20
5.25	94.75	20
67.25	32.75	20

Now applying the formula $\chi^2_{cal} = \frac{(O-E)^2}{E}$

Preferences	Observed Value 'O'	Expected Value 'E'	$(O-E)^2$	$\frac{(O-E)^2}{E}$
a	7.25	20	162.60	8.13
b	15.25	20	22.60	1.13
c	5.00	20	225	11.25
d	5.25	20	217.60	10.88
e	67.25	20	2232.60	111.63
			Total	**143.02**

$\chi^2_{cal} = 143.02$

(ii) Interpretation

Now according to the rule of chi-square test calculated value of CHI, $\chi^2_{cal} > \chi^2_{tab}$, tabulated value of CHI, therefore Ho (null hypothesis) is rejected and hence Ha is accepted.
Therefore the conclusion is employees contribute in achieving all of the above (higher performance and productivity, higher profits and business, competitive advantage.

(h) Conclusion

For the questionnaire the hypotheses considered are:

(i) Null Hypotheses:

• There is no significant difference amongst selected banks regarding labour productivity ratio.

• There is no significant impact of labour productivity on business performance of selected banks.

(ii) Alternative Hypotheses:

• There is significant difference amongst selected banks regarding labour productivity ratio.

• There is significant impact of labour productivity on business performance of selected banks.

With reference to all the above testing, the chi-square test inferences that there is an important difference between the banks and their labour productivity ratio. There is significant impact of employee's productivity on business performance of selected banks. Hence the alternative hypothesis is accepted.

Therefore the conclusion is that there are advantages due to higher performance of employees to banks are higher productivity, employees' productivity, satisfaction and profitability of banks as a whole. The management is of banks are highly interested to improve the productivity of every employee in the organization because the employees play crucial role in getting competitive edge over competitors in banking. There is strong agreement that the employees providing banking service to customers are the service providers, organization for customers, brand and marketers. Therefore, all the banks (public sector, private sector, foreign, and cooperative banks) are more conscious about higher productivity and performance of employees. Therefore, it is concluded that that employees are products, brand, organization for customers, and marketers for customers. Finally, it is said that the employees contribute in achieving higher performance and productivity, higher profits, business, and competitive advantage to their banks.

6: Findings, Conclusions and Suggestions

1. **Finding**

2. **Conclusions and Suggestions**

3. **Conclusion**

6: Findings, Conclusions and Suggestions

1. Finding

On the basis of data analysis the findings are following:

Part I: For Bankers

1. Majority of bankers are of the opinion that business environment is highly competitive.

2. Nearly half of the bankers say the competition is faced from public, private, cooperative and foreign banks.

3. Majority of bankers find very difficult to survive, grow, stabilize and excel in banking business.

4. For doing banking business effectively the strategies adopted are use of advance technology, changes in working process and improving bank performance.

5. Out of resources used in banking business the manpower is most important and money is ranked second.

6. Nearly three-fourth of banks agreed that the major advantages of higher performance to banks are quality and quantity improvement, high productivity, employees' satisfaction and higher profitability.

7. More than half of bankers said that management of banks is highly interested to manage performance of employees consistently.

8. More than half of bankers said that the major functions performed by performance management are setting goals and performance standards, communication, coaching feedback, performance appraisal and development planning for future.

9. Two third majority of bankers opined that the benefits of performance management to banks are financial, nonfinancial and effective management control.

10. Majority of respondents said that managers, supervisors and reviewers or exports all play important roles in performance management process.

11. Exactly half of bankers agreed that management is highly interested and one third said interested to improve productivity of employees.

12. Nearly two third of respondents said that the performance is carried out regularly in their banks.

13. More than half of respondents opined that traditional and modern both methods are being used and nearly one fourth said that the modern methods are used mainly for performance appraisal.

14. 60% of respondents said the performance appraisal is beneficial whereas quarter of respondents opined that it is beneficial but sometimes for the whole organization.

15. Majority of bankers said that the objectives of measuring productivity are to search for suitable technology, improving working efficiency, reducing operating costs and improve overall profitability and goodwill.

16. More than two-third of respondents agreed that physical working conditions use of technology, training and development adequate compensation and favourable management attitude affect the employee’s productivity.

17. Two-third majority bankers opined that the factors affecting productivity improvement are setting missions, goals and performance standards, motivation of employees, training and development, performance appraisal, and future performance development banks.

18. Half of the respondents said that employees play very crucial and one third opined crucial role in getting competitive edge over competitors.

19. Nearly 60% of respondents strongly agreed and more than one-third agreed that the employees are service providers, organization for customers, brand and marketers.

20. Two-third of bankers opined that the future of banks with higher employee's productivity and performance is very bright.

21. Half of the respondents opined that all banks are conscious about higher productivity and performance of employees.

Part – II: For Customers

22. Majority of customers are holding saving accounts and others are fixed deposits and current account holders.

23. Mainly more than one-third of customers visit to banks as and when required and one-fourth of customers visit fortnightly.

24. Majority of customers feel normal and one-fourth feel happy when they visit to banks for transactions.

25. Mainly the customers are convinced by goodwill and employees of banks to open a new account.

26. More than one third of customers take 10-20 minutes and nearly one third take up to 10 minutes for a bank transaction.

27. Slightly more than half of the respondents said that average attention and one-fifth of them said high attention is paid by employees for customers.

28. Nearly two-third of the customers said that the employees are interested in the jobs.

29. Nearly half of respondents opined average level and one third opined high level of competencies the employees have to perform their jobs.

30. More than half of customers said sometimes and one-fourth said rarely the employees faced difficulties in performing their jobs.

31. Less than half of customers agreed rarely and one third said sometimes the arguments take place during transactions.

32. Nearly half of the customers observed that employees showed willingness to shoulder the responsibility to handle customers sometimes.

33. Nearly two-fifth of customers found employees sometimes and one-fourth of them found often motivated while performing their jobs.

34. Nearly half of customers found employee behaviour cooperative and one-fourth of them found employees very cooperative.

35. Nearly half of the customers often found employees convincing the customers during difficulties and one-fourth of them found employees always convincing.

36. More than two-third of customers agreed often and nearly one third agreed sometimes the employees take initiative to solve the problems while dealing the customers.

37. More than one third customers found employees often satisfied and same percentage also found sometimes satisfied during their meetings.

38. More than one third of customers found average level of satisfaction of employees and more than one-fourth found high level of satisfaction.

39. Employees are products, brand, organization for customers and marketers for customer agreed often by nearly half of the customers and one third said always.

40. More than two-third of customers agreed that the employees contribute in achieving the higher profitability and business, competitive advantage and goodwill of the banks.

41. More than one-third said crucial and less than one-third said very crucial is the role of employees in banking service in present scenario.

42. More than three fourth of customers said the impact of employees productivity is very high on performance of banks, its profitability, progress and goodwill in the market.

