

A COMPARATIVE STUDY OF EFFICIENCY OF BANK OF BARODA AND DENA BANK WITH CAMEL MODEL

S. G. Patel, M.P. Arts and M.H. Commerce College, Ahmedabad.

B. O. Baxi, N.R. Institute of Business Administration, Ahmedabad

ABSTRACT

The purpose of this paper is to compare the productivity and profitability of Two Public Sector Banks started business in Gujarat. Both banks are under the control of Government of Indian but their performance is highly depending upon the Managerial personnel who drive bank. There is a general notion that staffs of private sector banks perform better than the staff of public sector banks and this study has been conducted to compare the business per employee and profit per employee. The study has been done through the comparison of 5 years profit and loss and balance sheet of two banks.

Analysis of efficiency of Bank is based on several ratios. Employee and business per employee showed that Bank of Baroda is doing better than Dena Bank and this is mainly because of two reasons; first being the computerisation and the second being the entry of Bank of Baroda in retail loans and SME loans. The retail and SME loans on the one side increase the margins and on the other side are helpful in controlling the NPAs. The other most important factor is higher amount of staff and higher no of Branches.

However the most significant factor is adoption of Technology” in bank. Bank of Baroda is behaving more professionally as to most conservative Dena Bank. Bank of Baroda has revamped the organisation’s mission and vision. Not only this but Re-Brand building by the bank and investment in Branding and Infrastructure of the bank pays a lot. In comparison of Bank of Baroda Dena Bank has not done significantly and their scope or area of operation is increasing at constant rate while in case of Bank of Baroda it is increasing at increasing Rate.

CAMEL model’s M-component is considered here for comparison. M-component compares the Managerial efficiency. Data have been obtained from Annual report of Both Banks.

Keywords: Managerial Efficiency, CAMEL Model, Public Sector Bank

1. IMPORTANCE OF MANAGERIAL DECISIONS IN PSU BANKS IN INDIA

Managerial Decisions are always playing very important role in the organization’s success and its area of operation. Managerial decisions put organization in the organisaiton in the right direction. The Banking sector is still in the hands of Government of Indian even after more than sixty years of independence. It is time to examine the quality of managerial decisions in the banking Industry through various directors of the Banks in PSU Banks. Boards of Banks are key responsible personnel for the performance of any bank in India. Effectiveness of the board can be measures by the various parameters. In the present paper, an attempt has been made to under the impact of decision on the business of banks and profitably of Bank.

Banking Sector is passing though very tough time. Indian Banks are now facing problems of High or constantly increasing NPA, Lack of Technological Support, Lack of Trained Staff, Tough competition and strict vigilance of the RBI and many more. Decisions of top level management in respect of increasing no of branch, (which increases the business of Bank), Efficiency of staff and Branch in terms of Advances and Deposits are major concern areas for fair evaluation of the Managerial Performance of Bank. Banks have to determine the place of opening Branch that gives business in terms of Advances as well as Deposit. Branch opening decision is very crucial, as it requires great amount of Capital and deployment of Staff and other resources. The effective deployment and utilisaiton for the resources should be reviewed for decisions.

2. BANK OF BARODA AND DENA BANK

Bank of Baroda was founded by Maharaja Sayajirao Gaekwad in July 1908. It started with a paid up capital of Rs 10 lakh. Bank of Baroda is a pioneer in various customer centric initiatives in the Indian banking sector. Bank is amongst first in the industry to complete an all-inclusive rebranding exercise

wherein various novel customer centric initiatives were undertaken along with the change of logo. The initiatives include setting up of specialized NRI Branches, Gen-Next Branches and Retail Loan Factories/ SME Loan Factories with an assembly line approach of processing loans for speedy disbursement of loans.

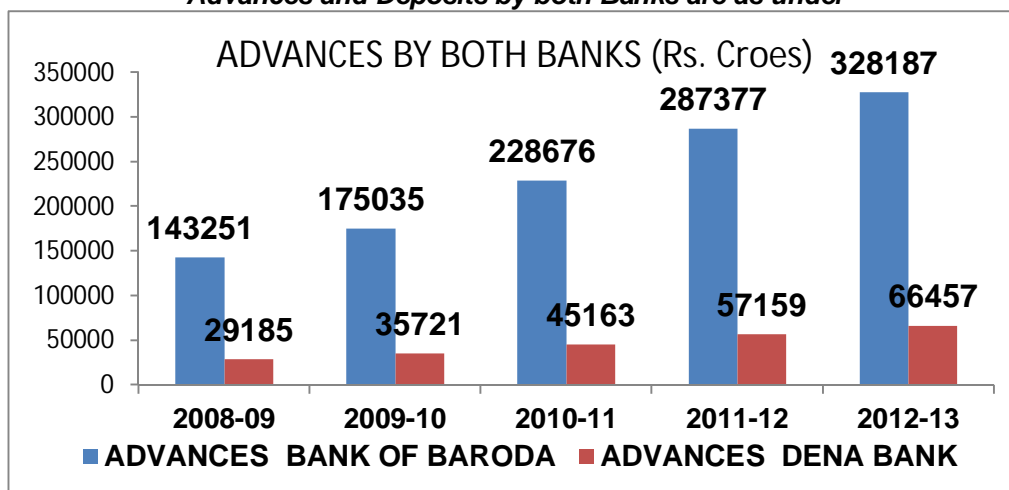
Ever since it's rebranding in 2005, bank has consistently promoted its major strengths viz. large international presence, technological advancement and superior customer service etc. Bank had introduced the sub brand BARODA NEXT-State of the Art-Straight from the Heart to showcase how it has utilized technology to nurture long-term relationships for superior customer experience. The sub brand has been reinforced by alternate delivery channels such as internet banking, ATMs, mobile banking etc and robust delivery outfits like Retail Loan Factories, SME Loan Factories, and City Sales Office etc. Bank constant endeavor to strengthen its branch/ATM network combined with well informed staff offering personalized service at its various touch points have enhanced customer interactions and satisfaction. Thus, the Bank has firmly positioned itself as a technologically advanced customer-centric bank.

