

PERFORMANCE MEASUREMENT OF SELECT PRIVATE BANKS IN CUDDALORE DISTRICT – AN ANALYSIS

Dr.A.Santhanakannan

*Assistant Professor and Head of the Department of Commerce, King Nandhivarma College
of Arts and Science, Tellar, Vandavasi, Tamilnadu*

Dr.K.A.Kunjithapatham

*Assistant Professor in Commerce, Sri Sankara Arts and Science College,
Enathur,Kanchipuram.*

Abstract

The study was intended to analyse performance of select private sector banks in Cuddalore district through opinion of the employee respondents. This study selected three private sector banks as sample such as ICICI Bank, HDFC Bank and Axis Bank. The primary data were collected through questionnaire. The study used simple percentage, mean score and ranking method for analyzing the data. The study found that the awareness level was high in case of internal business process prospective followed by customer perspective and return on investments and awareness level was found to be low in case of CAMEL framework followed by Learning and growth perspective. Majority of the respondents opined that customer relationship was important for improvement of business followed by customer services and technology and the factor brand image was least important. It was also found that customer perspective stood at first rank in the measurements of operating performance of banking companies according to the opinion of the respondents followed by management efficiency. The factor assets quality was found to be least important for measuring business performance.

Key words: Bank, performance, CAMEL, awareness and customer relationship.

Introduction

Banking industry is the backbone for economic development of a country. In India, this industry is playing pivotal role for the development of the economy. After liberalization, both private banks and foreign banks has come into the industry and widened the scope of competition in the industry. Hence every bank tries to perform well in order to compete with other banks. Once, the functions of a bank were to accept deposits and lend loans. But now banks provide variety of services to their customers. Hence it is necessary to measure performance of banks for smooth functioning of their business. Performance of the banking business can be ascertained through analyzing financial data and can be analysed through opinion of the employees on various measures, their importance, present banking business environment and so on. Hence the study aimed to analyse the primary data obtained from bank employees on various aspects of performance analysis of banking companies.

Literature Review

Durga Madhab Mahapatra and Ashok Kumar Mohanty (2011) found that the banking sector had been facing the problems like too much regulation by the RBI, eroded productivity and efficiency of PSBs, continuous losses born by PSBs, increasing NPAs, deteriorated portfolio quality, poor consumer service, obsolete technology and inability to meet the competitive environment till 1991. Tanmaya Kumar Pradhan and Srikanta Kumar Mohapatra (2012) found that there had been a constant increase in total deposits of both Public and Private Sector Banks in Odisha, but the rate of increase was found to be more in urban areas. Although Private Sector Banks did not show uniform performance in respect of recovery of loans in every year but it had performed well in reducing NPA during this period. Sriharsha Reddy K (2012) evidenced that public sector banks had significantly improved indicating positive impact of the reforms in liberalizing interest rates, rationalizing directed credit and Investments and increasing competition. Raman P (2013) in his stud found that the performance of the commercial bank in the area of priority sector advances are in increasing trend, that too it has

increased by 13.99 times for public sector banks, 35.63 times for private sector banks and 69.09 times for foreign banks. Pinku Paul (2015) in his paper concluded that the schedule commercial banks of Indian were significantly performing satisfactory and contributing to the national growth of the country.

Objective

- To analyse the performance of select banks on the basis as opined by employee respondents in the study area.
- To assess the recent trends in performance measurement system
- To various measures of operating system in the bank
- To examine the growth performance of selected private sector bank in cuddalore dist.

Methodology

The study intended to analyse performance of select private sector banks in Cuddalore district through opinion of the employee respondents. This study selected three leading private sector banks as sample such as ICICI Bank, HDFC Bank and Axis Bank. The study collected data from 24 respondents at 6 from each bank in the study area. A well structured questionnaire was used to collect data from the branch managers of the selected banks. The questionnaire included various measures of performance of their bank. The study used simple percentage, mean score and ranking method for analyzing the data.

Results and Discussion

This part of the paper presents the results and discussion on performance measure of selected private sector banks in the study area.

Awareness Level

The study tested awareness level of the respondents on 6 measures and the results are presented in the following table. For understanding the level of awareness mean score was calculated. For this purpose option “to large extent“ was given 5, second option was given the value of 4 and vise versa.