2. Conclusions and Suggestions

On the basis of study of finding the following conclusion and suggestions are given:

1. The present business environment for banking is highly volatile and uncertain. It is highly competitive and every bank is finding difficult to service grow, stabilize and excel in banking business. Further, for better performance management must keep watch on the emerging trends in business environment. The proper and timely strategies are to be adopted to improve efficiency of the whole organisation

2. Competition is faced from public, private, foreign and cooperative banks. They have adopted the strategy for effective workings are use of advance technology and changes in working procedure. No doubt performance has been improved but manpower is not maintained and utilized properly. For improvement in human resources, special focus should be given on selection, training, motivate career opportunities or employees etc.

3. Manpower is considered as the most important resource but it is day to day dealing efforts are found for the sufficient efforts are not found for improvement of competencies and motivation of employees. It is suggest that in this direction strong steps are to be taken.

4. Bank management is interested for performance of employees on paper. When questions come for implementation and monetary terms the half hearted efforts are put. There is need to change the mind set of management further and tune them as per the need of the hour.

5. Performance management functions are available on papers but actually these functions are not performed or performed partially. The effectiveness of performance management is below expectation. Performance management functions should be assigned to a separate cell under HR Head so that effectiveness of it would improve.

6. The awareness regarding benefits of performance management to banks is not very high. There is a scope for improvement. The awareness regarding this should be created further through discussion, circulars and lectures by experts.

7. The employees' productivity in average is not high in banks. There is a lot of scope for further improvement and awareness about it should be created through discussion, meeting and guidance on job among employees working on different jobs and levels.

8. Management of banks is interested for productivity improvement. This is half of the way. A big gap is found between actual position and expectations. Willingness to should the responsibility for productivity improvement is partly missing. Top level management involvement and support can boost the efforts in right direction.

9. Performance appraisal planning and methods used are rightly available on papers. Regularly appraisals are not carried out properly. The improper appraisal is creating problems for further actions. Head of HR Department should look into this, take help of experts and implement the performance appraisal strongly. A lot of irregularities would be overcome.

10. The bankers are aware about the factors affecting productivity improvement. In private and foreign banks the factors affecting are managed properly but in public and cooperative banks the situation is of average. These factors are to be management without any lapse so that productivity can be improved.

11. Due to higher productivity the profitability of banks specially private and foreign banks is increasing whereas public and cooperative banks are lagging behind. No doubt in average total profit amount has increased but output per employee did not increase .Special efforts

should be taken for training, motivation and guidance on job of employees in and cooperative banks.

12. The time taken for banking transaction is in average is more. More waiting time is involved. Mainly the waiting time in public banks and ICICI bank out of private banks is more than other banks. Especially management of public bank should focus on prompt response and reducing waiting time.

13. After visit to banks the customers feel normal. In public banks its slightly lower than foreign and private banks. There is a scope for development to make customers happy. The management should carry out the work study and work measurement to cut down unwanted activities and time taken for performing banking jobs. The reduction in cost time and efforts should be the objectives.

14. Attention paid to customers and interest taken in jobs by employee is of average level management should focus to motivate employees to take more interest in jobs and proper attention to give to customers while dealing particularly public and cooperative banks.

15. The employees faced difficulties while performing their jobs with advance technology. In public and cooperative banks aged employees are not much comfortable with computer and internet technology. They are to be trained to improve competencies. If they are not willing to improve then they may be asked to take VRS.

16. For creating new accounts in bank goodwill and employees of banks play important role. The focus of management should be there on employees' selection, training and development, motivation, appraisal and career opportunities and motivation of employees. Automatically the goodwill of banks would improve.

17. In case of motivation, behaviour, willingness to shoulder responsibility, convincing customers, initiative to solve problems and satisfaction are of average to good. A big gap is found to work out management should gear up and specially cooperative and public banks to plan and act smartly to improve these points.

18. Employees are the most important resource for banks. They contribute in contribute in achieving higher profitability, business, competitive advantage and goodwill of the banks.

Management should treat them as business partners. The mindset of past is not going to work out in present scenario. They should be discussed, consulted, motivate and participate to accomplish tasks and meet performance standards.

19. Finally, it the only manpower that makes the difference. The impact of employees is very good on performance, profitability, progress and goodwill of banks. In future it can be improved further because there is a scope for further improvement. With higher productivity and performance of employees the future of banks is going to be bright definitely.

3. Conclusion

We are in the era of globalization and the business environment is very turbulent. It is changing drastically. In present environment nothing is permanent except changes. Changes are likely to take place but with different pace at different time. External environmental factors like social, cultural, economic, legal, government policies, technology and competition are uncontrollable. Due to these, it has become very difficult to carry out the business activities effectively and efficiently. It is an uphill task to stabilize, grow and excel in the business performance. In this situation, the need for higher level of knowledge and skills are needed. Every organization whether big or small, is using manpower, machine, money and materials. To carry out its tasks these are needed and without these the tasks cannot be completed. In present scenario under liberalization, privatization and globalization the companies are facing stiff competition.

It has become very difficult to survive, grow, stabilize and excel in the business. The companies performing better and before others are taking the lead in business. To do so the skilled and motivated employees are strongly needed. They can give more output per person. Their performance can be measured with the help of labour productivity concept. The labour efficiency can be measured with the help of productivity concept. Nowadays, it is concerned of everybody to utilize the labour force properly so the output can be increased. This contributes in progress of employees, employers and the nation as a whole. Higher level of labour productivity satisfies employers and employees psychologically. It gives a great impact on performance of people and progress of business.

Banks play very important role in the economic life of the nation. The health of the economy is closely related to the soundness of its banking system. Although banks create no new wealth but their borrowing, lending and related activities facilitate the process of production, distribution, exchange and consumption of wealth. In this way they become very effective partners in the process of economic development. Today, modern banks are very useful for the utilization of the resources of the country. The banks are mobilizing the savings of the people for the investment purposes. The savings are encouraged and saving rate increases. If there would be no banks then a great portion of a capital of the country would remain idle. At present the Indian financial system consists of public, private, cooperative, development and foreign banks. Reserve Bank of India is the central controlling authority for all banks in India.

This study is relating to labour or human resource and its productivity in banking sector in India. Further, the relation of labour productivity and its impact on business performance of bank will be studied. It can be summarized that this study scope will include the areas of productivity, labour productivity, impact on performance and progress of banking sector in India. The main objectives of this research study are to understand the concept of human resource or employees, performance management, appraisal, productivity, employees' behaviour, strategy for improving the productivity and performance, impacts on banking performance and profitability. Further to find out the practices adopted, difficulties faced in implementation of performance management functions, productivity measurement and suggest ways for further improvement in performance and productivity of bank employees.

Research methodology explains the method of conducting research and shows the logical sequences of the steps involved in research. Research methodology includes the identification of problems, objectives of the study, sources of data, data collection methods, type of research, universe for study, sampling, data analysis and testing of data. These steps are arranged in logical sequence.

To carry out the research study the following limitations have been faced are:

(a) Availability of secondary data from banks may be difficult.

(b) Employees may avoid or hesitate to give relevant data.

(c) Management may not like to share their views on the topic.

(d) Time, cost and location factors may cause difficulties.

(e) Sample size may not be exact representative of the universe.

However sincere efforts will be put to overcome the expected limitations.

