A STUDY ON THE PRODUCTIVITY OF CITY UNION BANK LIMITED

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ARTICLE DETAILS	ABSTRACT
Research Paper **Keywords :** *Bank, Finance, Productivity, Decision and efficiency*	Finance deals with the requirements, receipts and disbursements of funds in the public institutions as well as in the private institutions. All business decision has financial implications. A single decision may financially affect different departments of an organization. Financial management may be described as making decisions on financial matters, implementing the decisions and review of the implementation. It is the process of managing the finance function. Productivity describes various measures of the efficiency of production. Productivity is a vital indicator of economic performance of an economic system. Productivity is not an end in itself. In fact it is a mechanism for improving the material quality of life. to survive in the competitive era banks have to monitor their performance by means of productivity and profitability analysis. As a private sector bank, City Union Bank Limited has been facing challenges from public sector banks and foreign banks. The study is made with productivity analysis of CUB.

Introduction

Finance is the management of money and other valuables which can be easily converted into cash; Finance is necessary to promote a business, purchase fixed assets, buy raw materials, produce goods and market them. Every business activity requires finance. Without finance, the business would come to a halt. Therefore, finance is the fundamental requirement of any business enterprise to carry on operations and achieve the goals. It has been rightly stated that business needs money to make more money.

Finance may be defined as the provision of adequate amount of money when it is required. As a management function, it has a wider meaning. Finance function is concerned with the procurement of funds and their effective utilization. Every enterprise whether big, medium or small needs finance to carry on its operation and to achieve its targets.

Statement of the problem

In a fast changing banking environment of today, the very survival of a banking organization depends on level of the income generated though optimum use of assets after paying the cost of funds for acquiring them and other administration cost involved therein, "Financial soundness" has a close relationship with the productivity of financial institutions.

The overall growth of an economy depends to a great extent on the efficiency, productivity and soundness of its banking system. A sound banking system serves as an important medium for pushing economic growth by mobilization of small savings of unproductive domestic sector and putting them to their productive use.

They are not only essential for the security and strength of the financial system, but also make significant contribution to the economy across the country. They continue to pursue all the opportunities available to enhance their productivity and competitiveness. Top bank management wants to identify and eliminate the underlying causes of inefficiencies, thus helping their firms to gain competitive advantages, or at least, meet the challenges from others. Therefore to survive in the competitive era banks have to monitor their performance by means of productivity and profitability analysis. As a private sector bank, City Union Bank Limited has been facing challenges from public sector banks and foreign banks. So, an attempt has been made by the researcher to analyze the productivity and profitability of City Union Bank Limited.

Objectives of the study

The following are the objectives of the study:

- To find out the financial position of the City Union Bank Limited.

- To examine the sources of funds and deployment of funds.

- To analyze the productivity of the City Union Bank Limited.

- To understand the level of efficiency and to evaluate the financial soundness and Stability of City Union Bank Limited.

- To give appropriate suggestions and recommendations for increasing the productivity and profitability of City Union Bank Limited.

Scope of the study

For the purpose of the study the researcher has selected the City Union Bank Limited. The concept of productivity and profitability were considered for the purpose of study. Various percentages, ratios, common size, and statistical aspects have been used for the study.

Period of the study

This study covers a period of 5 years from 2016-2017 to 2020-2021

Research methodology

Case study method has been followed for the study. The secondary data has been collected from the annual reports of the bank, monthly magazines published by the bank, circulars, and statements, standard book and journals, the analysis of data was made with help of accounting and statistical tools.

Limitations of the study

The following are the limitation of the study:

➢ The study is limited to City Union Bank Limited

➢ The study is based on the secondary data only and the same has been collected from the published annual reports and banks websites.

➢ The study is limited to only 5 years from 2016-2017 to 2020-2021

➢ The study has not taken in to amount other variables; it considered only productivity and profitability.

➢ The study considered only quantitative aspects of productivity and profitability.

Profile of City Union Bank

City Union Bank Limited (CUB) is an Indian bank headquartered in Kumbakonam, Tamil Nadu. The bank was initially named Kumbakonam Bank Limited, and was incorporated on 31 October 1904. The bank preferred the role of a regional bank in the Thanjavur district of Tamil Nadu. CUB provides a gamut of technological services such as net banking, mobile banking, self-service kiosks, bulk note acceptors, and point of sales. To cater to the needs of customers coming from many different walks of life, the bank also has a wide offering of savings and deposit products. It also offers many loan products to service the financial needs of small individual customers as well as large industries. In FY2016 the bank had a market capitalization of ₹12,529.92 Corers (US$1.7 billion) and operated 700 branches, and 1762 ATMs.

Analysis and Interpretation

The researcher has analyzed and interpreted the data with the help of following terms.

