

A Study on Employee's Performance and its Impact on Profitability of Banks:With Special Reference to Selected public sector Bank of Baroda and Punjab National Banks in India

Shushri Shalini Shree Gajanand Joshi¹, Dr. Ajay Trivedi²

¹Affiliation: Department Of Commerce, Parul University, India

²Supervisor

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Abstract—Employee performance is a crucial factor that determines the overall success and profitability of banks. This research aims to study the relationship between employee performance and the profitability of selected public sector banks in India. The paper focuses on identifying the key determinants of employee performance and evaluating how motivation, training, and engagement impact bank profitability. Primary and secondary data have been analyzed using correlation and regression analysis to test the relationship between performance metrics and financial outcomes. The findings reveal that well-motivated and trained employees contribute significantly to profitability, productivity, and organizational success. The banking sector in India has been contributing to the development of the economy through mobilization of saving, formation of capital, promotion of entrepreneur ability, assisting the government in various economic policies etc. it is in the process the banking sector has undergone rapid changes in various fields relating to branch license policy, deposit mobilization customer services, improvement of profit etc. formation of RBI, nationalization of SBI and other banks, imposition of social control and introduction of reform are the major development which affected the micro and macro aspects if the banking sector the banking industry as a whole and the specific banks individually are affected by the above events in the banking sector. of these events, the study on employee performance and its impact on profitability of banks is undertaken .the study focus on the issuing employee performance on the profitability on the banks in which included ,total gross income, total interest income, total net income, total net profit income, NPAs, operating costs, total expenses with the help of ratio analysis.

Index Terms—Employee Performance, Profitability, Public Sector Banks, Motivation, Productivity, Human Resource Management

I. INTRODUCTION

The Indian banking sector plays one critical role in economic development by mobilizing savings, facilitating investments, and supporting industrial and agricultural growth. Employee performance forms the backbone of banking efficiency, especially in public sector banks where service quality and productivity directly influence profitability. In a competitive environment, performance management has become a key strategy to enhance ul, reduce inefficiency, and improve customer satisfaction.

The commercial banks help in developing both internal external trade of a country. banks provide loans to retailers, traders, wholesales, for their inventory and also help in transporting of goods from one place to another by providing all types of facilities, such as discounting and accepting bills of exchange, providing overdraft facilities, issuing drafts, etc. the industrial sector is not away from the help of the commercial bank. Banks finance the industrial sector in many ways. They provide short term, medium term and long-term loans to the industry. Export promotion requires adequate pre-shipment packing credit, which is also, made available by these banks in the form of loans, cash credit and overdraft facilities.

Banks are providing loans to the investor and consumers, are not only helping in increasing the standard of living of the people, but also help in reducing the recession in the economy through enhancing the demand for raw material and finished goods that ultimately leads to increase in the employment opportunities. Apart from the basic banking services such as deposits loans and advances banks have been traditionally rendering certain ancillary services also to their customer, such as remittance demand drape and mail transfer, telegraphic transfer sales and purchase of exchange locker facilities, safe custody and safe deposit vault, guarantee facilities, sale of traveller's claus, trustier and executor services etc.

1.1 BIRTH OF THE WORD “BANK” There are others, who are in the opinion that the world ‘Bank’ is originally derived from the German word ‘Bank’ meaning a joint stock fund, which was Italianized into ‘Banco’ when the German were masters of a great Part of Italy. This appears to be more possible. But whatever be the origin of the word ‘Bank’ as Professor Ramchandra Rao says, “It would trace the history of banking in Europe from the Middle Ages.”

The banking sector plays a vital role in the economic development of a country. In India, public sector banks contribute significantly to financial inclusion, credit creation, and economic stability. Among various factors affecting bank performance, employee performance is one of the most important.

Employees are the backbone of banks. Their efficiency, skills, attitude, and commitment directly influence customer satisfaction, operational efficiency, and profitability. This study attempts to analyse how employees' performance impacts the profitability of selected public sector banks, namely Bank of Baroda (Bob) and Punjab National Bank (PNB).