Every organization performs its task with the help of resources as men, machine, materials and money. Except manpower other resources are non-living but manpower is a live and generating resource. Manpower utilizes other resources and gives output. If manpower is not available then other resources are useless and cannot produce anything. Out of all the factors of production manpower has the highest priority and is the most significant factor of production and plays a pivotal role in areas of productivity and quality.

The human resource is critical and difficult to manage. It is because human behaviour is highly unpredictable. It differs not only from individual to individual but often on the part of same individual at different points of time. In spite of biological and cultural similarities, human beings not only differ in their appearance but also in their capabilities based on their background, training and experience. Human resource or a person at work is the most important component of the undertaking. This will have great impact on the total production, sales, profit, progress and market position of the company in the market. Various factors like skills, training, motivation, dedication, welfare, management policies, fringe benefits, salary and packages, promotion, communication etc. are responsible to encourage the people to work sincerely and give their best output. The importance of employees' performance must be understood by the management and sincere efforts must be put in that direction. The management of the company taking timely steps in that direction will be in position to develop and motivate the people to do so. Finally the company may take the lead the market and grab the opportunities available in the market.

Performance management includes activities to ensure that goals are consistently being met in an effective and efficient manner. Performance management can focus on performance of the organization, a department, processes to build a product or service, employees, etc. Armstrong and Baron (1998) defined it as "A strategic and integrated approach to increasing the effectiveness of organizations by improving the performance of the people who work in them and by developing the capabilities of teams and individual contributors" It helps in creating good working environment of openness, mutual trust, cooperation and team spirit. People work with their high degree of motivation and without work stress. In healthy working environment people work in team and that leads to multidimensional benefits to individuals, teams, departments, sections, divisions and organisation as a whole.. The benefits of it are numerous and these are financial and non-financial both. Managing employee or system performance facilitates the effective delivery of strategic and operational goals.

The performance management process requires many ongoing activities in the organization.. This includes identifying and prioritizing goals, defining what constitutes progress towards goals, setting standards for measuring results, and monitoring performance, counseling, coaching, communication, motivation and feedback of performance to employees, review of performance, development plans, implementing effective goal-oriented activities, and intervening to create improvements when needed. For effective working of this process, business performance management software is mainly used in organizations.

Productivity is a measurement of the output produced using a quantity of inputs. The production process is a representation of the relationship between outputs and the inputs used to produce them. –Diane Huber. Labor productivity is the amount of goods and services that a labourer produces in a given amount of time. It is one of several types of productivity that economists measure. Labour productivity can be measured for an individual, a firm, a process or a country. Labour productivity is the measure of efficiency at which the inputs are converted into output through various manufacturing processes. To know the relative worthiness the measurement is necessary. This measurement is very helpful for the management for future planning and actions. The measurement can be carried out as per the need of the organization.

Measurement of productivity involves the problem of expressing the related factors numerically to arrive at the mathematical expression of productivity. The main objective behind productivity measurement is to provide management with a concise and accurate base for comparison of actual result with expected levels of productivity. It shows the relative worth of employee to the organization. Next the factors like technology, working conditions, location of work, rules and regulations, management approach, business environment etc affect the working of persons. These are to be taken care of. This should not be ignored. Productivity can be improved through different management processes like following scientific management principles. Specifically It includes, production planning, and control, production cost, inventory control, operation research, specialization, cost control, budgetary control, marketing research, matching demand and supply, replacement of old technology, preventive maintenance etc. contribute in improving productivity.

It is quite necessary to understand as to what extent employees have been successful at their jobs for achievement of their goals. This information will be available when the performances of employees have been evaluated at the end of the year. If it is not done then the management will not come to know the exact position about the targets achieved. They will be in the dark and there will be chances of planning failure. The planning is done in the beginning of performance management process. The performance appraisal is an important stage in this process. It shows as per planning of objectives, performance standards and behaviour the communication, counseling, coaching, motivation and feedback have been given or not. Finally to see what is the impact of these planning and action on the performance of the employees.

The performance appraisal is the evaluation process in which the information are gathered, recorded, measured and analysed relating to the performance of the employees. A set of activities are arranged in a logical sequence to perform the task of evaluation It includes the steps as establishment of performance standards, communication of performance standards and expectations, measurement of performance, comparison, appraisal feedback, corrective, motivation and development action. There are a number of methods that are used to evaluate employee's performance. It may be evaluated on the basis of his traits and attributes as well as on the basis of his work or results and objectives achieved by him. Thus his performance may be measured in terms of standards of his traits and general behaviour on the job or in terms of results and goals. Each method has its merits and demerits but one thing is clear that the technique employed has to evaluate mainly his job related performance. The appraisal methods can be classified as individual appraisal, group appraisal and other methods, traditional and modern methods

Commercial banks offer a wide range of financial services that address the specific needs of the customers. The functions of banks are divided into two categories: (i) Primary functions (ii) Secondary functions. Primary functions include accepting deposits and lending money. Loans given by banks are: Short-term loan and long-term loans. Banks grant short-term loan to its customers by way of cash credit, overdraft, discounting of bills. Banks accepts deposits from the public and their customers in the form of Current deposit, saving, deposit, fixed deposit, and under other deposit schemes. Banks grant loans to customers as demand loan and term loan. The ancillary services of banks are agency services and general utility services. Agency services are rendered as agent of customers, whereas general utility services are rendered to the general public. The Indian banking can be broadly categorized into nationalized (government owned), private banks and specialized banking institutions. The Reserve Bank of India acts a centralized body monitoring any discrepancies and shortcoming in the system. Since nationalization of banks in 1969 the public sector banks or the nationalized banks have acquired a place of prominence and has since then seen tremendous progress. The need to become highly customer focused has forced the slow-moving public sector banks to adopt a fast track approach.

Employees are the most important resource for banks. They contribute in contribute in achieving higher profitability, business, competitive advantage and goodwill of the banks. Management should treat them as business partners. The mindset of past is not going to work out in present scenario. They should be discussed, consulted, motivate and participate to accomplish tasks and meet performance standards. Finally it is manpower that makes the difference in performance. The impact of employees is very good on performance, profitability, progress and goodwill of banks. In future it can be improved further because there is a scope for further improvement. With higher productivity and performance of employees the future of banks is going to be bright definitely.

Chapter 7: Annexure

1: Questionnaire

Part 1: For Bankers

Part II: For Customers

Chapter 7: Annexure

1: Questionnaire

Objective: Data are collected for research work and other than this has no other purpose. The information collected from respondents would be kept confidential.

Part 1-For Bankers

Personal Particulars

Name :

Designation :

Experience :

Sex :

Note: Tick (√) the option of your choice.