Table 1: Awareness of the Respondents Regarding Performance Measurement System

(Percentage on total)

Sl. No.	Measures	To large extent	To some Extent	To little extent	Very little Extent	Not aware	Mean Score
1	Return on Investment	25.0	29.2	20.8	16.7	8.3	3.39
2	CAMEL framework	12.5	20.8	20.8	25	20.8	2.74
3	Productivity measures	20.8	29.2	16.7	20.8	12.5	3.22
4	Customer perspective	41.7	12.5	33.3	8.3	4.2	3.54
5	Internal business process perspective	29.2	37.5	16.7	8.3	8.3	3.65
6	Learning and growth perspective	12.5	20.8	25.0	29.2	12.5	2.83

Source: Primary Data

Table 1 shows that 25 per cent of the respondents had awareness to large extent about return on investment, 29.2 per cent of the respondents had awareness to some extent, hence majority of the respondents had awareness on return on investment. CAMEL is the popular method used for measuring performance of banking companies. 12.5% of the respondents had awareness to large extent and 20.8% of the respondents had awareness about CAMEL to some extent, hence majority of the respondents did not have awareness on CAMEL. 29.2% of the respondents had awareness

regarding productivity measures to some extent and 20.8% of the respondents had awareness to large, so half of the respondents had awareness on productivity measures. Majority of the respondents had awareness on customer perspective, of which 41.7% had awareness to large extent and 12.5% had to some extent. Similarly, majority of the respondents (66.7%) had awareness on internal business perspective, of which 29.2% had awareness to large extent and 37.5% had awareness to some extent. Less number of respondents had awareness on learning and growth perspective. Only 12.5% of the respondents had awareness to large extent and 20.8% of the respondents had awareness to some extent. Table 1 also showed that awareness level of the respondents was high on the factor Internal business process perspective followed by Customer perspective and Return on Investment. On the other hand, awareness level was low in the factor CAMEL framework followed by Learning and growth perspective as shown by mean scores.

Importance of Intangible Assets

The following factors related to intangible assets of the banking company, such as customer service, customer relationship, customer loyalty, product innovation, technology, committed and trained staff, good work culture and brand image are important to measure performance of a banking company. These factors are analysed and the results are presented below.

Table 2: Rate of Intangible Assets to the Value Creation of the Banks

(Percentage on total)

Intangible Assets	Most Important	Important	Neutral	Un important	Most Unimportant	Mean Score	Rank
Customer service	41.7	50.0	8.3	0	0	4.30	2
Customer relationship	54.2	33.3	8.3	4.2	0	4.35	1
Customer loyalty	29.2	54.2	8.3	8.3	0	4.00	4
Product innovation	20.8	37.5	25.0	16.7	0	3.57	6
Technology	41.7	41.7	8.3	8.3	0	4.13	3
Committed and trained staff	12.5	37.5	25.0	25.0	0	3.30	7
Good work culture	16.7	45.8	29.2	8.3	0	3.70	5
Brand image	0	37.5	16.7	45.8	0	2.87	8

Table 2 reports that more than 90% of the respondents rated that customer service is either important or most important in value creation. Similarly, 87.5% of the respondents rated that customer relationship was either important or most important in value creation of the banks. Majority of the respondents (54.2%) rated that customer loyalty was important to the value creation and 29.2% of the respondents rated that it was most important. Majority of the respondents (58.3%) rated that product innovation was either important or most important to the value creation of the banks. Majority of the respondents (83.4%) of the total respondents rated that the technology was either important or most important in value creation of the banks. Half of the respondents rated that having committed and trained staff was either important or very important to the value creation of the banks. Majority of the respondents (62.5%) of the total respondents rated that good work culture was either important or most important to the value creation of the banks. 37.5 per cent of the respondents rated that brand image was important. About half of the respondents (45.8%) rated brand image was unimportant in the value creation of the banks.

The above table also indicated that the mean score of customer relationship was highest among the other intangible assets, which stood at 4.35 and it was ranked first, it showed that customer relationship was the most important for the banks followed by customer services and technology. The factor brand image was ranked last with the lowest mean score of 2.87 followed by committed and trained staff with the mean score of 3.30.

Measures of Operating Performance

In performance analysis of banking companies it is necessary to know operating performance of the banks. The researcher considered 12 important factors for the analysis. The results of the above analysis are presented in the following table.