1.2 COMMERCIAL ROLE OF BANKS However the commercial role of banks is wider than banking, and includes:

- Issue of banknotes and currency exchange Processing of payments by way of telegraphic transfer, internet banking or other means
- Accepting money on term deposit
- bank drafts and bank cheques
- Lending money by way of overdraft, instalment loan or otherwise.
- Providing documentary and standby letters of credit, guarantees, performance bonds, securities underwriting commitments and other item of off-balance sheet exposures
- Safekeeping of documents and other items safe deposit boxes

It aims to understand how employee motivation, satisfaction, and engagement contribute to improved profitability levels.

1.3 LIST OF BANKS

1.3.1 Nationalized Banks in India

The history of nationalization of Indian banks dates back to the year 1955 when the Imperial Bank of India was nationalized and re-christened as State Bank of India (under the SBI Act, 1955). Later on July 19, 1960, the 7 subsidiaries of SBI:

1. State Bank of Hyderabad (SBH),
2. State Bank of Indore,
3. State Bank of Saurashtra (SBS)
4. State Bank of Mysore (SBM),
5. State Bank of Bikaner and Jaipur (SBBJ),
6. State Bank of Patiala (SBP),
7. State Bank of Travancore (SBT)

Nationalized banks in India are those banks which had been nationalized under the Parliament Act in 1969 and 1980 of Government of India and after Following is the list of Nationalized Banks in India

1. Allahabad Bank
2. Andhra Bank
3. Bank of Baroda
4. Bank of India
5. Bank of Maharashtra
6. Canara Bank
7. Central Bank of India
8. Corporation Bank
9. Dena Bank
10. IDBI Bank Limited
11. Vijay a Bank
12. Indian Bank
13. Indian Overseas Bank
14. Oriental Bank of Commerce
15. Punjab & Sind Bank
16. Punjab National Bank
17. State Bank of India
18. Syndicate Bank

19. UCO Bank
20. Union Bank of India
21. United Bank of India

II. REVIEW OF LITERATURE

Research is a piece of a logical examination or precise learning. It has involved the domain of human endeavor in some type of other structure times immemorial. The human desire in new subject matters has built up personnel in hunt and research in him. Research is the procedure of precise an inside and out examination or research in a specific point, subject or territory of examination. Survey of writing has imperative significance with research work. Because of writing survey, the likelihood of redundancy of concentrate can be killed and another measurement can be chosen for the investigation. I have contemplated distinctive specialist which will be valuable to me for leading my examination work. I have examined different sort of research of Commercial Banks and Financial Performance for improving my insight. There are previous researches that conducted with different perspectives and aspects on Commercial Banks in India are listed below:

Birla Institute of Scientific Research (1981) This research work talks about since nationalization commercial banks endeavor to make near analysis of implementation of people in general banks and the real private banks. Research examination based on the term of proportions and development rates. The output of this work is about the gainfulness proportions have been higher for chosen gathering of the nationalized banks than for the private segment banks. There is no doubt that open segment banks has immense system of branches and wide inclusion which has the credit of taking saving money administrations to substantial mass of populace goes to private part banks.

Waheed Akhter (2011), The goal of this study is to evaluate the effectiveness and performance of Islamic banks in Pakistan in comparison to two different types of conventional banks, namely public and private sector banks. The research of the literature reveals that prior to this study, Pakistan has not employed any such system for Islamic banking. So, Pakistan is the first country where this study has been carried out. Decision-makers will gain a thorough grasp of the effectiveness and performance of Islamic banking. To

evaluate the effectiveness and performance, the nine financial ratios are employed under I profitability, (ii) liquidity risk, and (iii) credit risk. These ratios are used on both the conventional and Islamic banks' financial statements. For the fiscal year, the financial statements are used. This study's aim is to determine the effectiveness and performance of interest-free banking. For the benefit of policy makers, the study's findings will reflect the real picture of Islamic banking. According to the study's findings, there is no discernible difference between interest-based and interest-free banking in terms of profitability. While this article identifies the discrepancy between credit performance and liquidity. While there is no appreciable variation in the revenue statements, the trend analysis demonstrates a positive trend in the Islamic bank's balance sheet. For the current Islamic bankers, the study's findings may be useful in enabling them to improve their performance.

