Chapter 1: Introduction

1. Introduction to the Topic
2. Rationale of the Study
3. Objectives of the Study
4. Scope of the Study
5. Expected Contribution from the Study
Analytical Study of Labour Productivity and Its Impact on Banking Sector

Chapter 1: Introduction

1. Introduction to the Topic

We are in the era of globalization and the business environment is very turbulent. It is changing drastically. In present environment nothing is permanent except changes. Changes are likely to take place but with different pace at different time. External environmental factors like social, cultural, economic, legal, government policies, technology and competition are uncontrollable. Due to these, it has become very difficult to carry out the business activities effectively and efficiently. It is an uphill task to stabilize, grow and excel in the business performance. In this situation, the need for higher level of knowledge and skills are needed. Every organization whether big or small, is using manpower, machine, money and materials. To carry out its tasks these are needed and without these the tasks cannot be completed.

Materials are used for manufacturing and other tasks. Different types of materials like raw materials, semi-finished and finished goods, inflammables, explosives, electrical and electronic items, gasses, chemicals, fuels, cleaning materials, consumables etc, are used as per the need of the organizations. Without these the required functions cannot be performed. Second, resource is finance. Finance is life blood of the business. It works in business like blood in human body. If blood quality and quantity are not proper in our body then many problems are likely to be faced. In shortage of finance the routine, development, payment of workers, payment of bonus, welfare of employees, payment of suppliers, refund of loans, research and development, replacement of old machines and equipment related activities will be hampered. It may lead to make the profit making unit a sick unit. Importance of finance cannot be overlooked. Third, machines or technology play very important role in accomplishment of tasks of the unit as per planning. Without technology the work is done manually. The speed at which the work is done is slow. The output per worker goes down and simultaneously the quality also goes down. The costs of production and operation
increase. The organization cannot have competitive edge over the competitors using advance technology. With technology the performance increases. The productivity, efficiency and profitability of business unit increase. So the use of technology cannot be ignored at any cost in present time. Out of these, human resource is the most important resource because through the combined efforts of men, other resources are utilized for accomplishment of the goals. Without human being other resources will be unproductive. Hence, human resource is the most importance resource that is to be managed properly.

Human resource is the most important component of an organization. Human resource has been defined from national point of view, as the total of knowledge, skills, creative abilities, talents and aptitudes obtained in the population. Whereas from and individual enterprise point of view, they represent the total of inherent abilities, acquired knowledge, skills and aptitudes contained in employees of the enterprise. The human resource is given increasing significance in modern organization. Obviously, a majority of the problems in organizational setting are human and social rather than physical, technical and economic. The failure to recognize this fact causes great loss to the nation, enterprise and the individual. People at work comprise a large number of individuals of different sex, age, education standards and groups. These people at work exhibit not only similar behaviour patterns and characteristics to a certain degree, but they also show many dissimilarities. Each individual who works has his own set of needs, drives, goals and experiences. Management, therefore, must be aware not only the organizational needs but also needs and goals of employees.

The human resources assume importance from an economic standpoint at national, enterprise and individual levels of analysis. Ginzberg pointed out, human resource is the key to economic development. However, they are being wasted through unemployment, disguised unemployment, outdated skills, lack of job opportunities, poor personnel policies and practices and problems of adjusting to changes. There exists a wide scope to increase productivity through their proper development. The physical resources will not give output unless the human resources are applied to them. However, the human resource also has negative aspects. Over population and poorly trained work force may prove disastrous to the national economy. If the national output does not increase faster than its population, the
standard of living will decline. At enterprise level, there is also an urgent need for effective utilization of the human resource to attain organizational goals. This can be done by understanding their nature, potentials and limitations of human resource, developing and utilizing it to the optimal ability, maintaining its quality and coordinating it with other resources. From individual point of view, development of employees will get them a source of economic advantage, improves the economic status and living standards.

In present scenario under liberalization, privatization and globalization the companies are facing stiff competition. It has become very difficult to survive, grow, stabilize and excel in the business. The companies performing better and before others are taking the lead in business. To do so the skilled and motivated employees are strongly needed. They can give more output per person. Their performance can be measured with the help of labour productivity concept. Productivity is known as output per person or system. Labour productivity is called output per person. It is the ratio of output to input.

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\text{Labour Productivity} = \frac{\text{Output}}{\text{Input}} \times 100
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National Trade Union Congress of Mauritius: “Productivity is a process of continuous improvement in the production/supply of quality output/service through efficient, effective use of inputs, with emphasis on teamwork for the betterment of all.”

Asian Productivity Organisation: "Productivity is the belief in human progress. It is a state of mind which aims at perpetual improvement it is a ceaseless effort to apply new technology and new methods for the welfare and happiness of mankind. It is the training of the minds and the development of attitudes of the people as a whole which determines whether the nation will realize high productivity and an affluent life or low productivity and poverty."

NPCC: Productivity then is to do more with less exertion in less time. An analogy is the cart with square wheels carrying a load of round wheels to show that hard work is not necessarily productive work, but smart work.
European Productivity Agency, formulated in Rome, “Productivity is, above all, a state of mind. It is an attitude that seeks the continuous improvement of what exists. It is a conviction that one can do better today than yesterday, and that tomorrow will be better than today. Furthermore, it requires constant efforts to adapt economic activities to ever-changing conditions, and the application of new theories and new methods. It is a firm belief in the progress of humanity.”

The labour efficiency can be measured with the help of productivity concept. Nowadays, it is concerned of every body to utilize the labour force properly so the output can be increased. This contributes in progress of employees, employers and the nation as a whole. Higher level of labour productivity satisfies employers and employees psychologically. It gives a great impact on performance of people and progress of business. Service sector across the world is developing very fast. In developed countries the contribution of service sector is more than 50% to the national economy. This trend is taking place is developing countries too. In every economy different types of services like transportation, communication, financial, entertainment, health, medical, education etc. out of these financial services are important. The financial service includes banking, insurance, capital market, mutual funds etc.