1. Sources of funds
2. Deployment of funds
3. Business Per Employee
4. Net Profit Per Employee
5. Income Per Employee
6. Expenditure Per Employee
7. Business Per Branch
8. Net Profit Per Branch

Table No. 4.1

Sources of Funds

(Rs. in Crores)

Year	Capital	Reserve and Surplus	Deposit	Borrowings	Other Liability and Provision	Total

2017	601065	35100910	301157384	5309973	10538428	352707760
	0.17	9.95	85.38	1.51	2.99	100
2018	664729	40967624	328526218	17358805	11855077	399372453
	0.17	10.26	82.26	4.35	2.97	100
2019	734501	47673074	384479485	4809085	14892738	452588883
	0.16	10.53	84.95	1.06	3.29	100
2020	737319	52223354	408324936	20324031	15725691	497335331
	0.15	10.50	82.10	4.09	3.16	100
2021	738822	57685940	445373637	13456957	15861475	533116831
	0.14	10.82	83.54	2.52	2.98	100

Source: Annual Report of City Union Bank

Interpretation

The above table summarized the sources of funds. The share capital was recorded as Rs.60.11 Corer. It increased to Rs.66.47 Corer in 2017-18. In 2018-19, it maintained to Rs.73.45 Corer and in 2019-20, it was Rs.73.73 Corer and it was gradually increased to Rs. 73.88 Corer in 2020-21. The reserve and surplus are gradually increased from Rs. 3,510.09 corers in 2017-18 to Rs. 5768.59 corers in 2020-21 during the study period. In the study period, the deposits have gradually increased. The deposit was increased from Rs.30115.74 corers in 2016-17 to Rs.44537.36 corers in 2020-21. The borrowing has fluctuated for the first four years of the study period between Rs.531.00 Corer in 2016-17 and Rs.2032.40 cores and it decreased and reached Rs.1345.70 corers 2020-21. The other liability and provisions have fluctuated in the five years of the study periods. Finally, total funds increased from Rs.35270.78 corers in 2017-18 to Rs.53311.68 corers in 2020-21 of the study period.

Chart No 4.1

Sources of Funds

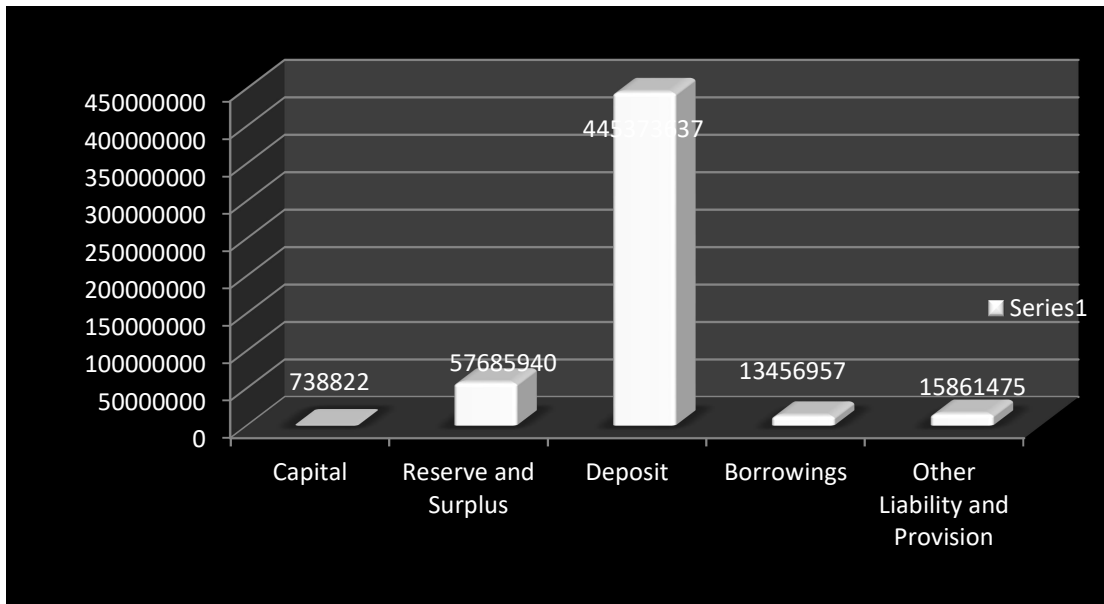| Year	Cash and Balance with RBI	Balance with Banks Money at Call Short Notice	Investments	Advances	Fixed Assets	Other Assets	Total

Table No. 4.2

Deployment of Funds

(Rs. in Crores)

2016-17	1484.19	1394.79	7031.45	23832.7	215.08	1312.57	35270.78
	4.21	3.95	19.94	67.57	0.61	3.72	100
2017-18	1861.6	774.65	7879.11	27852.79	223.13	1345.78	39937.06
	4.66	1.94	19.73	69.74	0.56	3.37	100
2018-19	1993.12	970.16	7712.2	32673.34	250.03	1660.03	45258.88
	4.40	2.14	17.04	72.19	0.55	3.67	100
2019-20	2030.37	2691.28	9116.79	33927.45	245.16	1722.49	49733.54
	4.08	5.41	18.33	68.22	0.49	3.46	100
2020-21	2792.71	2822.35	9435.94	36157.83	232.69	1870.16	53311.68
	5.24	5.29	17.70	67.82	0.44	3.51	100

Interpretation

The above table describes the deployments of funds. The total assets of the bank have gradually increased from Rs.35270.78 corers in 2016-17 to Rs.53311 corers in 2020-21. The amount of cash and balance with RBI has recorded an increasing trend during the study period. The balance with banks, Money at call short notice has fluctuated and varied between 774.65 corers and 2882.35 corers. The amount of investments has increased except in the year 2018-19 which decreased by 166.91 corers. The amount of fixed assets has increased for the first three years of study period and decreased in the last two years of study period. The other Assets have also increased during the study period. The common size the amount of advance contributes more to the total assets.