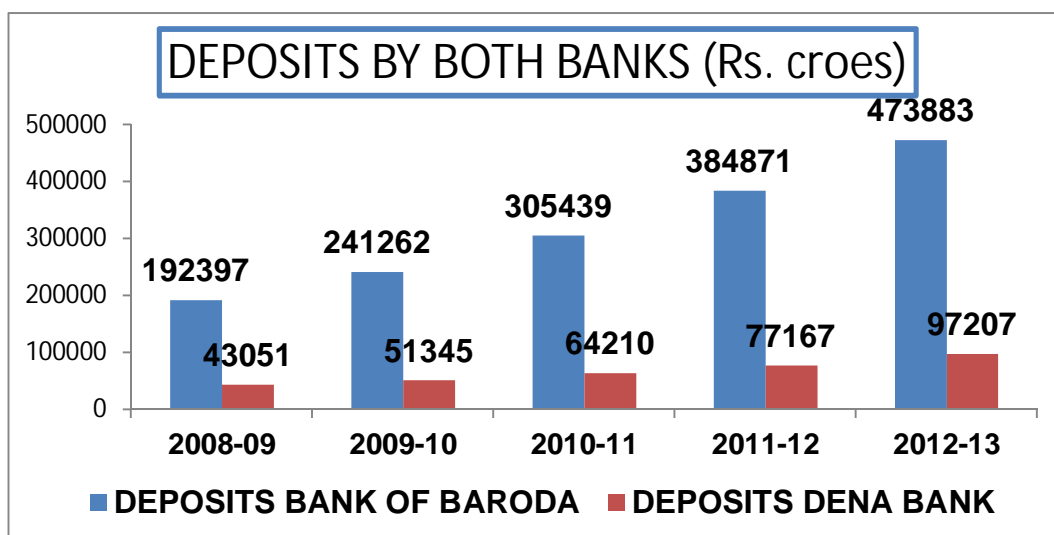
Dena Bank is one of the most prestigious banks of India having a good market share. The Bank is one among the few banks to receive the World Bank loan for technological up gradation and training. In the year 1969, the Dena Bank was nationalized along with 13 other Banks in India. The Bank entered into arrangement with four mutual funds namely, HDFC Mutual Fund, ING Vysya Mutual Fund, Reliance Mutual Fund and Kotak Mutual Fund for distribution of their mutual fund products. In the same year, the Bank introduced new products namely Dena Maha Tax Bachat Yojana, Dena Double Deposit Scheme, Dena Super Premium Current Account and Denalaxmi Gold Deposit Scheme. The Bank entered into arrangement with three reputed mutual funds namely, Birla Sunlife Mutual Fund, Tata Mutual Fund and SBI Mutual Fund for distribution of their mutual fund products. In November 2008, SBI Card and Dena Bank launched the SBI Dena Bank Card with two variants Gold & International in Mumbai. The SBI Dena Bank Credit Card is developed with the popular international credit card franchise Visa International.

1) Capital and Other Aspects

Dena Bank and Bank of Baroda both are under the management of Government India since long and for the same period. However, the efficiency of bank and its profitability is different to great extent. Banks are under the shadow of different representatives of Government of India and Reserve Bank of India. Though both banks are under the Government of India undertaking, their performance in terms of Profitability and other aspects is very different. Bank of Baroda has utilised its resources to greater extent and very conscious about its Indian and overseas operations. Dena Bank is much conservative and becoming tool for the Agriculture finances its review on behalf of Reserve Bank of India in Gujarat. Both Banks are operated in the Gujarat in the initial years but Bank of Baroda has extended its scope successfully in the overseas market also. Quick adoption of technology, right time Brand revamp and Visionary Management makes Bank of Baroda more Efficient and Profitable with reference to Dena Bank.

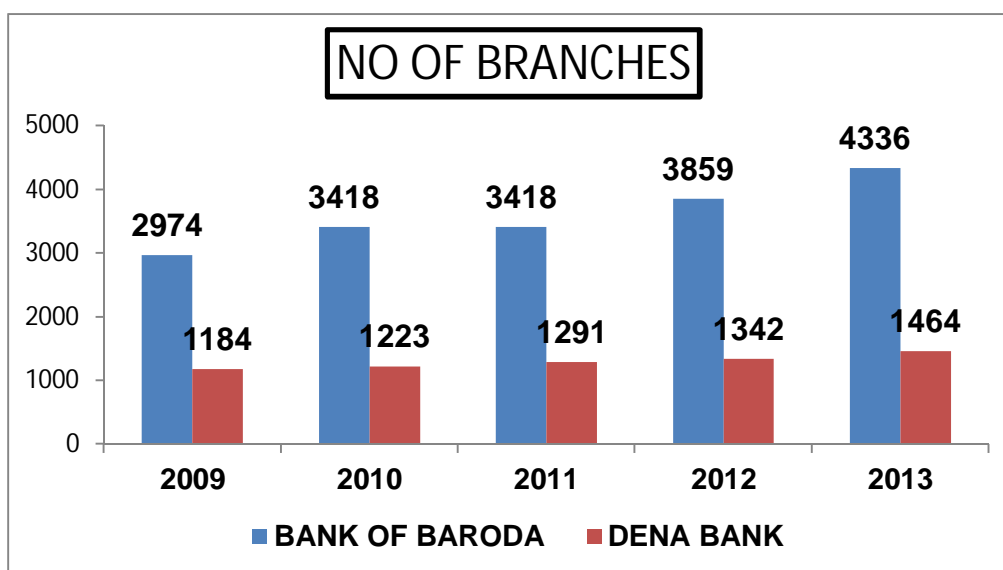
Advances and Deposits by both Banks are as under





