

Evaluating employees' intellectual capital performance of commercial banks in India

■ C. MURALIDHARAN AND R. VENKATRAM

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ABSTRACT

This paper attempts to analyse the intellectual capital performance of different commercial banks in India. Secondary data regarding pay, total income and expenditure pertained to 2006-07 to 2011-12 were collected from websites of RBI. Value added intellectual coefficient (VAIC) was used to measure the intellectual capital efficiency in this study. The results indicated that foreign and new private sector banks ranked high towards human capital efficiency and value added intellectual coefficient. VAIC score is indirectly motivating and reflecting the profit motive of banks only rather than the number and volume of business concentrating to all sections of people. Public sector banks topped the list with regards to capital employed efficiency. Even though, VAIC score for public sector banks are less when compared to foreign banks and new private sector banks but public sector banks are performing well by achieving the priority sector loans, agriculture credit lending, education loan, financial inclusion, DRI scheme, BPL customers and social banking etc. The policies of financial inclusion, DRI scheme, BPL customers, social banking etc., also made public sector banks to add more value to their performance. Thus, along with VAIC performance, social and priority sector capital can also be included for analyzing the performance of banks.

KEY WORDS : Value added intellectual co-efficient (VAIC), Human capital efficiency (HCE), Structural capital efficiency (SCE), Capital employed efficiency (CEE)

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Bank's business volume in India had grown more than fourfold *i.e.* from USD 11.8 billion in 2001 to USD 46.9 billion in 2010. India is expected to increase its share in global banking revenue from 1.5 per cent in 2009 to 2.8 per cent in 2015. The loan volume disbursed by banks is currently around 50 per cent of the country's Gross Domestic Product as compared to less than 19 per cent at the beginning of the decade (Kamath, 2012). Banking sector in India is one of the major employment providers. About one million employees

are working at present in this sector. Public sector banks alone employ around 0.8 million employees. Thus, many transformations are taking place in the banking sector (Khandelwal, 2010).

Any business organization including banks has both tangible and intangible assets. The tangible assets constituted a major share in total assets earlier. However, the intangible assets including human capital now plays a major role in business organizations. Such situation warrants the need for organizations to manage these intangible resources effectively. Improved human capital practices, which are directly tied to performance, could increase the stockholder's value of the business unit. Managing human capital drives employees to their maximum potential, recognizes that the knowledge each person possesses is an intellectual capital, and utilizing effectively is capital payoff for the business. The "human capital" is thus a combined knowledge, skill, experience and ability of the organizations' individual

MEMBERS OF THE RESEARCH FORUM

Correspondence to:

C. MURALIDHARAN, Department of Agricultural and Rural Management, Tamil Nadu Agricultural University, COIMBATORE (T.N.) INDIA

Email: muraliabm@gmail.com

Authors' affiliations:

R. VENKATRAM, Department of Agricultural and Rural Management, Tamil Nadu Agricultural University, COIMBATORE (T.N.) INDIA