1. How do you find the business environment for banking sector?

   (a) Highly Competitive ☐

   (b) Competitive ☐

   (c) Low Competitive ☐

   (d) No Competition ☐

2. Who are mainly your Competitors in banking sector?

   (a) International Banks ☐

   (b) Public Banks ☐

   (c) Private Banks ☐

   (d) All the above ☐

3. Does your bank find difficult to survive, grow, stabilize and excel in business?

   (a) Most difficult ☐

   (b) Very difficult ☐

   (c) Difficult ☐

   (d) Not Difficult ☐

4. What strategy your bank has adopted to do banking business effectively in competitive situation in market?

   (a) Use of advance technology ☐

   (b) Reducing manpower ☐

   (c) Change in working process ☐

   (d) Improving bank performance ☐

5. According to importance, rank the resources being used in your bank for business activities.

   (a) Manpower ☐

   (b) Machines ☐

   (c) Money ☐

   (d) Materials ☐

6. What are the advantages of higher employee's performance to the bank?

   (a) Quality and quantity improve ☐

   (b) Higher employees productivity ☐

   (c) Employee's Satisfaction ☐

   (d) Higher profitability ☐

   (e) All the above ☐

7. Does your management is interested to manage performance of employees consistently?

   (a) Highly interested

   (b) Interested

   (c) Not Interested

   (d) Cannot say

8. What are the functions being performed by performance management in your bank?

   (a) Setting Goals and performance standards

   (b) Communication, Coaching, feedback

   (c) Performance appraisal

   (d) Development planning for future

   (e) All the above

9. What are the benefits from performance management to your bank?

   (a) Financial gains

   (b) Non-financial gains

   (c) Effective Management Control

   (d) All the above

10. Who does play important role in performance management process in your bank?

   (a) Managers

   (b) Supervisors

   (c) Reviewers or experts

   (d) All the above

11. Is management interested to improve productivity of every employee in your organization?

(a) Highly interested

(b) Interested

(c) Not Interested

(d) No idea

12. Does the performance appraisal is regularly carried by the responsible manger or supervisor?

(a) Yes

(b) No

(c) Sometimes

(d) No idea

13. Which method is being used for performance appraisal?

(a) Traditional methods

(b) Modern methods

(c) Both (a) and (b)

(d) No idea

14. Do you feel performance appraisal is beneficial for whole organisation?

(a) Yes

(b) No

(c) Sometimes

(d) No Idea

15. What are the objectives of measuring productivity of employees?

(a) Search of suitable technology

(b) Improve working efficiency

(c) Reducing operation costs

(d) Improve overall profitable and goodwill

(e) All the above

16. Which factors do affect the employee's productivity in your bank?

(a) Physical working conditions

(b) Use of technology

(c) Trainnig and Devlopment opportunity

(d) Adequte Compensation

(e) Favourable Mangement attitude

(f) All the above

17. How is productivity improved in your bank?

(a) Setting missions. goals and perfomance standards

(b) Motivating Employees

(c) Training and development

(d) Perfomance appraisal

(e) Future perfomance development plan

(f) All the above

18. Do employees play very crucial role in getting competitive edge over completions in banking?

(a) Very Crucial

(b) Crucial

(c)Moderate effect

(d) Does not affect

(e) Cannot say

19. Do you agree the employees providing banking service to customers are the service providers, organisation for customers, brand and marketers?

(a) Strongly agree ☐

(b) Agree ☐

(c) Does not agree ☐

(d) No idea ☐

20. The future of bank with higher productivity and performance of employees would be bright in highly competitive situation in future.

(a) Very bright ☐

(b) Bright ☐

(c) Average ☐

(d) Poor ☐

(e) No idea ☐

21 Which sector in banking is more conscious about higher productivity and performance of employees?

(a) Public sector Banks ☐

(b) Private sector Banks ☐

(c) Foreign Banks ☐

(d) Cooperative sector Banks ☐

(e) All the above ☐

Part II: For Customers

Objective: Data are collected for research work and other than this has no other purpose. The information collected from respondents would be kept confidential.

Personal Particulars

Name :

Age :

Sex :

Name of Bank holding account :

Note: Tick (√) the option of your choice.

22. Which type of bank account do you hold?

   (a) Saving ☐

   (b) Recurring deposit ☐

   (c) Fixed deposit ☐

   (d) Current account ☐

   (e) Others ☐

23. How frequently do you visit to your bank?

   (a) Bi-weekly ☐

   (b) Weekly ☐

   (c) Fortnightly ☐

   (d) Monthly ☐

   (e) As and when required. ☐

24. How do you feel when you visit to your bank?

(a) Very happy

(b) Happy

(c) Normal

(d) Not happy

(e) Cannot say

25. Who have convinced you to open an account or avail banking services from your bank?

(a) Branch manager

(b) Advertising

(c) Goodwill of bank

(d) Employees of bank

(e) Others

26. How much time do you stand in queue for operating your account?

(a) Up to 10 minutes

(b) 11 - 20 minutes

(c) 21 - 30 minutes

(d) Above 30 minutes

27. Do the employees pay proper attention towards customers?

(a) Utmost attention

(b) High attention

(c) Average attention

(d) Less attention

(e) No attention

28. What level of interest employees have shown in their job?

(a) Most interested

(b) Highly interested

(c) Interested

(d) Less interested

(e) Not interested

29. Do you find the employees have required level of competencies for performing jobs?

(a) Highest level

(b) Higher level

(c) High level

(d) Average level

(e) Low level

30. While performing the job did you find the employees face difficulties?

(a) Always

(b) Often

(c) Sometimes

(d) Rarely

(e) Never

31. Did employees get involved in arguments with you while dealing?

(a) Always

(b) Often

(c) Sometimes

(d) Rarely

(e) Never

32. Did you find willingness among employees to shoulder responsibility to handle customers?
    (a) Always
    (b) Often
    (c) Sometimes
    (d) Rarely
    (e) Never

33. Did you find the employees motivated while performing their jobs?
    (a) Always
    (b) Often
    (c) Sometimes
    (d) Rarely
    (e) Never

34. How did you find the employees' behavior while attending customers?
    (a) Most cooperative
    (b) Very cooperative
    (c) Cooperative
    (d) Non cooperative
    (e) Highly non cooperative

35. Did employees try to convince the customers whenever they faced difficulties in dealing?
    (a) Always
    (b) Often
    (c) Sometimes
    (d) Rarely
    (e) Never

36. Did they take initiatives to solve the problems faced while dealing customers?

(a) Always

(b) Often

(c) Sometimes

(d) Rarely

(e) Never

37. Did you find the employees satisfied as satisfied persons during your meeting in bank?

(a) Always

(b) Often

(c) Sometimes

(d) Rarely

(e) Never

38. What is level of satisfaction from services delivered by bank employees in last one year?

(a) Highest

(b) Higher

(c) High

(d) Average

(e) Low

39. Employees are products, brand, organisation for customers, and marketers for customers:

(a) Always

(b) Often

(c) Sometimes

(d) Rare

(e) Never

40. Do employees contribute in achieving the following?

(a) Higher performance and productivity

(b) Higher profits and business

(c) competitive advantage over competitors

(d) Goodwill of the bank

(e) All the above

41. How do you evaluate the role of employees in banking service in present competitive scenario?

(a) Most Crucial

(b) Very Crucial

(c) Crucial

(d) Average

(e) Poor

42. What is the level of impact of employees' productivity on performance of bank, its profitability, progress and good will in the market?

(a) Highest.