Chart No. 4.2

Deployment of Funds
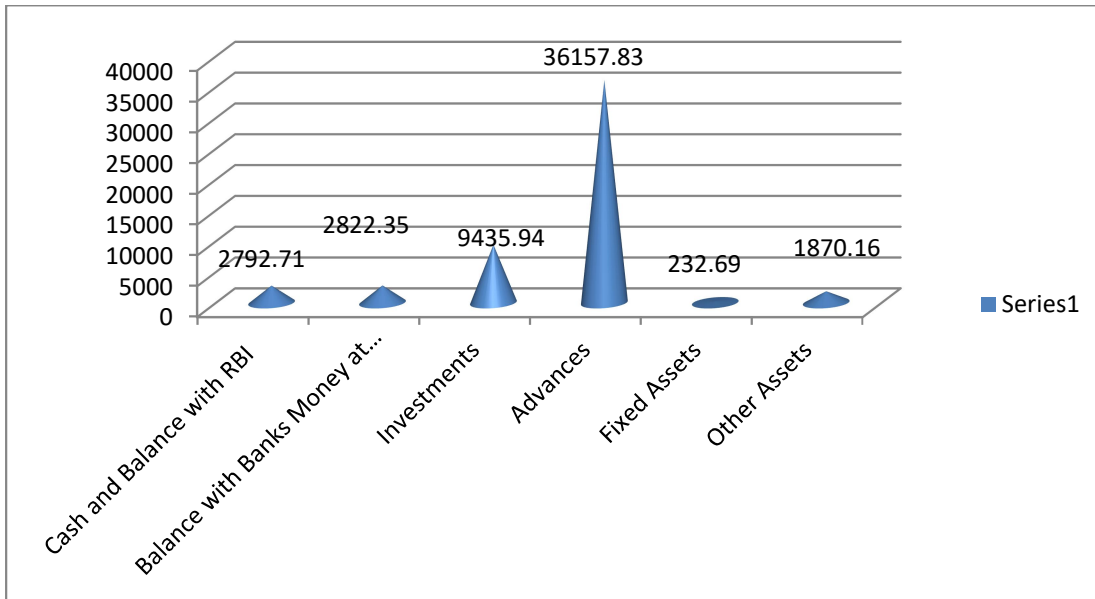
Employee Level Productivity

Human resource is the most important asset of an organization and banking business is no exception to it. But Indian PSBs are known for their excessive staff strength, it affects their productivity. In the present study, employee productivity of PSBs has been evaluated by taking six ratios in consideration.

1. Business per employee
2. Net profit per employee
3. Income per employee
4. Expenditure per employee

1. Business Per Employee

This ratio has been computed by dividing the amount of total business by the number of employees in the bank.

$$BUSINESS\ PER\ EMPLOYEE = \frac{TOTAL\ BUSINESS}{NUMBER\ OF\ EMPLYEE}$$

2. Net Profit Per Employee

This ratio has been computed by dividing the amount of total net profits by the number of employees in the bank.

$$\text{NET PROFIT PER EMPLOYEE} = \frac{\text{NET PROFIT AFTER INTERST AND TAX}}{\text{NUMBER OF EMPLYEE}}$$

3. Income Per Employee

This ratio has been computed by dividing the amount of total income by the number of employees in the bank.

$$\text{INCOME PER EMPLOYEE} = \frac{\text{TOTAL INCOME}}{\text{NUMBER OF EMPLYEE}}$$

4. Expenditure Per Employee

This ratio has been computed b dividing the amount of total expenditure by the number of employees in the bank.

$$\text{EXPENDITURE PER EMPLOYEE} = \frac{\text{TOTAL EXPENDITURE}}{\text{NUMBER OF EMPLYEE}}$$

Table No. 4.3

Business Per Employee

(Rs. in Crores)

YEAR	TOTAL BUSINESS	NO.OF EMPLOYEES	RATIO
2016-17	53948.44	4689	11.51
2017-18	60705.41	5319	11.41
2018-19	71121.29	5518	12.89
2019-20	74759.94	5741	13.02
2020-21	80695.19	5843	13.81
AVERAGE			12.53
STANDARD DEVIATION			1.04
CV			0.08