Banking service is related to the topic of the study. Mobilization and proper utilization of resources affects economic growth of a nation. Banks play very important role in the economic life of the nation. The health of the economy is closely related to the soundness of its banking system. Although banks create no new wealth but their borrowing, lending and related activities facilitate the process of production, distribution, exchange and consumption of wealth. In this way they become very effective partners in the process of economic development. Today, modern banks are very useful for the utilization of the resources of the country. The banks are mobilizing the savings of the people for the investment purposes. The savings are encouraged and saving rate increases. If there would be no banks then a great portion of a capital of the country would remain idle.

A bank as a matter of fact is just like a heart in the economic structure and the Capital provided by it is like blood in it. As long as blood is in circulation the organs will remain
sound and healthy. If the blood is not supplied to any organ then that part would become useless. So if the finance is not provided to Agriculture sector or industrial sector, it will be destroyed. Loan facility provided by banks works as an incentive to the producer to increase the production. Financial institutions provide finance at convenience of the customers. Banks provide the service to people to deposit their surplus money to earn interest. Further, it extends loan to the needy person at higher rate of interest. Banking sector started its development almost a century back.

The Indian banking can be broadly categorized into nationalized (government owned), private banks and specialized banking institutions. The Reserve Bank of India acts a centralized body monitoring any discrepancies and shortcoming in the system. Since the nationalization of banks in 1969, the public sector banks or the nationalized banks have acquired a place of prominence and have since then seen tremendous progress. The need to become highly customer focused has forced the slow-moving public sector banks to adopt a fast track approach. Further the focus of government policy was to develop cooperative sector and rural areas. At present the Indian financial system consists of public, private, cooperative, development and foreign banks. Reserve Bank of India is the central controlling authority for all banks in India.

After independence, the development of banking sector picked up momentum. Since 1991, public and private sector banks are co-exiting and providing banking service to the customers. They are playing very important role for overall economy development. In service sector, involvement of human element is of very high and this is application in banking service too. Attitude, interest, motivation, skills and knowledge, behavior, promptness, response to call etc. all are related to employees. These factors affect the individual and organizational performance. Hence, the concept of labour productivity is banking sector has great significance in present time. In present stiff competitive situation, it has become difficult to attract customers, retain and motivate them for further business. When employees give better performance then only the profitability of the banking unit will go high. Therefore, the out put per person matter a lot. So the importance of productivity concept has been felt everywhere. That is why this topic has selected for study purpose.
2. Rationale of the Study

In present situation, not only in banking sector but also all sectors, tough competition is being faced and need for higher labour productivity is felt. It is difficult to an organization to do the business as it wants. It is not possible to produce and sell as it wants. Every organization is putting its efforts but the result is not in favour of every one. The organization that does the things better and before others can avail the opportunity. That will become the leader in the market. To provide the products and services better to customers and serve then in better way, the skill and commitment of employees is needed. High quality and better performance of every individual is needed to contribute in attaining the objectives of the organization. Therefore, output per person, system, machine etc. is required and that is called productivity.

Management is putting best efforts to utilize every resource effectively and efficiently and specially the manpower. Management realized the importance of human resource and its better performance at job. Due to motivated and talented manpower the banking sector is giving good results every year. The importance of manpower cannot be ignored in present competitive situation. Over and above the output given by them contribute a lot in the progress of the banking sector. In Indian banking sector public, private, foreign, development and cooperative banks are performing banking service very well under competitive situation. In this situation, for survival and growth management in banks is adopting different strategies to improve labour productivity. It provides one shot solution in the competitive situation. Due to the magnificent contribution of labour productivity on progress I have been attracted by this topic and selected for the research study.

3. Objectives of the Study

Following are the objectives of this study:

(a) To understand the concept of employee/ human resource, importance of human resource performance, factors affecting performance, labour productivity, factors affecting, benefits of higher, labour productivity, other related concepts, and concerns of all parties involved.
(b) To study the causes of lower productivity, strategies to improve it and involvement of different parties with concept of labour productivity and their initiatives.

(c) To find out the practices adopted in banking, examine the labour productivity in banking sector and the problem faced regarding labour productivity.

(d) To summarize on the basis of study, the findings and give suggestions for further improvement of labour productivity in banking sector in India.

(e) To meet the requirement of award of Ph. D degree programme.

4. Scope of the Study

Every organization is utilizing resources like men, machine, money, materials and information to carry out their business effectively and efficiently. Out of these resources the manpower is the most important resource. That is why this resource is focused and this study is limited to manpower or human resource only. This study is relating to labour or human resource and its productivity in banking sector in India. Further, the relation of labour productivity and its impact on business performance of bank will be studied. It can be summarized that this study scope will include the areas of productivity, labour productivity, impact on performance and progress of banking sector in India. For study purpose Gujarat region has been selected with the assumption that similar practices are used in banking throughout India.

5. Expected Contribution from the Study

It is expected the study of this topic would contribute in clarifying the all concepts relating to human resource, performance and labour productivity very well. After study of the topic in depth the fundamental concepts are very clear. The beneficiary from the study of this topic would be first of all self-researcher, academicians, practicing managers, prospects researchers and the banks. If these parties refer this research study in future may take advantage of the finding and suggestions. Academician, practicing managers and research students may take benefits for academic purpose and on the jobs. The banks if feel may implement the suggestions for improvement of performance and productivity of manpower. It can be said the benefits would be multidimensional for above mentioned parties.