(b)Higher

(c) High

(d) Average

(e) Poor

Chapter 8: Bibliography

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Analytical Study of Labour Productivity and Its Impact on Banking Sector

Chapter 1: Introduction

1. Introduction to the Topic

It is the era of globalization and the business environment is very turbulent. It is changing drastically. In present environment nothing is permanent except changes. Changes are likely to take place but with different pace at different time. External environmental factors like social, cultural, economic, legal, government policies, technology and competition are uncontrollable. Due to these, it has become very difficult to carry out the business activities effectively and efficiently. It is an uphill task to stabilize, grow and excel in the business performance. In this situation, the need for higher level of knowledge and skills are needed. Every organization whether big or small, is using manpower, machine, money and materials. To carry out its tasks these are needed and without these the tasks cannot be completed.

Human resource is the most important component of an organization. Human resource has been defined from national point of view, as the total of knowledge, skills, creative abilities, talents and aptitudes obtained in the population. Whereas from and individual enterprise point of view, they represent the total of inherent abilities, acquired knowledge, skills and aptitudes contained in employees of the enterprise. The human resource is given increasing significance in modern organization. Obviously, a majority of the problems in organizational setting are human and social rather than physical, technical and economic. The failure to recognize this fact causes great loss to the nation, enterprise and the individual. People at work comprise a large number of individuals of different sex, age, education standards and groups. These people at work exhibit not only similar behaviour patterns and characteristics to a certain degree, but they also show many dissimilarities. Each individual who works has his own set of needs, drives, goals and experiences. Management, therefore, must be aware not only the organizational needs but also needs and goals of employees.

In present scenario under liberalization, privatization and globalization the companies are facing stiff competition. It has become very difficult to achieve the objectives and pre decided performance standards. To do so the skilled and motivated employees are strongly needed. They can give more output per person. Their performance can be measured with the help of labour productivity concept. Productivity is known as output per person or system. Labour productivity is called output per person. It is the ratio of output to input.

$$\textbf{Labour Productivity} = \frac{\textbf{Output}}{\textbf{Input}} \times \mathbf{100}$$

Banking service is related to the topic of the study. Mobilization and proper utilization of resources affects economic growth of a nation. Banks play very important role in the economic life of the nation. Although banks create no new wealth but their borrowing, lending and related activities facilitate the process of production, distribution, exchange and consumption of wealth. In this way they become very effective partners in the process of economic development. Today, modern banks are very useful for the utilization of the resources of the country. The banks are mobilizing the savings of the people for the investment purposes. The savings are encouraged and saving rate increases. If there would be no banks then a great portion of a capital of the country would remain idle.

After independence, the development of banking sector picked up momentum. Since 1991, public and private sector banks are co-exiting and providing banking service to the customers. They are playing very important role for overall economy development. In service sector, involvement of human element is of very high and this is application in banking service too. Attitude, interest, motivation, skills and knowledge, behavior, promptness, response to call etc. all are related to employees. These factors affect the individual and organizational performance. Hence, the concept of labour productivity is banking sector has great significance in present time. In present stiff competitive situation, it has become difficult to attract customers, retain and motivate them for further business. When employees give better performance then only the profitability of the banking unit will go high. Therefore, the output per person matter a lot. So the importance of productivity concept has been felt everywhere. That is why this topic has been selected for study purpose.

2. Rationale of The Study

Management is putting best efforts to utilize every resource effectively and efficiently and specially the manpower. Management realized the importance of human resource and its better performance at job. Due to motivated and talented manpower the banking sector is giving good results every year. The importance of manpower cannot be ignored in present competitive situation. Over and above the output given by them contribute a lot in the progress of the banking sector. In Indian banking sector public, private, foreign, development and cooperative banks are performing banking service very well under competitive situation. In this situation, for survival and growth management in banks is adopting different strategies to improve labour productivity. It provides one shot solution in the competitive situation. Due to the magnificent contribution of labour productivity on progress I have been attracted by this topic and selected for the research study.

3. Objectives of The Study

Following are the objectives of this study:

(a) To understand the concept of employee/ human resource, importance of human resource performance, factors affecting performance, labour productivity, factors affecting, benefits of higher, labour productivity, other related concepts, and concerns of all parties involved.

(b) To study the causes of lower productivity, strategies to improve it and involvement of different parties with concept of labour productivity and their initiatives.

(c) To find out the practices adopted in banking, examine the labour productivity in banking sector and the problem faced regarding labour productivity.

(d) To summarize on the basis of study, the findings and give suggestions for further improvement of labour productivity in banking sector in India.

(e) To meet the requirement of award of Ph. D degree programme.

4. Expected Contribution From The Study

It is expected the study of this topic would contribute in clarifying the all concepts relating to human resource, performance and labour productivity very well. After study of the topic in depth the fundamental concepts are very clear. The beneficiary from the study of this topic would be first of all self-researcher, academicians, practicing managers, prospects researchers and the banks. If these parties refer this research study in future may take advantage of the finding and suggestions. Academician, practicing managers and research students may take benefits for academic purpose and on the jobs. The banks if feel may implement the suggestions for improvement of performance and productivity of manpower. It can be said the benefits would be multidimensional for above mentioned parties.

5. Research Methodology

Research methodology explains the method of conducting research and shows the logical sequences of the steps involved in research. Research methodology includes the following:

(a) Type of Research

This research is descriptive research. The topic is theoretical and relating to this the data are collected from banking sector from different banks. The practices followed in different banks relating to manpower, performance and labour productivity are studied intensively. The descriptive research is most suitable to the topic selected.

(b) Sources of Data

For the study purpose both primary and secondary data are used. The primary data collected from employees, their supervisors, managers and customers. The secondary data collected from financial statements of last 5 years from different banks, HR policies of banks and reports of RBI and governments. These data used in combination as per need of the study. These data having different merits and demerits and serves the purpose of the research.

(c) Instruments for Data Collection

For research study data were collected with the help of instruments. These instruments are questionnaire, interview, telephones/ mobiles, internets etc. These have been used according to the requirements of the study and availability of instruments. These have been used in combination to meet the requirement of the research study.

(d) Sampling

For data collection sampling has been used because the universe is very large and it was very difficult to study the whole universe so the sampling process has been used. The customers and banks employees from major cities and their surrounding have been selected It has been assumed that the behaviour of customers and banks employees across the country is similar to the customers and employees located in Gujarat region. For data collection stratified random sampling has been used. The universe was divided in Ahmedabad, Baroda, Surat and Rajkot regions and from each region the respondents were selected from urban and rural areas randomly. The sample size is selected 500 to ensure that the sample is proper representative of the universe to maintain the accuracy of data and manage the research effectively.

(e) Time Duration:

To carry out the study the time permitted by the University for Ph.D. research work is two years and it has been completed and submitted within the permitted time period.

(f) Statistical Tools for Data Analysis:

For data analysis measures of central tendency, average, variance etc. are used. For testing of hypothesis Chi- square has been used.

(g) Hypotheses:

The following hypothesis will be tested with the help of statistical tools:

(i) Null Hypotheses:

• There is no significant difference amongst selected banks regarding labour productivity ratio.

• There is no significant impact of labour productivity on business performance of selected banks.

(ii) Alternative Hypotheses:

• There is significant difference amongst selected banks regarding labour productivity ratio.

• There is significant impact of labour productivity on business performance of selected banks.