Sources: Annual Reports of City Union Bank

Interpretation

The above table discusses the business per employee. The total business has recorded an increasing trend and it rose from Rs.53948.44 corers in 2016-17 to Rs.80695.19 corers in 2020-21. The

number of employees gradually increases in the whole five years. The business per employee has an increasing trend and it varied between Rs.11.51 corers and Rs.13.81 corers during the period. The number of employees is increasing every year and the total business is increasing. As a result, an employee's business has increased
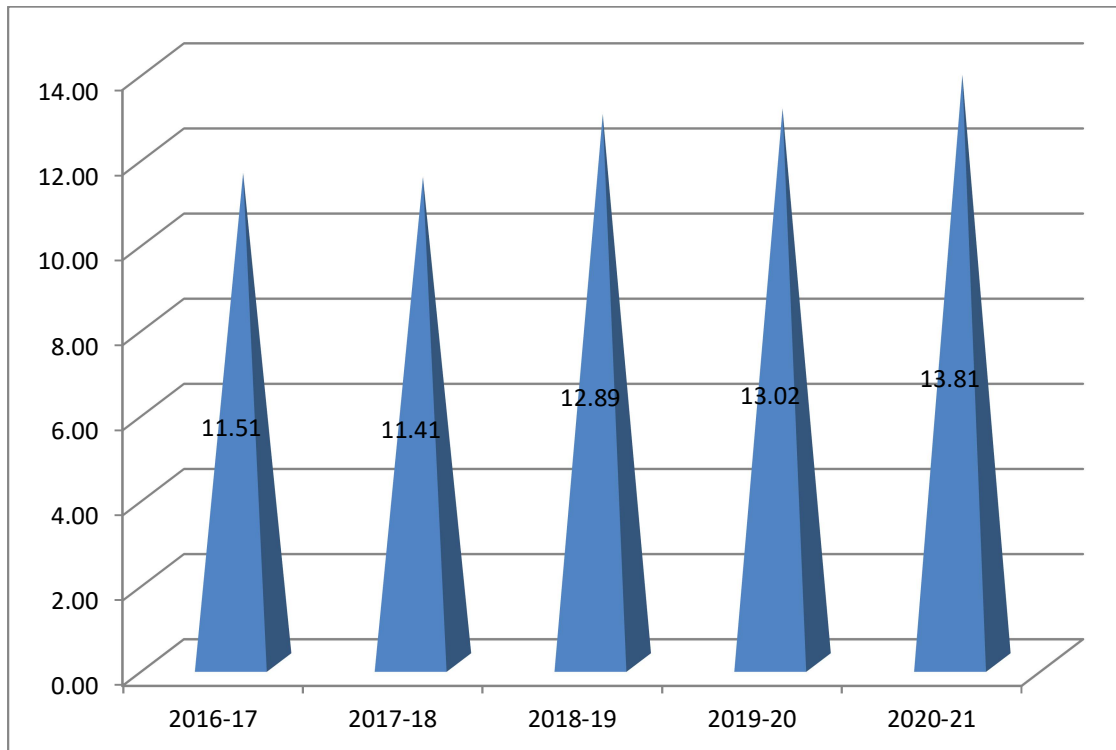
Chart No.4.3

Business Per Employee

Table 4.4

Net Profit Per Employee

(Rs. in Crores)

YEAR	NET PROFIT	NO.OF EMPLOYEES	RATIO
2016-17	502.77	4689	0.11
2017-18	592.00	5319	0.11
2018-19	682.85	5518	0.12

2019-20	476.32	5741	0.08
2020-21	592.82	5843	0.10
AVERAGE			0.11
STANDARD DEVIATION			0.01
CV			0.14

Sources: Annual Reports of City Union Bank

Interpretation

The trend of net profit per employee has described in the above table. It was observed that the total net profit of City Union Bank has recorded a net profit of Rs.502.77corers and in 2016-17. In 2019-20 the amount of provisions and contingencies has decreased in the bank decrease the profit which recorded as Rs.476.32 corers. The number of employee was increased in all five years of study period. The trend of net profit has reflected in the profit per employee and fluctuated and varied between 0.08 and 0.12 corers. The standard deviation shown that there is less variability in the ratio.
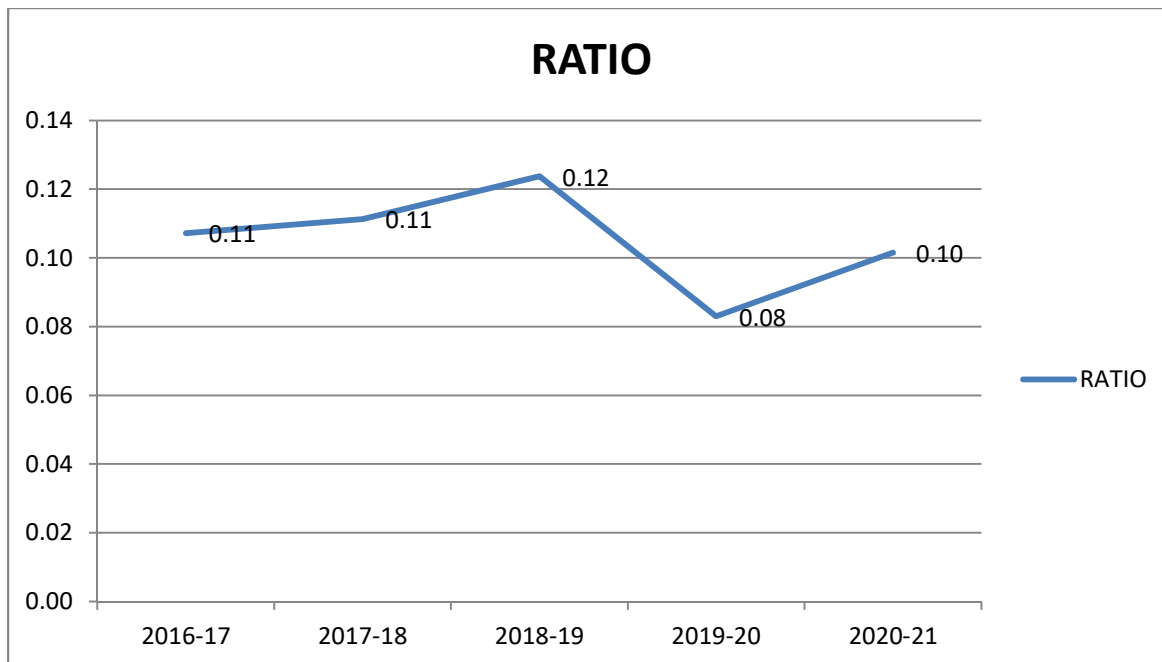
Chart No. 4.4

