CHAPTER 1
Introduction

"Productivity denotes the relationship between the output of goods and services and the inputs used in producing them such as land, capital and labour or all factors combined."

Productivity refers to the physical relationship between the quantity produced (output) and the quantity of resources used in the course of production (input). It is the ratio between the output of goods and services and the input of resources consumed in the process of production. The output may be measured in terms of the units of goods produced or the value of goods and services produced. The input refers to the combination of materials, machine, time consumed, power, efforts and imagination of the employer and so on. Productivity aims at optimum utilisation of resources for yielding as many goods and services as possible at the lowest possible cost.

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The Encyclopedia Britannia - Volume VII (Helen Hemingway Benton, Chicago 1977) P. 229
Historically, the term productivity is believed to have been used for the first time in 1776 by economist Quesney. For a long time, its meaning remained rather vague. Towards the close of the 19th century it was understood as the faculty to produce. It was only in the beginning of the twentieth century that the term began to be used in a more precise sense. In its modern sense, it refers to the relationship between the result and the means employed.

Productivity measured in terms of output per man is broadly determined by two factors - technical development and employees' job performance. Of these, employees' job performance depends primarily on the ability of the individual employees, the motivation of employees and physical conditions of work. The ability of individual employees includes knowledge and skill. The motivation of an employee will depend upon the organisation structure, leadership, need satisfaction and influence of trade unions. The work environment ensures the greater ease at work through better ventilation, better lighting, improved safety devices and reduction in noise.
Increased attention has been paid towards increasing productivity in recent times. For the first time the delegates of International Labour Organisation came to India and conducted many demonstrations in engineering and textile industries. Another expert team of I.L.O visited India and proved that production could be increased in both these industries. The delegation found that productivity does not involve heavy retrenchment. It is felt that productivity drive should be extended to every sphere of work - industry, agriculture, road transport, banks, railways, mines and office organisation.

There is tremendous expansion of banking in terms of number of branches, deposits, advances, number of accounts and also persons employed. Due to the rapid growth, mass recruitment of staff leads to deterioration in quality of service and the productivity of staff. To improve productivity, it is essential to bring down establishment expenses. It is within the control of the Bank to restrict the number of employees and to increase their productivity. In banks, productivity may be evaluated in terms of customer service, quality of lending, recovery of loans, morale and motivation of employees.
The labour cost per unit ascertained by dividing the total wages paid to the workers by the number of units produced by them is a measure of productivity of labour. For comparing the productivity of labour over two periods, the labour cost per unit has to be compared for these periods. The lower such the cost is the higher will be the productivity and vice versa. It may be also measured on the basis of total volume or value of production divided by total man hours worked.

Wage incentive schemes seek to motivate employees by paying extra remuneration. Profit sharing or bonus, labour welfare measures and good working conditions also help in this objective. Time study, labour participation in management, providing adequate training to employees, mechanisation, automation and rationalisation are some of the tools for measuring productivity in an organisation.

In Banks, employees are paid better salaries. They are also eligible to receive bonus and the management are providing them with various welfare measures like provident fund, gratuity, housing loan facilities and vehicle loans. The employees are given adequate training to deal with new
mechanical devices such as computers. Thus these facilities help employees to improve their efficiency and their standard of living will also be increased considerably.

Tamilnad Mercantile Bank Ltd., was incorporated on 11.11.21 as a joint stock company under the Indian Companies Act, 1913. It was established to mobilise the funds of the Nadar community people. Hence, it was started in the name of Nadar Bank Ltd., and the bank changed the caste name and assumed its present name on 26th November 1962. The object of the Bank was to carry on the business of banking and to develop the resources of the community called Nadars.

Traditionally, the Bank accepts four kinds of deposits—Fixed, Recurring, Savings and Current accounts. The total deposits of the bank on 31.3.90 was Rs 226 crores and it has been increased to Rs. 308 crores as on 31.3.91. This shows a tremendous growth of 36%. Of the total deposits, fixed deposits contribute more than 50%. Savings and current accounts share the remaining amount of deposits. In addition, the Bank has innovated novel schemes of deposit—Navarathinamala and Muthukuviyal deposits to attract the different types of depositors of different tastes. The Bank
also plays a vital role in lending of money. As on 31.3.1990 Rs. 124 crores was lent to make a growth rate of 15%. The credit deposit ratio was maintained at 55% as on the above date.

For the first twenty five years, the Bank had only four branches. Now the total number of branches increased to 117 as on 31.3.1991. In the first twenty five years, there were 125 employees employed in the Bank. The number of employees increased to 1599 as on 31.3.1991. Per employee business has also increased considerably to the level of Rs. 21.92 lakhs as on 31.3.'90.

