

Organisational Foundations and Performance of Banks in India – A Juxtaposition Study from 1991-92 to 2019-20

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ABSTRACT

Banks are the pivot of development. The way the banking organisations function (Payer) will influence the performance of the banks as well as the target group (The Receiver). There will be always a business relationship between the banks and their customers. This relationship will be solidified and continue to exist for a lifetime and beyond (generation customers). When a bank lives longer, it means better performance by establishing a continuous customer relationship. It is in this context, a study on the organisational foundations to its performance is critical and essential. The present study aims at establishing a temporal relationship between organisational foundations – Vision, Mission, Objectives, Goals / Values, and Strategies and needs to be juxtaposed for a concomitant relationship. The study covers four types of banks in India – Public Sector (PSBs), Private Sector (Pvt_SBs), Foreign Banks (FBs), and All Scheduled Commercial Banks (ASCBs). The organisational foundational variables such as Vision, Mission, Objectives, Goals/ Values, and Strategies are culled out to test the hypothesis of the significance of organisational foundations as explicitly stated will lead to better performance of the banks by type.

The above hypothesis is tested using ANOVA Fixed Effects Model for all performance variables at the aggregate level. The data are culled out from reports of eighty banks which form a major chunk of the banks in India. The sources of data are bank websites, annual reports, RBI websites, EPWRF data sets, and the like. The data have been tabulated by bank type from 1991-92 to 2019-20 – the post-liberalization period in India.

The findings of the study are: PSBs although form 56.5% of the total transactions (credit) have mixed levels of performance. Some areas are statistically significant and some are not. The organisational foundational variables have moderate clarity and are in most of the cases, objectives and goals are not specified. The Pvt_SBs have a market share of 35.4% of total transactions that are urban-centric and have been performing well and most of the variables are documented. The FBs which are operating in India are clear about all the organisational variables except strategy. The share of the FBs in Indian urban transactions is 4.19% of the total and all the parameters of performance show the statistically significant result at 1% level. Generally, there will be no autocorrelation effect in the time model tested. This means Foreign Banks make very little or minimum time-oriented errors.

The paper suggests that all types of banks in India must emulate the FBs to have stronger organisational foundations which in the long run facilitate better competitive performance.

Index Terms—ANOVA, Juxtaposition. Organisational Foundations, Performance Variables, Temporal Data Sets

I. BACKGROUND, MOTIVATION, AND OBJECTIVES

Any organisation will ensure continuous existence on the relationship it establishes with its customers. The payer-receiver relationship amounts to the delivery and borrowings relationship between the banks and the customers. Any bank function becomes naïve when it deals with delivering loans and recovering the principal

money with interest from the borrower. The present situation in banking is that of creating product offerings around the delivery and borrowings i.e. any bank should have its defined nuances in terms of purpose, value creation, facilitation, classification, reclassification, and opening up new products based on bills discounting and accounting for unexpected losses both for the bank and the borrower. It is here a subtle relationship exists between Vision, Mission statements, and that of performance over several years. Any Vision statement will form the basis for an institution to formulate a Mission statement. When a Vision statement gets consolidated into a Mission statement, the right Objectives, Goals, and Values can be set for formulating a business plan. The idea of such an exercise is to strengthen the organisation by meeting its goals and objectives. When Objectives are achieved, the Mission statement is realised. The realisation of the Mission statement would be a pointer for the Vision statement to manifest. Over a long time, the Vision will have to be reset depending upon the reset of Values and Goals which leads to re-visioning of the entire organisation to match with changing times. It is in this context, all banking institutions in India have reformed their Vision and Mission statements and Objectives and Goals. The time has now come for examining the organization's foundation with that of the performance of the banks during the post-liberalization period. **The present study is set to examine whether Vision and Mission statements have made an impact on organisational performance.**

II. STATEMENT OF CONTRIBUTION / METHODS

The present study will facilitate whether Vision, Mission statements will enable better performance and influence the banks to further continue or change and continue. The study intends to juxtapose the Vision, Mission statements of the banks in a sector (Public, Private and Foreign) and link up that with that of the performance of the banks as demonstrated during the particular time. The time chosen is between 1991-92 and 2019-20 in India which is termed as the post-liberalization period. The 54 parameters of a bank's performance will be linked to its current Vision and Mission statement.[1] The significance of variation in performance enables us to conclude whether there is an association between the parameters of performance and Vision and Mission statements. There are three types of banks in India – PSBs, Pvt_SBs, and FBs. The State Bank of India (SBI) is the biggest of PSBs. The HDFC Bank Limited represents the Pvt_SBs and the Citibank N.A. represents all FBs operating in India. The final results get evaluated based on more significance of the parameters associated with time trend performance. The cut-off 'p level' is $p = 0.05$. That bank which performs more significantly in terms of achieving targets over 29 years from 1991-92 to 2019-20 is adjusted as the best. The conclusion drawn will enable us to recommend other banks to follow. This will enumerate for better performance in the future.