Net Profit Per Employee

Table No. 4.5

Income Per Employee

(Rs. in Crores)

YEAR	TOTAL INCOME	NO.OF EMPLOYEES	RATIO
2016-17	3657.73	4689	0.78
2017-18	3934.52	5319	0.74
2018-19	4281.56	5518	0.78
2019-20	4848.55	5741	0.84
2020-21	4839.45	5843	0.83
AVERAGE			0.79
STANDARD DEVIATION			0.04
CV			0.05

Sources: Annual Reports of City Union Bank

Interpretation

In the table above, the total income of City Union Bank is Rs. 3657.73 corers in 2016-17 and Rs. 4839.45 corers in 2020-21. The number of bank employees during the period under review increased from 4689 to 5843. The income per employee tends to increase during the study period. The average rate of 0.79 is achieved only in the fourth and fifth years of the study period.
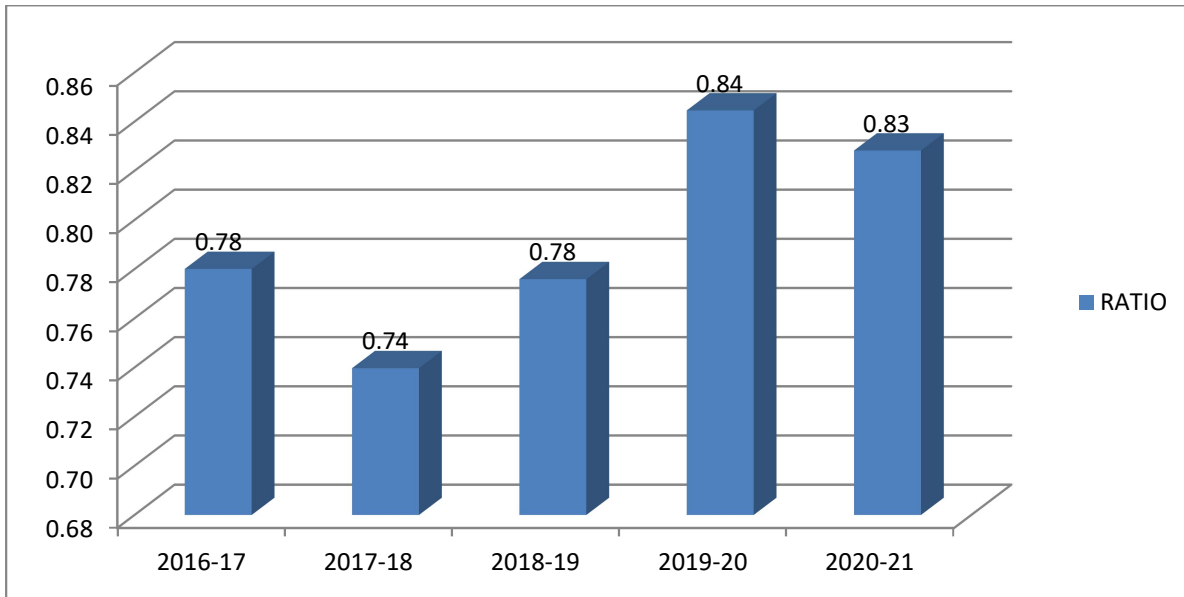
Chart No. 4.5

Income Per Employee

Table No. 4.6

Expenditure Per Employee

(Rs. in Crores)

| YEAR	TOTAL EXPENDITURE	NO.OF EMPLOYEES	RATIO
2016-17	3154.97	4689	0.67
2017-18	3342.52	5319	0.63
2018-19	3598.70	5518	0.65
2019-20	4372.23	5741	0.76
2020-21	4246.63	5843	0.73
AVERAGE			0.69
STANDARD DEVIATION			0.05
CV			0.08

Sources: Annual Reports of City Union Bank

Interpretation

From the above table, it was observed that the total expenditure of City Union Bank has increased from Rs. 3154.97 corers in 2016-17 to Rs.4246.63 corers. The highest expenditure was recorded in 2019-20 which amounted to Rs.4372.23 corers. The interest expended, operating expenses, provisions contingencies have increased during the study period. The number of employees has varied from 4689 in 2016-17 to 5843 in 2020-21. The expenditure per employee it has increased due to expenditure and increased number of employees when compared to the previous years. The standard deviation and CV represent moderate homogeneity in the ratio.

