Chapter 3

Research Methodology

3.1 Introduction

“Once a blind person asked another person that what does white colour feel like? He replied the white colour looks like the paper in the hand. To this the blind replied the white colour is kouras. The person said no I mean to say it looks like the chalk. The blind person said so it’s brittle. He again replied no it’s like cotton cloth and snow. To it the blind person replied that means white colour is damp, cold and soft”\(^{102}\)

Research methodology is the answer to such a situation where there is a difference in the thought process and thinking capability of the person research methodology works as a bridge to explain what the other person is thinking and how it can be put in the form that it can be understandable to others. The role of the research methodology is to communicate the view of the researcher on the topic of research. And the topic of research or the research question is this white colour which the viewer knows how it looks but which he can’t explain how it feels. Research methodology is the way that helps in providing explanation to such a problem. It is a combination of various steps like statement of problem, scope of study, pilot study, etc. in this chapter we will discuss all this steps followed by the researcher in the context of the study to be carried out. One by one we will try to analyse each step in the process of the study and its basic definition. This chapter draws the road map of the research.

3.2 Research Objective

These are the exact areas on which the research is carried out to understand the various aspects or must say that these are the objectives that the researcher wishes to study.

i. To compare the global view point of Basel 3 norms for introduction in the banking system.

ii. To evaluate if Basel 3 would be beneficial for Indian Financial System, and explore if it should be implemented with some modifications as per our economy.

iii. To evaluate whether our economy is ready for the effects of the Basel 3 and is ready to absorb the cost that needs to be incurred in implementing the same.

iv. To evaluate how the key banking parameters for prominent Public Sector Banks and Private sector Banks would have been different had Basel 3 norms were implemented in past.

v. To understand the attitude of various relevant stakeholders towards introduction of Basel 3 norms by analysing Bank employees’ viewpoint about awareness, expected impact, perceived changes needed in overall system and whether it differs from sector to sector.

3.3 Statement of Problem

The problem that is taken here to study is the “Implication of the Basel 3 on Indian banking sector and the attitude of stakeholders”. The problem with the accord is that it is to be implemented in the banking sector but no one has idea how its variable will change the banking sector. Along with it the implementers are the biggest stakeholders and there is no idea about their attitude towards the norm. This is the problem that is taken by the researcher under the study. This has imposed as the problem as many have tried to predict the future but no one has shown the actual picture as we all in finance know future is never certain so still after a lot of projection it is not clear that what will be the effect of the norm on various parameters of the banking. Along with it this is also not been studied that what the implementers wish to say in this case as norm being given by the RBI normally bankers are not asked how they feel that the same will affect or how they feel whether it is important or not. So in short we can say that to understand the above things three problems are taken by the researcher to study

i) The Effect of the Change in Capital on NIM of the bank. As people are predicting that the capital will go high but not one is giving any view that how it will affect the other variables. So Researcher has taken NIM of bank to understand its effect.

ii) The stakeholders/employees are never asked whether they understand the problem in hand or not. Here the survey is conducted to know whether the same scenario exists in this case also.

iii) The implementers are never asked to give their view on any compliance issue it is just informed to them. While they being the implementer the best way before implementing any norm is to ask their say. The researcher has addressed this problem.
3.4 Type of Study and its Scope\textsuperscript{103}

This study is exploratory and analytical in nature. Deciding on the scope of the study is tough task to be done in case of any research as one has to decide from the whole lot of information which bracket to choose and which one to leave. Here also a wide range of information is available and one has to decide that which one the person must select. Like in relation to choosing the banks under study there are many banks in India the researcher needs to decide which bank to choose and why. Along with the bank there are lakhs of bank employees available to study their attitude on the given problem. The researcher cannot study each and every one of them so for the convenience of study the researcher had selected 5 banks to study. 2 private sector banks, 2 public sector banks and 1 old private sector bank based on their stature in the banking industry. Again the balance sheets of 2008-09 to 2014-15 are only taken as this is the exact period when the transition from one accord to another took place. Any other period again would have provided a very superficial result. Also the researcher has limited the scope of the employees by selecting only those employees who are above the manager level. In that also focusing majorly on the assets and risk management employees as they are the major player in this field. While employees of a lower cadre than manager could have been taken but there are chances that he might not be having complete information. And time limitation is always an issue with the researchers due to limitation of time the scope of the study was made limited as neither it is feasible not possible to study the balance sheet of each and every bank and collect information from each and every bank.