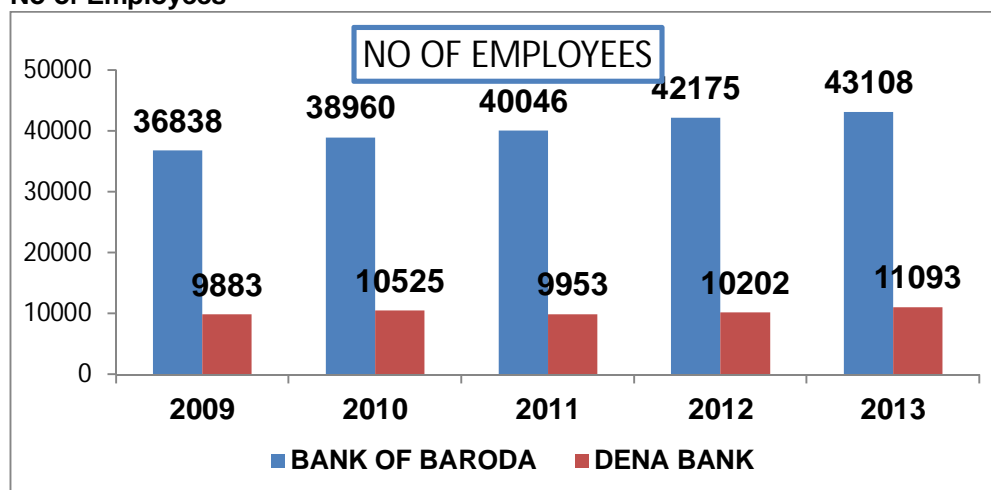
Advances by Bank of Baroda are very high as compare to Dena Bank. Not only this but raise in the advances is also increasing at very high rate in Bank of Baroda as to Dena Bank In case of Deposit also Bank of Baroda is aggressive as to Dena Bank.

2) No of Branches



Bank of Baroda has operations in wider are as to Dena Bank. Bank of Baroda has wider network of operations, which leads to higher amount of business. Dena Bank has just half no branches as to Bank of Baroda. Not only this but Dena Bank not increasing Branches significantly in span of five years. Dena Bank has increased 280 branches in span of five years and Bank of Baroda has increased 1362 Branches. Aggressive in increase in the span of operation always pays. Bank of Baroda has developed its business in terms of New Branch nearly six times as to Dena Bank.

3) No of Employees



Looking to the above chart it can be concluded that the Dena Bank is facing the problem of lower staff. Bank's approach towards the utilisation of Human capital and hiring efficient Human Capital is also pathetic. Bank has opened new 280 branches in last five years but total no of employees increased are just 1210. In case of Bank of Baroda this figure, touch to 6270

3. CAMEL MODEL-MANAGERIAL ASPECTS

Management of financial institution is generally evaluated in terms of capital adequacy, asset quality, earnings and profitability, liquidity and risk sensitivity ratings. In addition, performance evaluation includes compliance with set norms, ability to plan and react to changing circumstances, technical competence, leadership and administrative ability.

Sound management is one of the most important factors behind financial institutions' performance. Indicators of quality of management, however, are primarily applicable to individual institutions, and cannot be easily aggregated across the sector. Furthermore, given the qualitative nature of management, it is difficult to judge its soundness just by looking at financial accounts of the banks. Nevertheless, total advance to total deposit, business per employee and profit per employee helps in gauging the management quality of the banking institutions. Several indicators, however, can jointly serve—as, for instance, efficiency measures do—as an indicator of management soundness. The ratios used to evaluate management efficiency are described as under:-

It involves a subjective analysis for measuring the efficiency of the management. To evaluate the efficiency of management the ratios, like Business Per Employee, Profit Per Employee, Advances Per Employee, Deposits Per Employee, Business Per Branch, Advances Per Branch and Deposits Per Branch, which best reflect the quality of management are calculated.

Business per Employee;

This ratio measures the efficiency of all the employees of a bank in generating business for the bank. It is calculated by dividing the total business by the total number of employees. Business means the sum of total advances and total deposits in a particular year.

Profit per Employee:

This ratio measures the efficiency of all employees of a bank in generating profit for the banks. It is calculated by dividing the total profit earned by the bank, by the total number of employees. The higher the ratio, the higher will be the efficiency of employees.

Deposits per Employee:

This ratio measures the efficiency of all employees of a bank in generating output in terms of deposits for the banks. It is calculated by dividing the total deposits held by the bank, by the total number of employees. The higher the ratio, the higher will be the efficiency of employees.

Advances per Employee:

This ratio measures the efficiency of all employees of a bank in generating output in terms of advances for the banks. It is calculated by dividing the total advances of the bank, by the total number of employees. The higher the ratio, the higher will be the efficiency of employees.

Business per Branch;

This ratio measures the efficiency of all the branches of a bank in generating business for the bank. It is calculated by dividing the total business by the total number of branches. Business means the sum of total advances and total deposits in a particular year.

Deposits per Branch:

This ratio measures the efficiency of all branches of a bank in generating output in terms of deposits for the banks. It is calculated by dividing the total deposits held by the bank, by the total number of branches. The higher the ratio, the higher will be the efficiency of branches.