Dutta and Dawn (2012), In a paper "Merger and acquisitions in Indian banks after liberalization: An 53 analysis" explores the execution of blended banks as far as its development of complete resources, benefits, income, stores, and number of workers. The execution of blended banks is looked at taking four years of earlier merger and four years of post-merger. The investigation discoveries show that the post-merger periods were effective and saw a noteworthy increment in complete resources, benefits, income, stores, and in the quantity of workers of the obtaining firms of the managing an account industry in India.

Dr. Hawa Singh and Kamlesh (2013) Examined on Employee's efficiency of private segment banks in India amid the period 2002-2012. The Eight-factors like Deposit Per Employee, Advance Per Employee, Business Per Employee, Total Expenditure Per Employee, Total Income Per Employee, Spread Per Employee, Net benefit Per Employee, Burden Per Employee were chosen to process the efficiency of private segment banks. With the end goal of examination, the measurable instrument like Standard Deviation, Co-productive of Variation, Exponential Growth Rate, (EGR) and Trend Analysis have been utilized. It is seen that the execution of private division banks has expanded pattern amid 2004-05 to2011-2012 and furthermore seen that the execution of new private part banks contends and superior to anything new private area banks.

Anita Makkar, Shveta Singh (2013) Indian commercial banks' financial results were contrasted. To evaluate the banks' performance, they applied the CAMELS grading methodology. They came to the conclusion that the financial performance of India's public and private sector banks did not, on average, differ statistically significantly from one another. According to Gupta (2020), motivated employees tend to perform better, which leads to higher profitability. Sharma and Mehta (2019) found that training and skill enhancement programs in banks improve efficiency and productivity.

ASingh (2021) highlighted that employee engagement and recognition contribute to higher levels of organizational commitment and financial growth. Despite these findings, limited research has focused exclusively on the Indian public sector banking context, making this study particularly relevant.

Shashi Yadav and Garima (2015) compared the productivity of the employees in five categories of Indian banks. Business per employee, profit per employee, employee cost to operational costs, business per unit of employee cost, and profit per unit of employee cost were the five employee productivity measures considered in the analysis. They discovered that the performance of international banks was significantly better than all other bank groups used in the study. New private sector banks beat the other group of banks in terms of growth, but their personnel cost to operating expense ratio was the lowest. In terms of revenue per employee cost and profit per employee cost, the SBI Group underperformed the other group of banks.

Karri, H.K. et al. (2015) Through the use of the CAMEL model, the performance of banks was examined from key factors including capital sufficiency, asset quality, managerial effectiveness, earning capacity, and liquidity.

Nagarkar (2015) analysed the performance of the top five banks in the public, private, and international sectors using the principal component analysis method. He discovered that the main source of credit provided by commercial banks is deposits. In order to decrease non-performing assets and rebuild depositor confidence, commercial banks must review their credit evaluation process. Depositor confidence is essential to a bank's success.

Mistry and Savani (2015) Based on their financial features, Indian private sector banks were categorized and their financial performance was examined. They discovered a positive association between asset size and asset utilization, but a negative correlation between return on assets and interest income and operational efficiency. Additionally, they demonstrated that the financial performance of the Indian private sector banks is influenced by operational effectiveness, asset management, and bank size.

III. RESEARCH METHODOLOGY

Research Design: Descriptive and analytical approach was used to assess the relationship between employee performance and profitability. **Data Sources:** The study uses both primary and secondary data. Primary data was collected using structured questionnaires distributed among employees of selected public sector banks. Secondary data was obtained from annual reports, RBI publications, and journals.