3.5 Development of Questionnaire\textsuperscript{104}

Upon the Literature Review it has been found that some prominent studied that used questionnaire to assess view point of stake holders were conducted by Kumar. S (2015), Pasha, M.A.(2013) . The Researcher also reached some eminent banks to assess if there are some internal studies conducted which have used questionnaire. However the above do not meet the requirements of the present study and hence the researcher developed a new questionnaire to study the variables that affect the attitude. The questionnaire was put to test using the pilot study. Here the pilot study was conducted by the researcher by personally meeting and interviewing 20 bankers with the concept and by trying to understand what they believe. The questionnaire so tested by testing various variables such as knowledge of the


subject, attitude of the subject based on this the questionnaire was so developed wherein a combination of closed ended and open ended questionnaire were used to study the attitude of the stakeholders. Further this questionnaire was tested using Cronbach’s Alpha to check the validity and reliability if the instrument. “Cronbach’s alpha is useful where all the questions are testing more or less the same thing, called a “factor”. The ideal alpha is 0.7 to accept the reliability of the questionnaire here the same is 0.73 thus we can say that the questionnaire was reliable and can be used for further survey. 105

3.6 Type of Data

The study has used both Primary and Secondary Data. Primary data was collected through using self-designed questionnaire. While secondary data was collected from the various balance sheet of the bank by visiting the websites of the bank as can be seen form the references.

Secondary Data is the data which is already published and is used by the researcher for the purpose of the research. Here the balance sheet of the 5 banks is the secondary data that is used by the researcher for conducting the research. While the reason for selection of the bank is already given the reason for selection of specific period of balance sheet is as follows

i. Only balance sheet of last seven years were used starting from 2008-09 as these were the years of transition after the failure of Basel 2 accord in the year of 2007-08.
ii. The Basel 3 accord is getting implemented in phases and will be applicable by the end of 2019-20 which took a complete seven year in implementation thus to have the original picture exactly preceding seven years are taken.
iii. The last two years of the study are actually the first two years of the phased period. As the study checks if the full phased implementation had taken past what would have been the picture of Indian banking thus these last two years provide a better picture of the same
iv. The banks selected are based on the pattern of formation of the bank and the sector they belong to like Axis and ICICI belong to private sector, SBI and BOB belong to PSU sector, Federal bank belongs to old private sector. Why these specific banks were selected is explained in the sampling method ahead.

Primary Data\textsuperscript{106} is the data that is collected first hand here the primary data was collected in relation to the attitude of the stakeholders by contacting the bankers from various banks. The researcher tried contact the bankers from both the private and PSU banks where the questionnaire were first mailed along with it the researcher also used the method of interview to collect the data. The questionnaire used for this purpose was having the combination of both the type of questions that is the open ended and the close ended. Where in the close ended gave the options like yes, no, agree, disagree. The open ended were used for the purpose of getting the views of the bankers on specific issue under study.

3.7 Sampling method

There are various sampling methods that can be used for the purpose of the study but here the researcher has first of all used probability sampling. Probability sampling\textsuperscript{107} is a method of sampling where in each and every unit of the population has equivalent probability to appear in the sample has. Here in the study also it was seen that the chances of each individual above a specific level becoming a respondent was almost same. Same was the case with the selection of the banks where all the banks had equal probability of selection. The selection of banks was further done on the basis of size and sector of bank. As can be seen 5 banks are covered in the study Axis, ICICI, SBI, BOB and Federal. Where in if we look at Axis and ICICI on one had they both are amongst the largest private sector banks in India along with it the pattern of establishment of both the banks was almost similar. Both were started by the agencies those were once a part of government schemes / departments be it ICICI or UTI. Researcher would have taken HDFC but the pattern of establishment of it is different from the other two. In selection of SBI and BOB the logic was that both are one of the largest banks in the PSU sector. Secondly both the banks are having one of the largest bases of branches at both national and international level in comparison to any other public sector bank. The reason why researcher selected Federal is it is one of the oldest private sector banks in existence, secondly it’s a mediocre bank as compared to the other four thus providing the researcher a view about other medium banks in the wake of the accord.

In the second case of questionnaire the researcher has used Judgement Sampling Method.\textsuperscript{108} Though not one of the best sampling methods to be used for any study but in this

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\end{itemize}
kind of study it is the only solution. Here the researcher has tried to collect the views of the
bankers on an international banking accord, wherein bankers are not easily comfortable to say
anything on these matters so the researcher has used the judgement sampling. Being an Ex.
Banker the researcher has contacted those people who will be able to give an unbiased view
and will also help in getting the information from some of his or her colleagues. Thus the
researcher has used a combination of probability and judgement sampling.

3.8 Size of the Sample

The size of the sample is again determined from the sampling methods. Here the researcher
has used both the Secondary and Primary data. Below is the reason of selection of specific
size of the primary data.