Advances per Branch:

This ratio measures the efficiency of all branches of a bank in generating output in terms of advances for the banks. It is calculated by dividing the total advances of the bank, by the total number of branches. The higher the ratio, the higher will be the efficiency of branches.

Here in the comparative analysis we have ignored ratios in direct relation with the Advances and Deposits. The amount of Deposit and Advances of both banks are significantly different. If we include the comparison of both banks' performance based on the Basis of Absolute Advances and Absolute Deposits then it might not provide us true result.

4. Literature Review

Bhayani (2006) conducted a comparative study of Performance of the New Indian Private Sector Banks: A Comparative Study. He concluded that aggregate performance of IDBI is best among all the banks under study and followed by UTI.

Ashish and Sunil (2012) has trace out while examining efficiency of Public Sector Banks that sample banks have the scope of producing 1.045 times as much output from the same inputs. On the basis of technical efficiency, only six banks have been found to be efficient. With regard to pure technical efficiency score 10 banks are efficient which indicates that scale inefficiency is the main reason of inefficiency among banks in India. In the light of these results, inefficient banks witnessing diseconomies of scale should reduce their size and those inefficient banks, which are having increasing returns to scale, should expand their business by deploying more resources.

Chaudhry and Tendon (2010) in his study reveals that State Bank of Hyderabad and State Bank of Bikaner has shown least CAGR of return on equity and return on assets respectively and compound growth of return on equity and return on assets could not be calculated in case of Dena Bank, Punjab& Sind Bank and Indian Bank due to negative return on equity and return on assets. Spread ratio was highest in case of Indian Bank and lowest in case of State Bank of Patiala. It is suggested that government should formulate bank specific policies and should implement these policies through Reserve Bank of India for upliftment of Public Sector Banks .Public sector banks should try to upgrade technology and should formulate customer friendly policies to face competition at national and international level.

India Banking 2010 Towards a High-performing Sector report by Mc Kinsey reveals that strengthening human capital will be the single biggest challenge. Old private sector banks also have the need to fundamentally strengthen skill levels. New private banks could reach the next level of their growth in the Indian banking sector by continuing to innovate and develop differentiated business models to profitably serve segments like the rural/low income and affluent/HNI segments; actively adopting acquisitions as a means to grow and reaching the next level of performance in their service platforms. Maintaining a fundamentally long-term value-creation mindset will be their greatest challenge. The extent to which Indian policy makers and bank managements develop and execute such a clear and complementary agenda to tackle emerging discontinuities will lay the foundations for a high-performing sector in 2010.

Rajan Reddy and Pandit (2011) attempts to measure productivity and thereby efficiency of Indian scheduled commercial banks for the period 1979 through 2008 using the asset approach, under which bank output is measured as quantum of bank revenue (loans and investments). Technical efficiency measure has been examined, using semi parametric PSS efficient estimates. Significant changes in the policy environment have clearly enabled banks to expand their operations efficiently under the new liberalized atmosphere. It turns out that the public sector banks (PSB) i.e. the nationalized banks (NB) and state bank of India and its associates (SBI&A) are more efficient compared to domestic private banks and foreign banks.

5. RESEARCH METHODOLOGY

a) Research Objectives

- I. To know and compare the managerial efficiency of Branch of Both banks in terms of Business of both Banks
- II. To know and compare the managerial efficiency of Both Branch

b) Research Design

The said research is describing the impact of managerial decisions on the business of bank. Hence, we have adopted descriptive research design.

c) Scope of Research

Comparison of various ratios of Managerial Ratios suggested in the CAMEL model is compared in the research. Hence, the research work has been executed on the basis of applicability of CAMEL model and in the Managerial aspects only.

d) Type of Data

Secondary data has been utilised which is available from annual report of Bank of Baroda and Dena Bank

e) Limitations of the Research

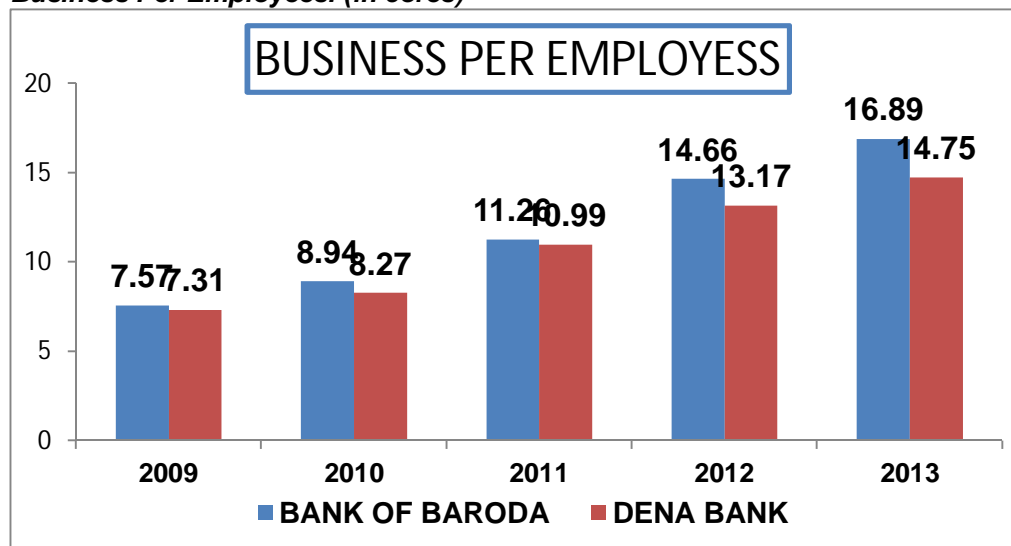
Research work is carried on the basis of CAMEL model only. Hence, the research work is carrying all limitations, which are carried on by model.