(iii) Hypotheses Testing:

With reference to all the above testing, the chi-square test inferences that there is an important difference between the banks and their labour productivity ratio. There is significant impact of employee's productivity on business performance of selected banks. Hence the alternative hypothesis is accepted.

Therefore the conclusion is that there are advantages due to higher performance of employees to banks are higher productivity, employees' productivity, satisfaction and profitability of banks as a whole. The management of banks are highly interested to improve the productivity of every employee in the organization because the employees play crucial role in getting competitive edge over competitors in banking. There is strong agreement that the employees providing banking service to customers are the service providers, organization for customers, brand and marketers. Therefore, all the banks (public sector, private sector, foreign, and cooperative banks) are more conscious about higher productivity and performance of employees. Therefore, it is concluded that that employees are products, brand, organization for customers, and marketers for customers. Finally, it is said that the employees contribute in achieving higher performance and productivity, higher profits, business, and competitive advantage to their banks.

6. Limitations of the Study

To carry out the research study the following limitations were expected and faced:

(a) Availability of secondary data from banks was difficult.

(b) Employees avoided or hesitated to give relevant data.

(c) Management did not like to share their views on the topic.

(d) Time, cost and location factors caused difficulties.

(e) Sample size might not be exact representative of the universe.

However sincere efforts have been put to overcome the limitations faced.

Chapter 2: Performance Management

1. Introduction

Human resource is the most important resource of the organization. The concepts of human resource, personnel, employees, labour force and manpower are interchangeable. We frequently use these terms one in place of the others. The term employee is most widely used and it has been defined by different authors and laws as follows:

(a) A person who is hired to provide services to a company on a regular basis in exchange for compensation and who does not provide these services as part of an independent business.

(b) Individual who works part time or full time under a contract of employment, whether oral or written, express or implied, and has recognized rights and duties is called a worker.

On the basis of their skills and job the employees may be called unskilled, semi-skilled and skilled employees. Further as per the nature of the job performed they are classified as technical and non-technical employees. The business environment is changing drastically. In present situation it is difficult to predict about anything. It is uncertain to say that what will happen tomorrow. Again the need for highly skilled and dedicated manpower is felt who can give the best output. Nowadays the markets are also very competitive and there is cut throat competition. For every organization it is difficult to start, survive, stabilize and excel in the business. The firm that gets the advantage over other competitors through their talented and dedicated manpower can take the lead in the market. The contribution of employees on job is the most important factor for development and excellence in business. The performance of employees on different jobs in close coordination is needed for success of the unit.

Employees are performing different jobs in an organization depending upon the nature of the organization. All these activities are inter-related to achieve the targets. These are to be performed by the employees properly so they can give their best output at the job. This will have great impact on the total production, sales, profit, progress and market position of the company in the market. Various factors like skills, training, motivation, dedication, welfare, management policies, fringe benefits, salary and packages, promotion, communication etc. are responsible to encourage the people to work sincerely and give their best output. The importance of employees' performance must be understood by the management and sincere efforts must be put in that direction. The management of the company taking timely steps in that direction will be in position to develop and motivate the people to do so. Finally the company may take the lead in the market and grab the opportunities available in the market.

2. Advantages of Higher Employees' Performance

Following are advantages of higher performance to the individuals, organization, society and nation as a whole:

(a) The productivity of individual on job increases.

(b) Employee gets job satisfaction at job.

(c) Psychological problems of employees come to low level.

(d) Involvement of employees in their jobs increases.

(e) A sense of commitment and loyalty among employees develop.

(f) Employees get higher salaries and incentives on production basis.

(g) Quality and quantity of the total production increase.

(h) Sales and market shares of the company in the market improves.

(i) Profit improves and that leads to progress of the business.

(j) Good will of the organization goes high.

(k) All these contribute in the development of national economy and living standard of the society as a whole.

3. Performance Management

The main objective of human resources management is to utilize the human resources in a most optimal manner so that targets can be achieved very effectively and efficiently. For this purpose managing performance of employees as a whole is very important. Performance management takes care of this function. Performance management maintains, develops and motivates the people at work to give better results. In the present competitive situation the organisation that gives better results can survive, stabilize, grow and excel in the performance. It helps a lot in achieving the objectives of HRM. Performance management includes activities to ensure that goals are consistently being met in an effective and efficient manner. Performance management can focus on performance of the organization, a department, processes to build a product or service, employees, etc. The performance management is mainly concern with the performance of the people, systems and organization. To achieve this objective performance management performs a variety of functions. These functions are summarized below:

(a) Create healthy work environment

(b) Develop performance plans

(c) Selection of appropriate people

(d) Decision regarding performance standard

(e) Plans for development of employees

(f) Measurement of performance

(g) Conducts performance feedback

(h) Design compensation, recognition and reward system

(i) Contributes in developing good will

4. Steps in Performance Management Process

After depth study of various organisations, it is found that in every organisation different steps have been taken and there is no similarity in steps in performance management process. It entirely depends upon the requirement of the organisation and the management working pattern. Some organisations take help form the consultants and some are having their own internal experts for scanning the business the business environment, identifying and prioritizing the goals, fixing responsibility and accountability, expected performance standards and many more work related aspects. In large oganisation mostly numbers of steps are followed but in small and further smaller organisations some of the steps may be or may not be followed. It is summarised that the steps involved in performance appraisal are planning for objectives and performance standards, communication and guidance, performance appraisal and review of appraisal for development and planning action for future.

Chapter 3: Analysis of Banking Sector in India

1. Introduction

A bank is a financial institution that accepts deposits and channels those deposits into lending activities. Banks primarily provide financial services to customers while enriching investors. Government restrictions on financial activities by banks vary over time and location. Banks are important players in financial markets and offer services such as investment funds and loans Commercial banks offer a wide range of corporate financial services that address the specific needs of private enterprise. They provide deposit, loan and trading facilities but will not service investment activities in financial markets. Commercial banks can be described as a type of financial intermediary. Commercial banks provide a number of import financial and trading documents such as letters of credit, performance bonds, standby letters of credit, security underwriting commitments and various other types of balance sheet guarantees. They also take responsibility for safeguarding such documents and other valuables by safe deposit boxes.

2. Banking History

The banking activities started nearly thirty thousand years back It is very difficult to trace the exact year or starting but it can be estimated. From starting to the present modern banking system it has undergone many changes. The Indian Banking Sector is quite different from the banking system in the rest of Asia, because of the distinctive geographic, social and economic characteristics of the country. India is the second most populated nation in the world; it has marked economic disparities and high levels of illiteracy. The country followed a socialist approach for well over 4 decades after independence till the government initiated the economic reforms through the policy of liberalization.

The banking structure in India is therefore a reflection of the countries socialistic set up. It had to meet the goals set by the five year plans, especially with regard to equitable distribution of wealth, balanced regional economic growth and removing private sector monopolies in trade and industry. For the past three decades India's banking system has several outstanding achievements to its credit. The most striking is its extensive reach. It is no longer confined to only metropolitans or cosmopolitans in India. In fact, Indian banking system has reached even to the remote corners of the country. This is one of the main reasons of India's growth process. The government regular policy for Indian bank since 1969 has paid rich dividends with the nationalisation of 14 major private banks of India.