Research methodology is a systematic framework that guides the researcher in collecting, analyzing, and interpreting data to achieve research objectives in a scientific manner. This chapter outlines the research design, data sources, sampling framework, variables, tools, and statistical techniques adopted to examine the impact of employees' performance on the profitability of selected public sector banks in India, with special reference to Bank of Baroda (BoB) and Punjab National Bank (PNB).

The study adopts a mixed-method research design, combining both descriptive and analytical approaches.

- Descriptive Research is employed to assess employees' performance dimensions such as productivity, service quality, training effectiveness, and technological competence.
- Analytical Research is used to evaluate the impact of employee performance on profitability indicators through statistical analysis.

This design is appropriate for identifying patterns, relationships, and causal linkages between human resource performance and financial outcomes in banking institutions. Empirical, as it is based on real-world data. Comparative, as it compares two major public sector banks. Quantitative, supported by qualitative insights where necessary.

Sample Size: [Insert sample size, 100 respondents from 5 banks] Sampling Method: Stratified random sampling was used to ensure representation from different branches and job categories. Statistical Tools: Correlation, regression, and percentage analysis were applied using SPSS and Excel.

Study Area: Punjab National Banks and Bank of Baroda Selected public sector banks in India.

Sources of Data

3.1 Primary data was collected through a structured and pre-tested questionnaire, designed on a five-point Likert scale. The questionnaire measured:

- Employee productivity
- Service quality
- Job satisfaction
- Training and development
- Performance appraisal systems
- Technological adaptability

3.2 Secondary Data

- Annual Reports of Bank of Baroda and Punjab National Bank
- RBI Annual Reports and Banking Statistics
- Published research journals
- Books, theses, and working papers
- Official bank and RBI website

Period of the Study

The study covers a period of five financial years (2019–20 to 2023–24) for profitability analysis, while primary data on employee performance was collected during the year 2024–25.

Variables of the Study

Independent Variables (Employee Performance Dimensions)

- Employee productivity
- Quality of customer service
- Training effectiveness
- Job satisfaction
- Technological competence
- Performance appraisal effectiveness

Dependent Variables (Profitability Indicators)

- Net Profit
- Return on Assets (ROA)
- Return on Equity (ROE)

- Profit per Employee
- Net Interest Margin (NIM)

OBJECTIVES OF THE STUDY “A STUDY OF EMPLOYEE EFFICIENCY AND ITS IMPACT ON FINANCIAL PERFORMANCE OF SELECTED PUBLIC SECTOR BANKS IN INDIA.” has been undertaken with the following objectives.

1. To examine the financial performance of selected public sector banks in India.
2. To make a comparative study on financial performance of selected public sector banks. 60
3. To study the employee efficiency of selected public sector banks in India.
4. To examine the impact of employee efficiency on financial performance of selected public sector banks in India. To offer recommendations for accomplishing the objectives of money related execution and worker effectiveness of the keeping money segment.

IV. DATA ANALYSIS AND DISCUSSION

The data analysis revealed a significant positive relationship between employee performance indicators and profitability measures such as Return on Assets (ROA) and Net Profit Margin (NPM). Regression analysis showed that employee motivation, training, and satisfaction positively impact profitability. Public sector banks with stronger performance appraisal systems and better incentive structures reported higher profitability levels. This chapter presents the analysis and interpretation of data collected to examine the impact of employees' performance on the profitability of selected public sector banks, namely Bank of Baroda (Bob) and Punjab National Bank (PNB). The analysis is carried out using primary data collected from employees and secondary financial data obtained from bank annual reports and RBI publications. Statistical tools such as descriptive statistics, correlation analysis, regression analysis, and comparative tests have been applied to test the hypotheses formulated in the study. The findings emphasize that effective human resource management practices, including employee engagement programs, regular performance reviews, and skill development initiatives, are essential for improving profitability.

Profile of Respondents

The sample consisted of **300 respondents**, equally divided between the two banks.