6. DATA ANALYSIS

CAMEL Managerial Ratios:

(Note: All following data are expressed in Rs. Cores)

1) Business Per Employees: (in cores)



Base Year Comparison	2009	2010	2011	2012	2013
BANK OF BARODA	100	118	149	194	223
DENA BANK	100	113	150	180	202

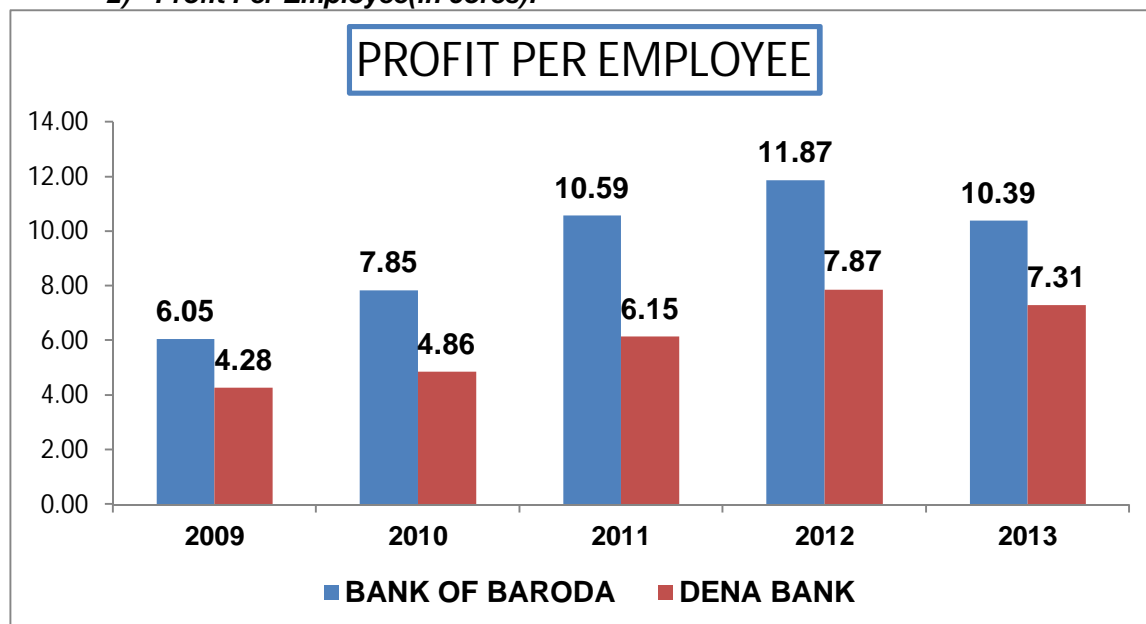
In span of five years, there is significant increase in the business of both banks. Very insignificant difference between both banks in terms of Business per Employee was found in first three years. Bank of Baroda is proving himself superior in business of bank per employee in last two years as to

Dena Bank. Bank of Baroda is performing well as it has higher business per employee by 2.14 cores for Dena Bank.

In span of last five years both banks has doubled the business per employees. Technology adoption by the Bank of Baroda shows higher efficiency.

In stand-alone position while taking 2008-09 as base year, Bank of Baroda has performed well as to Dena Bank.

2) Profit Per Employee(in cores):



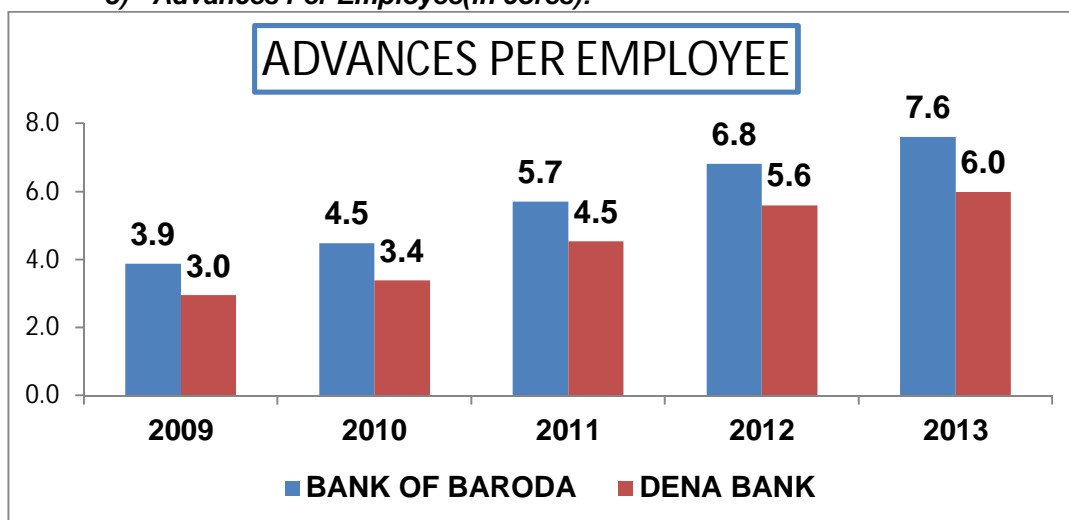
Base Year Comparison	2009	2010	2011	2012	2013
BANK OF BARODA	100	130	175	196	172
DENA BANK	100	113	144	184	171

Profit Per employee is very important parameter for the measuring the managerial, efficiency of Bank. As per above comparative chart Bank of Baroda is in far better position as to Dena Bank. In the year 2008-09 Bank of Baroda had 150% higher profit per employee as to Dena Bank. Gap between both bank in terms of Profit Per employee has been widen up-to 2011-12. The above chart clearly state that in last four years profitability is constantly increasing but in last year 2012-13 there is marginally decline in the Profit per Employee.