In the early 1990s, the then Narsimha Rao government embarked on a policy of liberalization, licensing a small number of private banks. These came to be known as New Generation tech-savvy banks, and included Global Trust Bank (the first of such new generation banks to be set up), which later amalgamated with Oriental Bank of Commerce, Axis Bank(earlier as UTI Bank), ICICI Bank and HDFC Bank. This move, along with the rapid growth in the economy of India, revitalized the banking sector in India, which has seen rapid growth with strong contribution from all the three sectors of banks, namely, government banks, private banks and foreign banks. The next stage for the Indian banking has been setup with the proposed relaxation in the norms for Foreign Direct Investment, where all Foreign Investors in banks may be given voting rights which could exceed the present cap of 10%, at present it has gone up to 74% with some restrictions.

The Indian banking system is financially stable and resilient to the shocks that may arise due to higher non-performing assets (NPAs) and the global economic crisis, according to a stress test done by the Reserve Bank of India (RBI). The Indian banking can be broadly categorized into nationalized (government owned), private banks and specialized banking institutions. The Reserve Bank of India acts a centralized body monitoring any discrepancies and shortcoming in the system. Since nationalization of banks in 1969 the public sector banks or the nationalized banks have acquired a place of prominence and has since then seen tremendous progress. The need to become highly customer focused has forced the slow-moving public sector banks to adopt a fast track approach. Further the focus of government policy was to develop cooperative sector and rural areas. Further with liberalization of world economies the government permitted the public sector also to operate in banking sector since 19991.

At present the Indian financial system consists of public, private, cooperative, development and foreign banks. To control and regulate the operation of all these banks the authority has been vested to Reserve Bank of India and it is the central controlling authority for all banks in India. In banking sector the different types of services are being offered. The owners of the banks are located at one place. But their branches are scattered and located across the country. They jobs of offering the services are assigned to employees. The performance they are giving on the job matters a lot. That affects the customers' satisfaction, getting and retaining existing customers, complaints handling, targets achieved, sales turnover, profits, market shares and good will of the company. The performance of employees is being focused not only in banking but every service sector. The better performance gives satisfaction to the customers. The services are to be provided with minimum processing and waiting time, proper response, promptness and desire to handle more and more customers. With these objectives the employees are selected on merit basis.

Next the other factors like technology, working conditions, location of work, rules and regulations, management approach, business environment etc affect the working of persons. These are to be taken care of. This should not be ignored. Productivity can be improved through different management processes like following scientific management principles. Specifically It includes, production planning, and control, production cost, inventory control, operation research, specialization, cost control, budgetary control, marketing research, matching demand and supply, replacement of old technology, preventive maintenance etc. contribute in improving productivity.

For the research study, from banking sector the leading banks from different categories have been selected. These are nationalized/ public banks, private banks, foreign banks, development banks and cooperative banks. These have been selected from Gujarat only with the assumption that the behaviour of bank customers and practices adopted relating to bank employees are similar across India as prevailing in Gujarat also.

Chapter4: Findings, Conclusions and Suggestions

1. Findings

On the basis of data analysis the findings are following:

Part I: For Bankers

1. Majority of bankers are of the opinion that business environment is highly competitive.

2. Nearly half of the bankers say the competition is faced from public, private, cooperative and foreign banks.

3. Majority of bankers find very difficult to survive, grow, stabilize and excel in banking business.

4. For doing banking business effectively the strategies adopted are use of advance technology, changes in working process and improving bank performance.

5. Out of resources used in banking business the manpower is most important and money is ranked second.

6. Nearly three-fourth of banks agreed that the major advantages of higher performance to banks are quality and quantity improvement, high productivity, employees' satisfaction and higher profitability.

7. More than half of bankers said that management of banks is highly interested to manage performance of employees consistently.

8. More than half of bankers said that the major functions performed by performance management are setting goals and performance standards, communication, coaching feedback, performance appraisal and development planning for future.

9. Two third majority of bankers opined that the benefits of performance management to banks are financial, nonfinancial and effective management control.

10. Majority of respondents said that managers, supervisors and reviewers or exports all play important roles in performance management process.

11. Exactly half of bankers agreed that management is highly interested and one third said interested to improve productivity of employees.

12. Nearly two third of respondents said that the performance is carried out regularly in their banks.

13. More than half of respondents opined that traditional and modern both methods are being used and nearly one fourth said that the modern methods are used mainly for performance appraisal.

14. 60% of respondents said the performance appraisal is beneficial whereas quarter of respondents opined that it is beneficial but sometimes for the whole organization.

15. Majority of bankers said that the objectives of measuring productivity are to search for suitable technology, improving working efficiency, reducing operating costs and improve overall profitability and goodwill.

16. More than two-third of respondents agreed that physical working conditions use of technology, training and development adequate compensation and favourable management attitude affect the employee's productivity.

17. Two-third majority bankers opined that the factors affecting productivity improvement are setting missions, goals and performance standards, motivation of employees, training and development, performance appraisal, and future performance development banks.

18. Half of the respondents said that employees play very crucial and one third opined crucial role in getting competitive edge over competitors.

19. Nearly 60% of respondents strongly agreed and more than one-third agreed that the employees are service providers, organization for customers, brand and marketers.

20. Two-third of bankers opined that the future of banks with higher employee's productivity and performance is very bright.

21. Half of the respondents opined that all banks are conscious about higher productivity and performance of employees.

Part – II: For Customers

22. Majority of customers are holding saving accounts and others are fixed deposits and current account holders.

23. Mainly more than one-third of customers visit to banks as and when required and one-fourth of customers visit fortnightly.

24. Majority of customers feel normal and one-fourth feel happy when they visit to banks for transactions.

25. Mainly the customers are convinced by goodwill and employees of banks to open a new account.

26. More than one third of customers take 10-20 minutes and nearly one third take up to 10 minutes for a bank transaction.

27. Slightly more than half of the respondents said that average attention and one-fifth of them said high attention is paid by employees for customers.

28. Nearly two-third of the customers said that the employees are interested in the jobs.

29. Nearly half of respondents opined average level and one third opined high level of competencies the employees have to perform their jobs.

30. More than half of customers said sometimes and one-fourth said rarely the employees faced difficulties in performing their jobs.

31. Less than half of customers agreed rarely and one third said sometimes the arguments take place during transactions.

32. Nearly half of the customers observed that employees showed willingness to shoulder the responsibility to handle customers sometimes.

33. Nearly two-fifth of customers found employees sometimes and one-fourth of them found often motivated while performing their jobs.

34. Nearly half of customers found employee behaviour cooperative and one-fourth of them found employees very cooperative.

35. Nearly half of the customers often found employees convincing the customers during difficulties and one-fourth of them found employees always convincing.

36. More than two-third of customers agreed often and nearly one third agreed sometimes the employees take initiative to solve the problems while dealing the customers.

37. More than one third customers found employees often satisfied and same percentage also found sometimes satisfied during their meetings.

38. More than one third of customers found average level of satisfaction of employees and more than one-fourth found high level of satisfaction.