Table 3: Opinion Regarding Various Measures of Operating Performance

Sl. No.	Measures	Most Important	Important	Neutral	Un important	Most un important	Mean Score	Rank
1	Return on Investment	25.0	45.8	16.7	12.5	0	3.78	4
2	Capital Adequacy	33.3	25.0	33.3	8.3	0	3.78	5
3	Assets Quality	0	20.8	25.0	41.7	12.5	2.57	12
4	Management Efficiency	54.2	37.5	8.3	0	0	4.43	2
5	Earning Quality	8.3	50.0	25.0	16.7	0	3.48	6
6	Liquidity	25.0	58.3	12.5	4.2	0	4.04	3
7	Productivity measures	0	29.2	41.7	29.2	0	3.04	9
8	Customer perspective	62.5	37.5	0	0	0	4.61	1
9	Internal business perspective	8.3	29.2	41.7	20.8	0	3.22	8
10	Learning and innovation perspective	4.2	20.8	37.5	29.2	8.3	2.83	11
11	Employees' perspective	8.3	45.8	20.8	25.0	0	3.35	7
12	Other stakeholders' perspective	12.5	20.8	25.0	29.2	12.5	2.96	10

Source: Primary Data

Table 3 indicates that majority of the respondents (70.8%) opined that return on investment is either important or most important measures for operating performance of a banking company. Capital adequacy is concerned, majority of the respondents (58.3%) opined either it was important or most important. Majority of the respondents (54.2%) opined that assets quality is either unimportant or most unimportant for measuring operating performance of banks. Majority of the respondents (54.2%) opined that management efficiency is most important measurement for operating performance of banks and 37.5 per cent of the respondents opined that it was important. Majority of the respondents (58.3%) opined that earning quality was either important or most important measurement for operating performance of banks.

Liquidity plays vital role in measuring operating performance of banking companies. It was identified that majority of the respondents (83.3%) opined that liquidity was either important or most important for measuring operating performance of banking companies. 29.2% of the respondents opined that productivity measures were important for measuring operating performance of banks. 41.7% of the respondents opined that productivity measures were neither important nor unimportant. All the respondents opined that customer perspective was important for measuring operating performance of banks. 41.7% of the respondents opined that internal business perspective measures for operating performance were neither important nor unimportant. 25% of the respondents opined that learning and innovative perspective was important for measuring operating performance of banks, 37.5 per cent of the respondents opined that it was neither important nor unimportant. A considerable portion of the respondents (38.1%) opined that learning and innovative perspective were either unimportant most unimportant for measuring operating performance of banking companies. Majority of the respondents

(54.1%) opined that employees' perspective was either important or most important for measuring operating performance of banking companies. 41.7% of the respondents opined that other stakeholders' perspective was either unimportant or most unimportant for measuring operating performance of banking companies.

The above table also showed that customer perspective stood at first rank in the measurements of operating performance of banking companies according to the opinion of the respondents and its mean score stood at 4.61. Next to customer perspective, management efficiency stood at second rank in the importance of measurement of operating performance of banks, its mean score stood at 4.43 followed by liquidity at the mean score of 4.04. The mean score of these three measurements were more than 4, which means there were considered important by most of the respondents. The measurements such as other stakeholders' perspective, learning and innovation perspective and assets quality were least importance for measuring operating performance of banking companies and their mean scores were less than 3 at 2.96, 2.83 and 2.57 as opined by the respondents.

Conclusion

Performance measurement is very important for successful running of any business. In particular, in case of banking companies, measuring performance is very important, since there is heavy competition in the industry. Employees are key capital of banking companies. Hence the researcher has analysed performance of selected banks as opined by employee respondents. The study found that the awareness level was high in case of internal business process prospective followed by customer perspective and return on investments and awareness level was found to be low in case of CAMEL framework followed by Learning and growth perspective. Majority of the respondents opined that customer relationship was important for improvement of business followed by customer services and technology and the factor brand image was least important. It was also found that customer perspective stood at first rank in the measurements of operating performance of banking companies according to the opinion of the respondents followed by management efficiency. The factor assets quality was found to be least important for measuring business performance.

References

1. Durga Madhab Mahapatra and Ashok Kumar Mohanty (2011), "Problems and Challenges of Public Sector Banks (PSBs) In India during Globalized Era", Lachoo Management Journal, Vol.2, No.2, pp.89-101.
2. Pinku Paul (2015), A Study on Operational Performance of Indian Commercial Banks, IJCEM International Journal of Computational Engineering & Management, Vol. 18, No.4, pp.23-27.
3. Raman P (2013), A Study On The Performance Of Commercial Banks Towards Priority Sector Advances In Tamil Nadu, International Journal of Marketing, Financial Services & Management Research, Vol.2, No.2, pp.1-23.
4. Sriharsha Reddy K (2012), "Relative Performance of Commercial Banks in India Using Camel Approach", Research Journal of Economics and Business Studies, Vol.1, No.4, pp.1-23.
5. Tanmaya Kumar Pradhan and Srikanta Kumar Mohapatra (2012), "Performance of Odisha's Public Sector Banks and Private Sector Banks: A Comparative Study", International Journal of Business Economics and Management Research, Vol.3, No.5, pp.52-67.