There is higher reduction in profit per employee in case of Bank of Baroda in the year 2012-13 in comparison to year 2011-12 as to Dena Bank. By comparing data mentioned above, we can conclude Dena Bank's profit per employee is less than Bank of Baroda by 30%.

Taking 2008-09 as base year Bank of Baroda and Dena Bank both are constantly growing in first four years but surprisingly down significantly in the last year 2012-13.

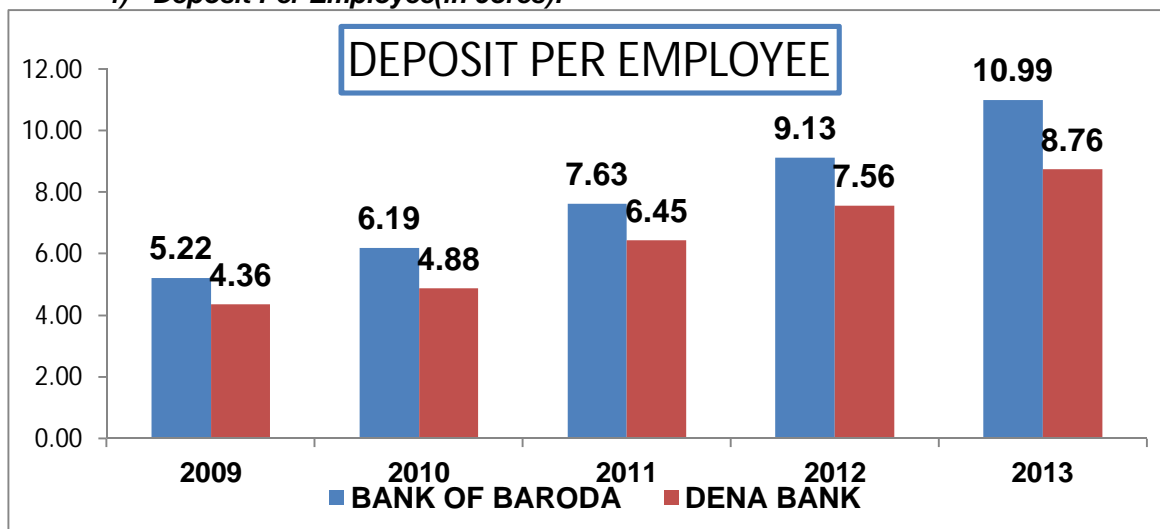
3) *Advances Per Employee(in cores):*



Base Year Comparison	2009	2010	2011	2012	2013
BANK OF BARODA	100	115	146	175	195
DENA BANK	100	113	151	187	200

Efficiency of employee in terms of Advances generated by the Bank per employee is one important parameter, which contribute towards the efficient and effective. In the span of five year Advances per employee of Dena Bank has been increased it by 100% but Bank Baroda had increased at 90% for the same time. Advances per Employee are constantly increasing even though there is reduction in profit in last year. Gap of an average 1.2 cores in terms of Advance per Employee is observed in both banks in last five years.

4) *Deposit Per Employee(in cores):*



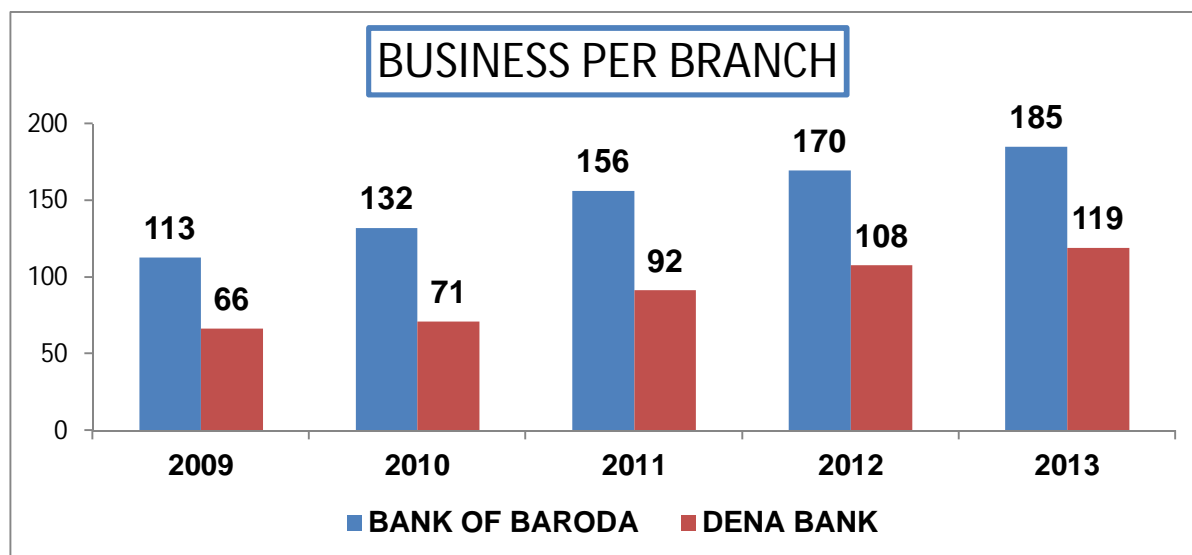
Base Year Comparison	2009	2010	2011	2012	2013
BANK OF BARODA	100	119	146	175	211
DENA BANK	100	112	148	173	201

In terms of Deposit collection per employee, also Bank of Baroda is in better position as to Dena Bank. Bank of Baroda and Dena Bank both have doubled the Deposit per Employee in the span of five years. However, in each year Bank of Baroda has higher deposit by 2.75 corers per employee as to Dena Bank. Constant and steady growth of Deposit per employee by both Banks shows higher efficiency of employees of both banks. Difference in deposit per employee may be due to other factors.