39. Employees are products, brand, organization for customers and marketers for customer agreed often by nearly half of the customers and one third said always.

40. More than two-third of customers agreed that the employees contribute in achieving the higher profitability and business, competitive advantage and goodwill of the banks.

41. More than one-third said crucial and less than one-third said very crucial is the role of employees in banking service in present scenario.

42. More than three fourth of customers said the impact of employees productivity is very high on performance of banks, its profitability, progress and goodwill in the market.

2. Conclusions and Suggestions

On the basis of study of finding the following conclusion and suggestions are given:

1. The present business environment for banking is highly volatile and uncertain. It is highly competitive and every bank is finding difficult to service grow, stabilize and excel in banking business. The proper and timely strategies are to be adopted to improve efficiency of the whole organization.

2. Competition is faced from public, private, foreign and cooperative banks. They have adopted the strategy for effective workings. For further improvement special focus should be given on selection, training, motivate career opportunities of employees etc.

3. Manpower is considered as the most important resource but it is day to day dealing sufficient efforts are not found for improvement of competencies and motivation of employees. Care should be taken to improve these.

4. Bank management is interested for performance of employees on paper. When questions come for implementation and monetary terms the half hearted efforts are put. There is need to change the mind set of management further and tune them as per the need of the hour.

5. Performance management functions are available on papers but actually these functions are not performed or performed partially. Performance management functions should be assigned to a separate cell under HR Head so that effectiveness of it would improve.

6. The awareness regarding benefits of performance management to banks is not very high. There is a scope for improvement. The awareness regarding this should be created further through discussion, circulars and lectures by experts.

7. The employees' productivity in average is not high in banks. There is a lot of scope for further improvement and awareness about it should be created through discussion, meeting and guidance on job among employees working on different jobs and levels.

8. Management of banks is interested for productivity improvement. A big gap is found between actual position and expectations. Top level management involvement and support can boost the efforts in right direction.

9. Performance appraisal planning and methods used are rightly available on papers. The improper appraisal is creating problems for further actions. Head of HR Department should look into this, take help of experts and implement the performance appraisal strongly. A lot of irregularities would be overcome.

10. The bankers are aware about the factors affecting productivity improvement. In public and cooperative banks the situation is of average. These factors are to be management without any lapse so that productivity can be improved.

11. Due to higher productivity the profitability of banks specially private and foreign banks is increasing whereas public and cooperative banks are lagging behind. No doubt in average total profit amount has increased but output per employee did not increase. Special efforts should be taken for training, motivation and guidance on job of employees in and cooperative banks.

12. The time taken for banking transaction is in average more. More waiting time is involved. Mainly the waiting time in public banks and ICICI bank out of private banks is more than other banks. Especially management of public bank should focus on prompt response and reducing waiting time.

13. After visit to banks the customers feel normal. In public banks it is slightly lower than foreign and private banks. There is a scope for development to make customers happy. The management should carry out the work study and work measurement to cut down unwanted activities and time taken for performing banking jobs.

14. Attention paid to customers and interest taken in jobs by employee is of average level management should focus to motivate employees to take more interest in jobs and proper attention to give to customers particularly in public and cooperative banks.

15. The employees faced difficulties while performing their jobs with advance technology in public and cooperative banks mainly aged employees. They are to be trained to improve competencies. If they are not willing to improve then they may be asked to take VRS.

16. For creating new accounts in bank goodwill and employees of banks play important role. The focus of management should be there on employees' selection, training and development, motivation, appraisal and career opportunities and motivation etc.

17. In case of motivation, behaviour, willingness to shoulder responsibility, convincing customers, initiative to solve problems and satisfaction are of average to good. A big gap is found to work out management should gear up and specially cooperative and public banks to plan and act smartly to improve these points.

18. Employees are the most important resource for banks. They contribute in contribute in achieving higher profitability, business, competitive advantage and goodwill of the banks. Management should treat them as business partners. The mindset of past is not going to work out in present scenario. They should be discussed, consulted, motivate and participate to accomplish tasks and meet performance standards.

19. Finally, it the only manpower that makes the difference. The impact of employees is very good on performance, profitability, progress and goodwill of banks. In future it can be improved further because there is a scope for further improvement. With higher productivity and performance of employees the future of banks is going to be bright definitely.

3. Summary

In present scenario under liberalization, privatization and globalization the companies are facing stiff competition. It has become very difficult to survive, grow, stabilize and excel in the business. The companies performing better and before others are taking the lead in business. To do so the skilled and motivated employees are strongly needed. They can give more output per person. Their performance can be measured with the help of labour productivity concept. The labour efficiency can be measured with the help of productivity concept. Nowadays, it is concerned of everybody to utilize the labour force properly so the output can be increased. This contributes in progress of employees, employers and the nation as a whole. Higher level of labour productivity satisfies employers and employees psychologically. It gives a great impact on performance of people and progress of business.

Banks play very important role in the economic life of the nation. The health of the economy is closely related to the soundness of its banking system. Although banks create no new wealth but their borrowing, lending and related activities facilitate the process of production, distribution, exchange and consumption of wealth. In this way they become very effective partners in the process of economic development. All these activities are being performed by employees across the world. It is manpower that utilizes other resources of banks to carry out the business in public, private, cooperative and foreign sector banks.

Employees are the most important resource for banks. Their performance/ productivity must be measured timely. Their performance contributes in achieving higher profitability, business, competitive advantage and goodwill of the banks. Management should treat them as business partners. The mindset of past is not going to work out in present scenario. They should be discussed, consulted, motivate and participate to accomplish tasks and meet performance standards. Finally it is manpower that makes the difference in performance. The impact of employees is very good on performance, profitability, progress and goodwill of banks. In future it can be improved further because there is a scope for further improvement. With higher productivity and performance of employees the future of banks is going to be bright definitely.

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Synopsis

On

Analytical Study of Labour Productivity and Its Impact on Banking Sector

Submitted To Fulfil Partial Requirement For Award of Degree of Doctor of Philosophy

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CERTIFICATE

This is to certify that the dissertation entitled "**Analytical Study of Labour Productivity and Its Impact on Banking Sector**" has been prepared by **Mr. Vikramender Singh Balyan** under my guidance and supervision. This is his original research work and is being submitted to the **Department of Economics, Saurashtra University, Rajkot-360005,** for the award of degree of Doctor of Philosophy. This has not been submitted elsewhere for award of any degree or diploma. He has put his sincere and dedicated efforts to complete his research work.

I wish him best of luck and success in life.

Date : February, 2011

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DECLARATION

I the undersigned, **Vikramender Singh Balyan**, a research scholar of Doctor of Philosophy pragramme, hereby declare that the dissertation titled "**Analytical Study of Labour Productivity and Its Impact on Banking Sector**" presented here is my original research work carried out in last two years period from February,2009 to February 2011. It has been carried out under the guidance of **Dr. RA Joshi, Associate Professor, Department of Economics, Saurashtra University, Rajkot - 360005.** The present research work has not been earlier submitted elsewhere to any other university for award of any degree or diploma.

Date : February, 2011

Place : Rajkot **(Vikramender Singh Balyan)**

Table of Contents