III. RESULTS AND DISCUSSION

The strength of an institution is in the Vision statement which will be a shorter one and will penetrate the stakeholders such as the hierarchy of staff from sub-staff to CMD of the organisation. The Mission statement will normally have based on the Vision as promulgated to personify the organisation. The purpose of the study is to examine whether their differentials in performance are because of the Vision and Mission statements. It is well known that the performance of organisations is largely associated with Rules, Regulations, Procedures, and Practices. The formulation of these rules, regulations, etc. is based on Vision and Mission statements. Any member of the organisation will naturally get immunized to the culture and practices in the work environment and performance accordingly. The quality of human resources is more concerned with organisational culture along with the personal capacity of human resources. The skills of performance are based on human quality and the application of technology. All the banks in India have distinct Vision and Mission statements and have varying levels of performance. **The questions that could arise are:**

a. How could this be?

b. Whether this is empirically true?

c. When there are least relationships between conceptual thinking and practice, is a practice that wins?

The above questions are attempted to answer by analysing select banks by type whose Vision and Mission statements are made explicit on their respective websites.

Selection of Banks

There are three types of banks classified as PSBs, Pvt_SBs, and FBs. The classification type indicates the

distinction of each type of bank. There are 12 PSBs, 22 Pvt_SBs, and 46 FBs totalling 80 banks as of 2019-20. The best bank in each type in the sense of the size, the volume of transactions, employee size, number of branches, and coverage are considered. The three selected banks are State Bank of India – PSB, HDFC Bank Limited – Pvt_SB, and Citi Bank NA - FB. The above three banks represent the respective type in terms of best-performing banks. The present study aims to test the relationship between Vision and Mission statement and link them up with performance during the post-liberalisation period 1991-92 to 2019-20.[2]

Discussion

Table I describes the Vision and Mission statements of the select banks:

i. Vision and Mission Statement of Select Banks

SI No	Banks	Vision	Mission
01	State Bank of India	.- My SBI: First in customer satisfaction.	- We will be prompt, polite, and proactive with our customers. - We will imbibe state-of-the-art technology to drive excellence.
02	HDFC Bank Limited	The bank is committed to maintaining the highest level of ethical standards, professional integrity, corporate governance, and regulatory compliance.	HDFC Bank's mission is to be a world-class Indian bank.
03	Citibank N.A.	The Financial Supermarket with a Winning Culture Offering Enjoyable Experiences	- Offer a wide array of products and services that differentiate and excite all customer segments. - Ensure respect for the community, good governance, and compliance in everything we do.

The State Bank of India has a Vision declared in the following phrase - ‘My SBI: First in customer satisfaction. The above Vision statement indicates the link between SBI, customers and links them with satisfaction.[3]

The Mission statement identifies the following variables (attributes):

1. Promptness
2. Politeness
3. Proactivity
4. Creation of products and services

- 5. Value creation
- 6. Reach
- 7. Excellence in service
- 8. State of the art technology

All these variables are appropriately confounded to reach customers anywhere at any time in India. The Mission is to drive towards excellence.

The HDFC Bank Limited[4] has a Vision of ethics, professional integrity, corporate governance, and regulatory compliance. The above Vision is going to be realised by making the institution a world-class bank.

The Citi Bank[5] NA has a Vision of establishing financial supermarkets by incorporating a winning culture. The Mission has clarity in terms of offering an array of financial products and services, 'employer of choice' for internal customers (employees) enhancing efficiency and effectiveness, promoting innovation and automation, and respect for community, good governance, and compliance.

Interestingly Vision and Mission statements of each of these banks are distinct and different. Every Vision and Mission statement reflects its culture in work. The professionalism to be realised has been clarified in the Mission statement. Given the characteristics of the statement, it is hypothesised that each bank has a performance level different from the other bank. During the study period, wherein time-series data for 29 years have been collected.