Chart No. 4.6

Expenditure Per Employee
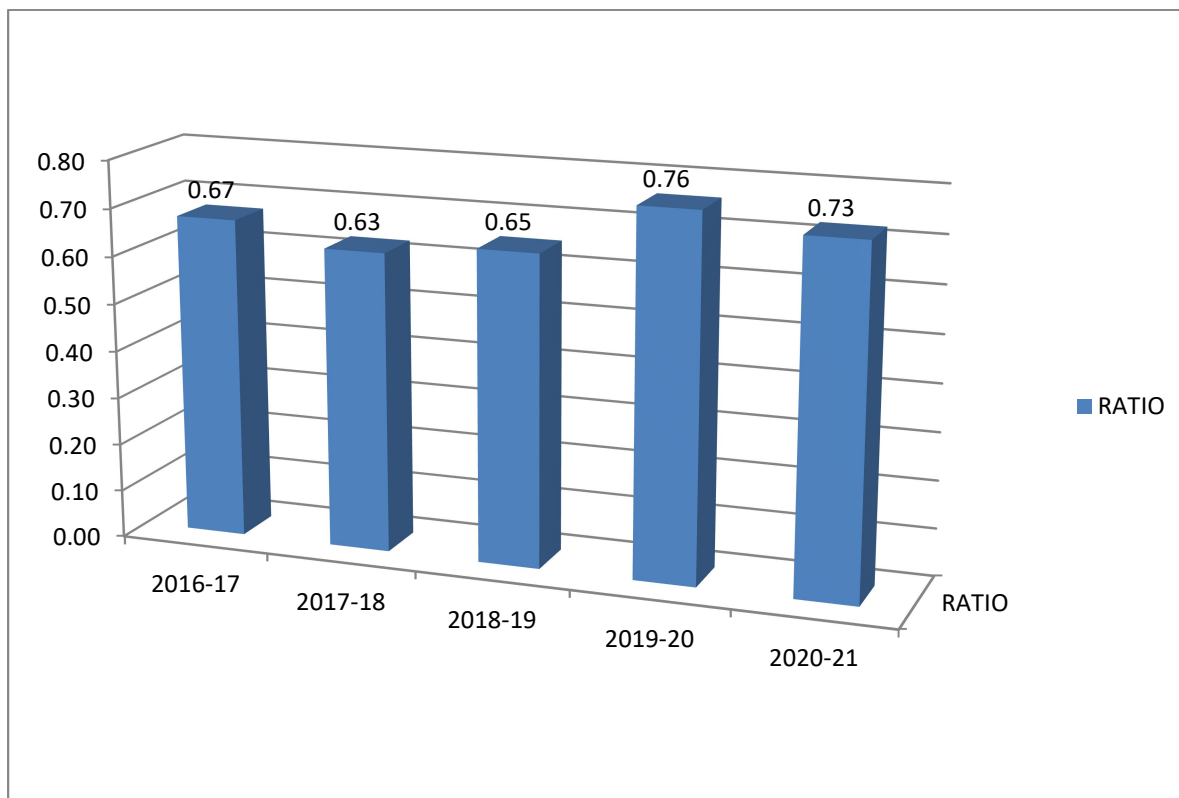
Branch Level Productivity

While evaluating the results in terms of infrastructural facilities utilized by the banks at various locations, places, again six indicators have been used. A brief summary of these ratios are as under:

1) Business per branch

2) Net profit per branch

1. Business per branch

This ratio has been computed by dividing the amount of total business by the number of branches in the bank.

$$\text{BUSINESS PER BRANCH} = \frac{\text{TOTAL BUSINESS}}{\text{NUMBER OF BRANCHS}}$$

2. Net Profit Per Branch

This ratio has been computed by dividing by the amount of total net profit by the number of branches in the bank.

$$\text{NET PROFIT PER BRANCH} = \frac{\text{NET PROFIT AFTER INTREST AND TAX}}{\text{NUMBER OF BRANCHES}}$$

Table No. 4.7

Business Per Branch

(Rs. in Crores)

YEAR	TOTAL BUSINESS	NO.OF BRANCHES	RATIO
2016-17	53948.44	550	98.09
2017-18	60705.41	600	101.18
2018-19	71121.29	650	109.42
2019-20	74759.94	700	106.80
2020-21	80695.19	702	114.95
AVERAGE			106.09
STANDARD DEVIATION			6.68
CV			0.06