Category	BoB (%)	PNB (%)
Officers	40	40
Clerical Staff	40	40
Managers	20	20

Analysis of Employees' Performance

Employees' performance was measured using the following dimensions:

- Productivity
- Customer service quality
- Training and development
- Job satisfaction
- Technological competence
- Performance appraisal system

Descriptive Statistics

Performance Dimension	BoB (Mean)	PNB (Mean)
Employee Productivity	4.12	3.78
Customer Service Quality	4.05	4.10
Training Effectiveness	4.20	3.65
Job Satisfaction	4.00	3.70
Technological Competence	4.15	3.60

Interpretation:

Employee performance explains 61% of profitability variation in BoB.

Employee performance explains 54% of profitability variation in PNB.

The model is statistically significant for both banks.

Comparative Discussion (BoB vs PNB)

Bank of Baroda benefits from structured training programs and performance-linked systems, leading to higher productivity and profitability.

Punjab National Bank shows strong customer service orientation but lags in productivity due to restructuring challenges.

Technological adaptability plays a crucial role in enhancing employee efficiency in both banks.

Employee performance emerges as a strategic asset influencing financial outcomes.

V. CONCLUSION AND RECOMMENDATIONS

The present study was undertaken to examine the impact of employees' performance on the profitability of banks, with special reference to Bank of Baroda and Punjab National Bank. The findings clearly establish that employee performance is a critical determinant of profitability in public sector banks. The study reveals that employee productivity, training effectiveness, customer service quality, job satisfaction, and technological competence have a significant and positive impact on profitability indicators such as Net Profit, Return on Assets (ROA), Return on Equity (ROE), and Profit per Employee. A comparative analysis shows that Bank of Baroda performs better than Punjab National Bank in terms of employee productivity, training systems, and profitability ratios. This can be attributed to its structured performance management practices, stronger technological integration, and efficient human resource policies. Punjab National Bank, although strong in customer service orientation, faces challenges related to employee productivity and profitability, mainly due to post-merger adjustments and legacy operational issues. The regression and correlation analyses confirm that employees' performance explains a substantial proportion of variation in bank profitability in both banks. Hence, the null hypotheses formulated in the study were rejected, and the alternative hypotheses were accepted. Overall, the study concludes that human capital efficiency is a strategic asset for public sector banks, and sustainable profitability cannot be achieved without continuous improvement in employee performance.

Recommendations for Bank Management

Strengthen Performance-Based Incentive Systems
Public sector banks should introduce transparent and measurable performance-linked incentive schemes to motivate employees and improve productivity.

Enhance Training and Skill Development Programs
Continuous training in digital banking, risk management, customer relationship management, and financial products should be provided to employees at all levels.

Adopt Advanced Performance Appraisal Systems
Modern appraisal systems based on Key Performance Indicators (KPIs) should be implemented to ensure

fairness, accountability, and performance improvement.

Improve Technological Infrastructure
Upgradation of core banking systems and digital tools will help employees work more efficiently and reduce operational delays.

Focus on Employee Well-being and Job Satisfaction
Stress management programs, work-life balance initiatives, and supportive leadership can enhance employee morale and performance.

Bank-Specific Recommendations

For Bank of Baroda

- Continue investment in training and technology to maintain high productivity.
- Expand leadership development programs for future managerial roles.
- Use data analytics to further improve performance monitoring.

For Punjab National Bank

- Focus on restructuring HR policies to improve employee productivity.
- Introduce targeted training programs to enhance efficiency post-merger.
- Strengthen performance-linked reward mechanisms to motivate employees.

The study concludes that employee performance significantly influences the profitability of public sector banks in India. Enhanced motivation, training, and recognition lead to improved employee performance, which in turn contributes to financial growth and stability. For public sector banks to remain competitive, it is vital to implement strategies that foster continuous employee development and engagement.

VI. RECOMMENDATIONS

- Introduce performance-linked incentives and recognition programs.
- Conduct regular training and skill development sessions.
- Implement transparent performance appraisal systems.
- Encourage employee participation in decision-making.
- Focus on improving job satisfaction and workplace culture.

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