The number of parameters of performance is:

1. Advances,
2. Investments,
3. Fixed Assets,
4. Other assets,
5. Cash and Balances with RBI,
6. Balances with Banks and Money at Call and Short Notice,
7. Total Assets,
8. Capital,
9. Reserves and Surplus,
10. Deposits,
11. Borrowings,
12. Other Liabilities and Provisions,
13. Total Liabilities,
14. Interest Earned,
15. Other Income,
16. Total Income,
17. Interest expanded,
18. Operating Expenses,
19. Total Expenses,
20. Operating Profit,
21. Net Profits / Loss,
22. Net Interest Income,
23. Standard Assets,
24. Substandard Assets,
25. Doubtful Assets,
26. Loss assets,
27. GNPA's under loan assets,
28. Total Advances,
29. Assets,
30. Gross Advances,
31. Net advances,
32. Gross NPAs,
33. Net NPAs,
34. GNPA's to Gross advances,
35. NNPA's to Net Advances,
36. Credit,
37. Credit to occupation,
38. Deposits,
39. CD Ratio,
40. Number of Offices,
41. Number of Officers,
42. The number of clerks,
43. Number of Subordinates,
44. Total employees,
45. Credit – Agriculture,
46. Credit- Agriculture- Direct Finance,
47. Credit- Agriculture- Indirect Finance,
48. Credit-Industry,
49. Credit-Transport operators,
50. Credit-Personal Loans,
51. Credit-Trade,
52. Credit-finance,
53. Credit-All all others and
54. Credit-total bank credit.

The 54 parameters of the performance have been examined for significance over time using the Analysis of Variance Fixed Effects Model. The level of significance is $p < \text{or} = 0.05$.

Table II represents a number of significant parameters p is $< \text{or} = 0.05$.

ii. Number of Parameters Significant at less than 0.05

Sl No.	Banks	Number of Parameters (54) Significance at less than 0.05
01	PSBs	50
02	Pvt_SBs	52
03	FBs	51

The above table is clear that the Pvt_SBs in India have performed healthier than FBs and PSBs during 1991-92 to 2019-20. The FBs show significance in 51 out of 54 parameters. Whereas PSBs show significance in 50 out of 54 parameters. The exemplary performance of Pvt_SBs in competition with PSBs and FBs has resulted in Pvt_SBs acquiring a higher share of total transactions in all spheres of banking activities. The FBs although least in size have an acquired significance in 51 out of 54 parameters. This is largely due to the Vision and Mission statements in terms of a product offering, improving efficiency and effectiveness, and aimed towards enhancing excellence. The PSBs are reaching more customers, better size transactions and are moving towards state-of-the-art facilities. Despite the efforts, the PSBs are yet to make the customers feel that it is their bank. The customer-first approach is yet to be realised in terms of reflections by customers as 'my bank'. The statistical results testify to Vision and Mission statements which get projected in terms of performance. Table II shows that in the majority of the parameters, all the banks have done well. The above table (ii) is made much explicit by examining the performance of banks by type and portfolios.

Table III (a) and III (b) below presents the performance of three types of banks by classified parameters.
iii a. Performance by classified parameters

Sl No	Type of Bank	Assets	Liabilities	Earnings, Expenses & Profits	Loan Assets	NPAs	Credit
1	PSBs	7/7	6/6	8/9	6/6	5/7	1/1
2	Pvt_SBs	7/7	6/6	9/9	6/6	7/7	1/1
3	FBs	7/7	6/6	9/9	6/6	7/7	1/1
4	ASCBs	7/7	6/6	9/9	6/6	7/7	1/1

iii b. Performance by classified parameters (Continued)

Sl No	Type of Bank	Credit to Occupation	Deposits	CD Ratio	No of Offices	No. of Employees	Sector-wise deployment of Credit
1	PSBs	1/1	1/1	1/1	1/1	3/4	10/10
2	Pvt_SBs	1/1	1/1	1/1	1/1	2/4	10/10
3	FBs	1/1	1/1	0/1	1/1	4/4	8/10
4	ASCBs	1/1	1/1	1/1	1/1	4/4	10/10

It can now be seen that the main areas where PSBs have to act upon are earnings, expenses & profits, non-performing assets, and the number of employees. Since there are more officers than required and the bottom is heavy in terms of more number of clerks and subordinates are making an impact on expenses and profits. Many PSBs branches are under loss consecutively for the last several years. As such, the overall expenses are high minimising the profit levels. The process of mergers and acquisitions is going on because of heavy non-performing assets. The process of reorganising banks is going on and the number of PSBs which were 22 got reduced to 12. The process now further mergers and acquisitions may lead to single figure 8.

The Pvt_SBs have done extremely well with all parameters showing significant improvement in performance barring only two. The two parameters are the number of clerks and subordinates are heavy and have to slim the organisation by pruning them.

The FBs show disturbing performance in maintaining the CD ratio and in the sector-wise deployment of credit. The improvement in credit portfolio in the areas of growth may help to improve the performance of the Foreign Banks.

CONCLUSION

The discussion enables us to conclude that there is a concomitant link between Vision and Mission statements

and the performance overtime period. The internalisation of Vision and Mission statements will bring about specific work culture. With Vision statement positioned will lead to significant improvement in all the performance parameters. The overall performance parameters exhibit changes based on handling crises and portfolios. The present study has established that a context-based Vision statement will ensure better continuous performance leading to the longevity of the organisation.

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