Taking 2008-9 as base year for first four years Bank of Baroda and Dena Bank both had achieved equal amount of growth but in last year, Bank of Baroda has achieved growth at higher rates as to Dena Bank.

5) Business Per Branch(in cores):

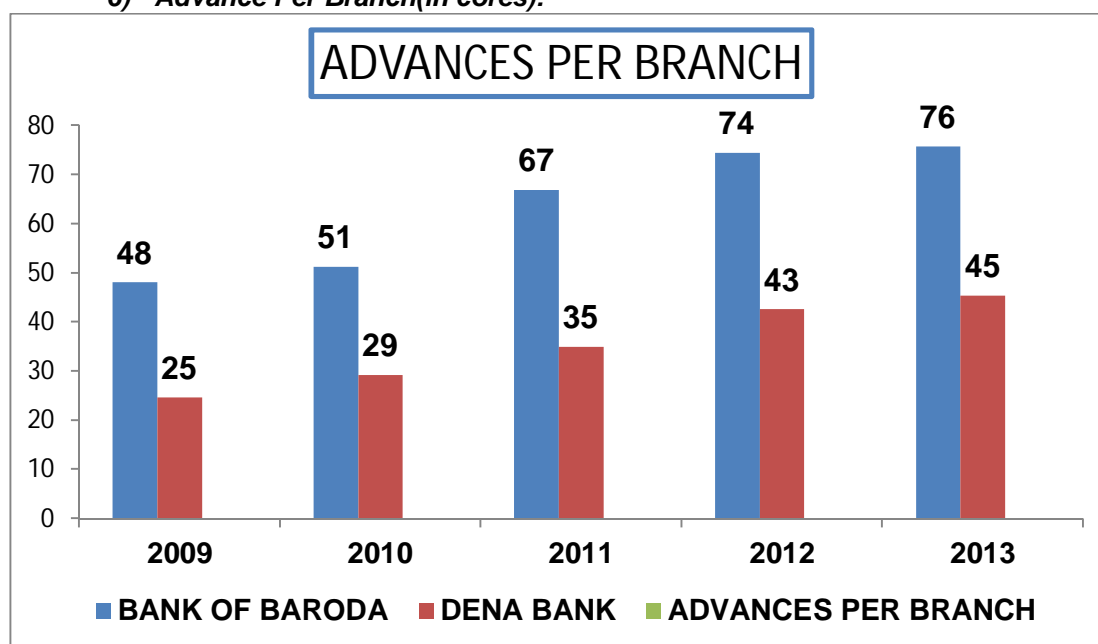
Branch wise efficiency of Bank of Baroda and Dena Bank is measured by Business per Branch Ratio. Profitability per Branch shows effectiveness of Branch. In the char, comparative analysis is presented which shows that Bank of Baroda is superior in establishing effective Branches as to Dena Bank.



Base Year Comparison	2009	2010	2011	2012	2013
BANK OF BARODA	100	117	138	150	164
DENA BANK	100	108	139	163	180

Business per Branch is a parameter, which shows the efficiency of Branch of Bank. From above chart, we can say that in comparison Bank of Baroda is significantly ahead in Business per Branch. The performance of Bank Baroda is far ahead then Dena Bank in terms of Business per Branch. Dena Bank's performance is just 3/4th of the Business per Branch.

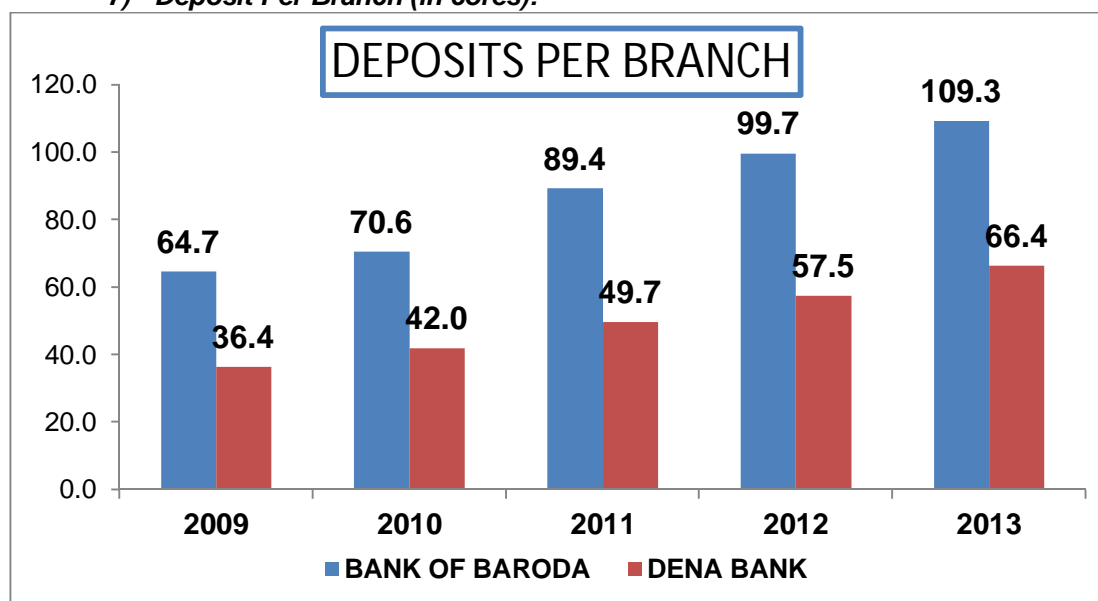
6) Advance Per Branch(in cores):