Sources: Annual Reports of City Union Bank

Interpretation

The business per branch has augmented gradually from Rs.53948.44 corers in 2016-17, to Rs.80695.19 in 2020-21 during the study period. The number of branches increased from 550 to 702 during the study period. The business per branch was Rs.98.09 corers in 2016-17 it was in the increasing trend and in 2020-21 it was recorded as Rs.114.95 corers. The ratio shows that the branches a taken effort in improving business.
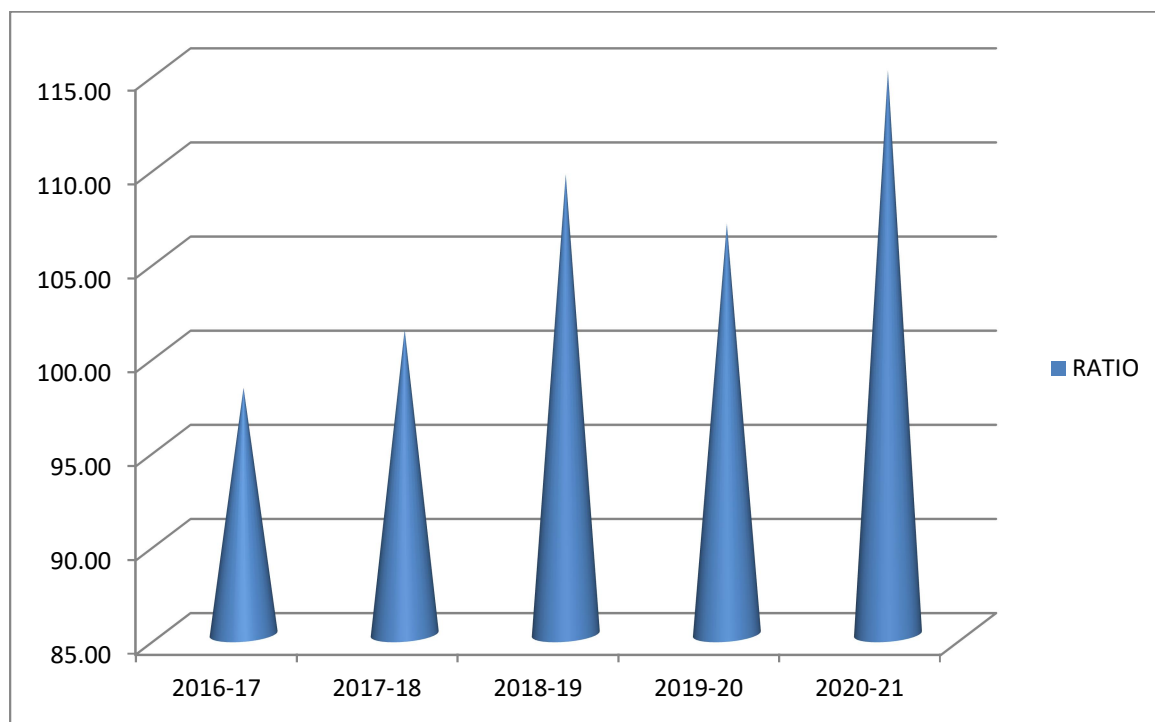
Chart No. 4.7

Business Per Branch

Table No. 4.8

Net Profit Per Branch

(Rs. in crores)

YEAR	NET	NO.OF	RATIO

|	PROFIT/LOSS	BRANCHES	
2016-17	502.77	550	0.91
2017-18	592.00	600	0.99
2018-19	682.85	650	1.05
2019-20	476.32	700	0.68
2020-21	592.82	702	0.84
AVERAGE			0.90
STANDARD DEVIATION			0.14
CV			0.16

Sources: Annual Reports of City Union Bank

Interpretation

The net profit per branch is portrayed in the above table. Out of five years of the study period, City Union Bank has faced no loss in the years. The number of branches has carefully increased by the bank. The profit trend in the bank has been reflected in the productivity of the branches. The decreased in profit in 2019-20 and variable proportion of profits and number of branches reflected in the ratio. Only in 2018-19, the bank has reflected positive productivity of Rs.1.05 corers and in 2020-21, it recorded only 0.84 corers.