In the Bank, the productivity is measured on the basis of employees job performance. The employees job performance depends on the ability, motivation and physical conditions. The Bank recruits first class graduates for the post of clerical cadre staff. The selection is made after conducting written test and interview. The employees are motivated by providing over time allowances, bonus or ex-gratia payment. They are also given the facilities for availing of one month salary as festival advance and consumers loan for the purchase of household articles. The Bank provides better conditions of work to stimulate the employees to do work speedily.
1.1. **Statement of the problem**: Productivity is essential to improve standard of living and for the prosperity of a nation. Higher productivity eliminates wastage of materials, time, manpower, space and other resources. The work of employees is made easier and they will get increased salaries. Merit rating and job evaluation help them as a basis for promotion. Higher profits due to higher productivity enable the management to plough back the profits and give scope for opening of more branches.

Low productivity leads to retrenchment of employees and a number of branches will be closed. The growth of the deposits will be reduced and this in turn will decrease the contribution to the nation. Low productivity reflects in poor customers service and this situation leads to the poor attitude of the customers about the bank.

Hence, in order to overcome the above obstacles, it is essential to concentrate attention on improving efficiency of the employees. The study is an attempt to deal with the above problems and to suggest the ways and
means by which the difficulties can be overlooked. The study also gives emphasis on the performance evaluation of the Bank. It also concentrates attention towards the achievement of higher productivity in the Bank by providing financial and non financial incentives to the employees.

1.2 Description about the study area: The Bank serves its customers through 117 branches spread throughout the country. As the Head Office of the Bank is in Tuticorin, the Bank opened more than fifty percent of its branches in three southern districts of Tamilnadu - Tirunelveli, Kanyakumari and V.O. Chidambaranar districts. Hence, the researcher conducted survey among customers in the above three districts and executives employed throughout Tamilnadu.

1.3. Objectives of the Study: - The purpose of the study "Productivity Efficiency of Commercial Banks A study with reference to Tamilnad Mercantile Bank Ltd." is to discuss the various services rendered by the bank and its influence on productivity, and to analyse how far the customers are utilising the services.
The objectives of the study are:

a) To study the activities of the Bank along with its growth and development.

b) to analyse the factors leading to the increase in productivity efficiency of the employees of the Bank.

c) to evaluate the performance of the Bank; and

d) to examine the role played by the directors in the management and the service benefits of the Bank.

1.4 Methodology: For the purpose of the study, data were collected from both primary and secondary sources. A sample survey of the customers and executives of the Bank was conducted with the help of questionnaires. The observational technique was also adopted whenever possible and various officials of the Bank were interviewed and their opinions were taken into account. Secondary data were collected from text books on the subjects, journals, annual reports and circulars issued by the Bank.

1.5. Tools used: To make the survey very authentic and scientific, the mathematical tools like trend analysis and moving average are used. Various chapters of the study have been illustrated with charts, tables and diagrams whenever necessary.
1.6. **Limitations of the Study**: There are various difficulties experienced by the researcher while conducting the study. Some customers hesitated to disclose their income and savings particulars. Likewise, some executives were reluctant in providing with accurate information on some aspects. Cost and time were also some of the limitations of the study.

1.7. **Chapter Scheme**

**Chapter I**: The study is split into six chapters to facilitate a comprehensive analysis of the subject matter. The introductory chapter deals with the importance of this subject, the purpose, and objectives of the study the methodology adopted and tools applied.

**Chapter II**: Profile of Tamilnad Mercantile Bank Ltd., deals with the origin, incorporation and development of the Bank at various stages along with the change in organisation structure. This chapter deals with the success or failure of the Bank during the period of its growth and development.

**Chapter III**: Productivity Efficiency in the bank gives an account of the ways and means of improving productivity efficiency of the employees. It also states how their increase in efficiency can be measured qualitatively.
Chapter IV: Deposits and Advances deals with different types of deposits and advances and their salient features. The special deposits offered by the Bank are given due importance. The problems involved in lending, rate of interest and repayment of loans are some of the aspects dealt with in this chapter.

Chapter V: Survey findings and recommendations is concerned with the sample survey of customers and executives of the Bank. This chapter projects the findings of the survey and the recommendations and opinions of the executives and surveyed customers.

Chapter VI: Summary and Conclusions provides summary of the dissertation. This chapter deals with the total sum up of previous chapters, and useful as well as practical suggestions are given for improving overall efficiency and customers services of the Bank.