Primary Data is the information first hand collected by the researcher on the specific topic.
Here the researcher had contacted 500 respondents from both the private and the public sector
the below details will give a complete division of the respondents along with the information
on the department of the respondent to let us know the knowledge of the respondent on the
given topic. Also it is too be noted that out of 500 only 300 respondents replied to the
questionnaire. The information covers the type of banks, number of respondents and also the
department of the respondent

1. Type of bank of respondent

<table>
<thead>
<tr>
<th>Type of Bank</th>
<th>Number of Respondents Contacted</th>
<th>Responses in Acceptable range</th>
</tr>
</thead>
<tbody>
<tr>
<td>Private Sector</td>
<td>250</td>
<td>150</td>
</tr>
<tr>
<td>Public Sector</td>
<td>350</td>
<td>150</td>
</tr>
</tbody>
</table>

Table: 3.8.1 Bank Respondents
An equal amount of questionnaire were sent by the researcher to both the sector in the banking industry to get their views from them in private sector nearly 200 people respondent but only 150 questionnaire were found suitable as the remaining 50 were either partially filled or the answers were ambiguous. While from the public bank the respondents who actually replied to the mailed questionnaire were only 55 for further the researcher contacted the bankers personally either through phone to get their views than also was able to collect in all 150 questionnaires.
2. Experience in No. of Years

<table>
<thead>
<tr>
<th>Experience in No. of years</th>
<th>No. of Employees</th>
</tr>
</thead>
<tbody>
<tr>
<td>0-5 years</td>
<td>20</td>
</tr>
<tr>
<td>5-10 years</td>
<td>150</td>
</tr>
<tr>
<td>More than 10 years</td>
<td>130</td>
</tr>
</tbody>
</table>

Table 3.8.2: Respondents Work Experience

As can be seen from the distribution it is evident that majorly the people who are on senior positions are contacted to get the information. The researcher took due care to contact the people who are in the banking system since last couple of years as it will be tough for a new entrant to understand the accord. Also the experienced bankers can give a better perspective.

The researcher had gathered the data from the staff on or above the manager level.

3. Working with which department of the bank?

<table>
<thead>
<tr>
<th>Department of bank</th>
<th>No. of respondents</th>
</tr>
</thead>
<tbody>
<tr>
<td>Retail liabilities</td>
<td>50</td>
</tr>
<tr>
<td>Retail assets</td>
<td>80</td>
</tr>
<tr>
<td>Credit risk</td>
<td>40</td>
</tr>
<tr>
<td>Business banking</td>
<td>40</td>
</tr>
<tr>
<td>Corporate Loans and Advances</td>
<td>90</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>300</strong></td>
</tr>
</tbody>
</table>

Table 3.8.3: Department of Respondents
While selecting the respondent the researcher has taken due care to contact nearly all department of the bank baring those which are totally not concerned or whose work has no role to be played in the Basel 3 accord. Like clearing department etc. the major respondents were from the loans and advances side as this is the one department of the bank which directly gets affected by the changes in the accord. The researcher was able to contact limited number of credit risk department people as one they are less in number second contacting them is not that possible as they do not form any part of branch banking.

3.9 Data Analysis Procedure

Data Analysis of the study is basically divided into two parts as the study itself is divided into four parts. The first part is the secondary data analysis

Secondary Data analysis is done using the mathematical and accounting formula of the banks. King (2010) had suggested the method of calculation keeping it the base the calculations are done. The change is done only at the stage of final NIM calculation while the formulas given by King were only able to calculate till the % change in the income and expenditure for the further calculation taking the base of the accounts the researcher has added the formula of NIM.

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Primary Data calculation is done by using the $\chi^2$ test. $\chi^2$ is one of the most prominently used non-parametric test that can be used with N number of observations. It is basically used to test the hypothesis at the given level of confidence. It also tests that how much the data is heterogeneous and how much it is homogeneous. Here the data is in relation to the view of the bankers of the two different banking sector thus this is the best method is the best suitable to test the hypothesis. Here in the data where the sector is heterogeneous the norms governing the working of the banks are homogeneous thus the researcher has used this method and tested the hypothesis at 5% level of confidence for at various levels.

3.10 Formulation of Hypotheses

Formulating a hypothesis is that part of study to know its existence the complete study is done it is the part which is tested at various level of the study. Hypothesis actually means belief in research this belief is test using various statistical tools. Thus formulation of hypothesis is that part of study with which the study is started to find out how much the researcher is thinking in the right direction. Here in this study there are basically 2 hypotheses that are tested.

Ha: There is no significant difference between the change in the capital of tier 1 and NIM of the bank. That is if one changes the other one automatically adjusts to that change.

Hb: There is no significant difference in the views of the employees of public sector and private sector banks as far as various aspects of the accord is concerned.

3.11 Concluding Remark

The chapter has set the road map of the future study to be conducted by the researcher. The research methodology chapter is one which set the goals and objectives of the study and also guides the researcher that how one must carry out the research using which variables and tools.