Chart No. 4.8
Net Profit Per Branch
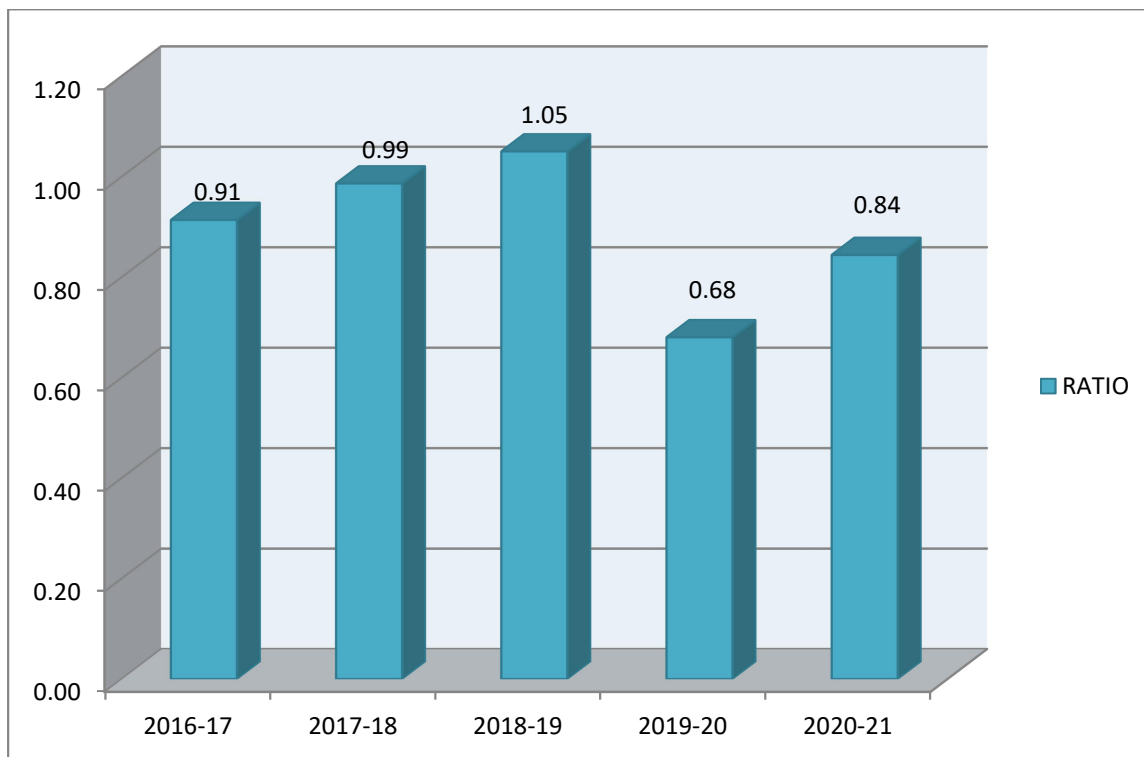
Findings

The following are the findings of the study:

- ❖ In sources of funds, the amount of share capital and deposits has increased during the study period. But,the other liability and provisions have fluctuated in the five years of the study periods.

- ❖ The total assets of the bank have gradually increased from Rs.35270.78 corers in 2016-17 to Rs.53311 corers in 2020-21. The amount of fixed assets has increased for the first three years of study period and decreased in the last two years of study period. The other Assets have also increased during the study period.

- ❖ The number of employees gradually increases in the whole five years. As a result, BPE has also increased.

- ❖ The trend of net profit has reflected in the Profit per employee and recorded a profit of 0.11 corers and 0.10 corers in 2016-2017 and 2020-2021.

- ❖ The income per employee has the increasing trend during the study period. The average ratio of 0.84 is achieved only in fourth year of study period.

❖ Expenditure per employee has increased in 2019-2020 and 2020-2021 which ranged between Rs. 0.76 corers and Rs.0.73 corers during the study period.

❖ The business per branch was Rs.98.09 corers in 2016-17. It was in the increasing trend and in 2020-2021 were recorded Rs.114.95 corers.

❖ The profit trend in the bank has been reflected in the productivity of the branches. The decreased in profit in 2019-20 and variable proportion of profits and number of branches reflected in the ratio.

Suggestions

The following are the suggestion given by the researched through the study:

❖ The bank has to take continuous efforts to increase the Business per employee in the following years also.

❖ More reward and recognition should be given to employee who shows good performance in mobilizing deposits and collection of loan amount.

❖ The bank has recorded a continuous increase in the interest and other income. But, it has to curtail the expenditure by framing and implementing strategic plans so that it can earn good profit which will avoid from facing loses in any forthcoming years.

❖ The bank has to follow the norms for provisions and contingencies as per the regulation of RBI. But, it may plan to retain more amounts in the reserves to meet our contingencies.

❖ There is a inter relationship between productivity and profitability the bank has to focus the productivity through that the bank can increase the profitability.

❖ There is a need to make some practical strategies for the private sector banks to make them as much competitive as leading public sector bank and foreign banks.

Conclusion

Raising the competition of the modern world exposes service organizations such as banks to seek the options which either increase the productivity and efficiency or reduce the costs, in other words, both are optimizing the operation enhancement. As productivity and profitability, are essential for the banking firm for survival and growth, different determinants of profitability and productivity have been analyzed. Efficient management of banking operations aimed at ensuring growth in profits and efficiency requires up-to-date knowledge of all those factored which the bank's profits depend. City

Union banks should concern in mobilizing deposits and its deployed advances in an effective way. The bank must maintain a consistent strategy to maximize its income and reduce expenses in a well-planned manner in the years to come. The bank can focus to improve the non-interest income also. The bank can attract more customers through its credibility and better service. By updating technology and rightsizing of banks, it can improve the productivity in the Indian banking industry to fulfill the goal of Indian financial sector reforms and to improve the Indian banking sector to the international standard.

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