BASE YEAR COMPARISON	2009	2010	2011	2012	2013
BANK OF BARODA	100	107	139	155	158
DENA BANK	100	117	140	170	182

Looking to above chart in case of Bank of Baroda Advances per Branch is showing slow growth in first two year and then after it jumped to 67 cores per Branch in 2010-11 and in last two year, it becomes more stagnant. In case of Dena Bank, it has achieved slow but steady growth in first three years and in last two years, it is stagnant. However, in all five years the Gap between the Bank of Baroda and Dena Bank for Profit Branch is remaining stagnant. On an average Bank Baroda's advance is higher by Rs.30 cores per Branch.

7) Deposit Per Branch (in cores):



BASE YEAR COMPARISON	2009	2010	2011	2012	2013
BANK OF BARODA	100	109	138	154	169
DENA BANK	100	115	137	158	182

Dena Bank's performance is significantly lower than Bank of Baroda in terms of Deposit per Branch. Branch wise efficiency in getting deposit is just half to Bank of Baroda. In the span of five years, the GAP or difference in efficiency between both banks has been widened. Growth of Deposit per Branch is higher in Bank of Baroda in last three years. However, in Case of Dena Bank it is constant but sluggish. This makes negative impact on overall business of the Bank.

6. FINDINGS

Comparing the performance of both Bank of Baroda is found very strong and aggressive in Banking operations and expansion also. Dena Bank is far behind to Bank of Baroda in various aspects. The difference in terms of Business per Employee and Business per Branch shows difference in managerial capability of both the banks.

- 1) In the beginning time both banks were at it level of Business per Employees but at the n end of study time 2012-13 Bank of Baroda having higher Business per Employee by Rs. 2.14 cores per employee.
- 2) In the last year of study 2012-13, Bank of Baroda has increased business significantly and achieved growth of Business Rs. 29 cores per employee in single.
- 3) Profit per Employee of Bank of Baroda is higher than Dena Bank by 25%.
- 4) By comparing performance of 2008-09 with other year's performance, the performance and growth of both Banks are same.

- 5) Advance per employee shows the efficiency of each employee to generate business of loan for bank. This ratio shows very high fluctuations in the span of five years amongst both banks. The efficiency of Bank of Baroda is higher as to the Dena Bank.
- 6) However, by comparing stand-alone performance and taking 2008-09 as base year Dena Bank is performing slightly better as to Bank of Baroda.
- 7) While comparing Deposit per Employee same situation is there. Bank of Baroda's employees performing well and getting higher deposit per employee by Rs.2.23 cores in 2012-13.
- 8) Branch wise efficiency shows the effectiveness working of respective Branch. Bank of Baroda is paying attention about the infrastructure and communication to the consumers through branch in much better way as to Dena Bank.
- 9) Bank of Baroda is very sensitive and alert for the marketing aspects of banking activities, which is reflected in the Business Per Bank.
- 10) Business per Branch by Bank of Baroda is just double to the Dena Bank in first two years of study and in the last year of study Bank of Baroda has
- 11) Advance per Branch indicates the Advances given by Branch in the different sectors. Bank of Baroda and Dena Bank both have faces problem in last two years of study.
- 12) Sluggish growth is registered in last two years for Advances per Branch.
- 13) In comparison of Base year 2008-09 Dena Bank has achieved higher growth as to Bank of Baroda.
- 14) Dena Bank's Deposit per Branch is nearly half then Bank of Baroda.
- 15) If we compare individual growth of Bank and takes 2008-09 as base year Dena Bank perform well as to Bank of Baroda in last year of study.
- 16) The superior performance of Bank of Baroda as to Dena Bank is due to extensive Branch net work and higher no of Employee and greater adoption of the Technology.

7. CONCLUSION:

From above study, we found that both banks are working in western part of country and come into existence in the Government hand on same day but performance of both banks is quite different. Board of Governors or Directors of Bank is more responsible for the performance of Bank in terms of all parameters based on Branch and Employees.

Looking to the various ratios it is concluded that the Bank of Baroda has proven efficient in all respect. Not only this, but high adoptability of technology, trained and efficient staff plays very vital role in the efficiency and efficacy of Bank. Dena bank is doing fair with the present infrastructure and staff but not efficiently in comparison to the Bank of Baroda. Brand revamping decisions of Bank of Baroda and aggressive marketing and adopting mascot for the advertisement and effective Branch level working makes Bank of Baroda in true sense profitable Bank of Government of India.

8. SUGGESTIONS

- Bank of Baroda have to extend their banking in other states which can contribute greater in the profitability
- Dena Bank has to go for exercising Brand Revamp-Brand Building process, which gives new recognition to Bank.
- Infrastructure and Branch level management of Dena Bank proven hurdle for the growth of Bank, which requires improvement a lot.
- Aggressive marketing and attractive product portfolio is necessary for Dena Bank for better performance.
- Trained staff and extensive Branch Net work and little liberal approach towards Loan are necessary for the Dena Bank's Management.
- Selection of proper Branch Location and recruiting right candidates in the Bank is utmost priority of the Dena Bank.
- NO of employees in Dena Bank is remaining stagnant even after span of Five years may be reason for poor efficiency.

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AUTHOR'S PROFILE:

S. G. Patel is Lecturer at M. P .Arts and M.H. Commerce College, Ahmedabad.

Dr. B. O. Baxi is Lecturer at N.R. Institute of Business Administration, Ahmedabad