

## **Profitability and Productivity Performance of the Selected Public Sector Banks in India**

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**Abstract :** Background and significance of the study: Banking industry performs as a catalyst for industrial growth and agricultural growth, however, as well involves the existence and welfare of the citizens. The banking system in India was described by unmatched growth and the recreation of bunch making in the pre-liberalization era. At the time of financial sector reforms Reserve Bank of India issued a regulatory norm concerning capital adequacy, income recognition, asset classification and provisioning that have increasingly precede meeting by means of the international paramount performs. Bank management ceaselessly manages the triumph, effectiveness, productivity and performance of the bank as good performance, high productivity and efficiency authorizes the triumph of the bank management targets as well as aims of bank. In a comparable move toward performance of any economy depends upon the expediency and effectiveness of its financial system of nation establishes its economic growth indicators. Profitability and productivity are the most important relevant parameters of any banking group. Keeping in view of this, this study examines the profitability and productivity performance of the selected public sector banks in India. Methodology: This study is based on secondary data obtained from Reserve Bank of India database for the periods between 2006 and 2015. This study purposively selects four types of commercial banks, namely, State Bank of India, United Bank of India, Punjab National Bank and Allahabad Bank. In order to analyze the performance with relation to profitability and productivity, productivity performance indicators in terms of capital adequacy ratio, burden ratio, business per employee, spread per employee and advances per employee and profitability performance indicators in terms of return on assets, return on equity, return on advances and return on branch have been considered. In the course of analysis, descriptive statistics, correlation statistics and multiple regression have been used. Major findings: Descriptive statistics indicate that productivity performance of State Bank of India is very satisfactory than other public sector banks in India. But management of productivity is unsatisfactory in case of all the public sector banks under study. Correlation statistics point out that profitability of the public sector banks are strongly positively related with productivity performance in case of all the public sector banks under study. Multiple regression test results show that when profitability increases profit per employee increases and net non-performing assets decreases. Concluding statements: Productivity and profitability performance of United Bank of India, Allahabad Bank and Punjab National Bank are unsatisfactory due to poor management of asset quality as well as management efficiency. It needs government's interference so that profitability and productivity performance are increased in the near future.

**Keywords :** India, productivity, profitability, public sector banks

**Conference Title :** ICAF 2016 : International Conference on Accounting and Finance

**Conference Location :** Singapore, Singapore

**Conference Dates :** March 03-04, 2016