

CHAPTER: 2

REVIEW OF LITERATURE & RESEARCH METHODOLOGY



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2.1. INTRODUCTION:

Research work traditionally defined as gathering data that can help to answer the questions about various aspects in the concern subject. The research work may be asked to provide answers to questions of theoretical interest to particular discipline. This may include such questions which have no interest to the society.

The research in social science and management are concerned with human being, which is attach to its surroundings. The organizational behavior is an important part of the focus of research in management and social sciences and researcher must consider this part carefully to come to conclusion.

The concepts of validity and reliability provide the criteria by which we need to judge our choice of research methods. These criteria determine the credibility and academic value of research work. Research should not considered as academic activity only, it also applies to all the respect of human activity. Research is basis for making decision effective and more meaningful. It includes the defining of research problem, formulating hypothesis, collecting of data, analyzing of data and arriving to conclusion.

2.2 REVIEW OF LITERATURES:

2.2.1 WHAT IS REVIEW OF LITERATURE?

The aim of a literature review is to show particular reader that researcher have read, and have a good grasp of, the main published work concerning a particular topic or question in specific field. This work may be in any format, including online sources. It may be a separate assignment, or one of the introductory sections of a report, dissertation or thesis. In the latter cases in particular, the review will be guided by research objective or by the issue or thesis researcher are arguing and will provide the framework for researchers' further work.

It is very important to note that review should not be simply a description of what others have published in the form of a set of summaries, but should take the form of a

critical discussion, showing insight and an awareness of differing arguments, theories and approaches. It should be a synthesis and analysis of the relevant published work, linked at all times to your own purpose and rationale.

2.2.2 WRITING OF LITERATURE REVIEW:

Researcher first need to decide what he/she need to read. In many cases researcher will be given a booklist or directed towards areas of useful published work. Make sure to use this help. With dissertations, and particularly thesis, it will be more down to researcher to decide. It is important, therefore, to try and decide on the parameters of research. What exactly are objectives and what do researcher need to find out?

In literature review, are researcher looking at issues of theory, methodology, policy, quantitative research, or what? Before researcher start reading it may be useful to compile a list of the main areas and questions involved, and then read with the purpose of finding out about or answering these. Unless something comes up which is particularly important, stick to this list, as it is very easy to get sidetracked, particularly on the internet.

A good literature review needs a clear line of argument. Therefore need to use the critical notes and comments researcher made while doing reading, to express an academic opinion. Make sure that:

- Researcher include a clear, short introduction which gives an outline of the review, including the main topics covered and the order of the arguments, with a brief rationale for this.
- There is always a clear link between researcher own arguments and the evidence uncovered in reading. Include a short summary at the end of each section. Use quotations if appropriate.
- Researcher always acknowledge opinions which do not agree with thesis. If researcher ignore opposing viewpoints, argument will in fact be weaker.

Literature review must be written in a formal, academic style. Keep writing clear and concise, avoiding colloquialisms and personal language. Researcher should always aim to be objective and respectful of others' opinions; this is not the place for emotive language or strong personal opinions. If one thought something was rubbish, use words such as "inconsistent", "lacking in certain areas" or "based on false assumptions".

When introducing someone's opinion, don't use "says", but instead an appropriate verb which more accurately reflects this viewpoint, such as "argues", "claims" or "states". Use the present tense for general opinions and theories, or the past when referring to specific research or experiments

2.2.3 IMPORTANCE OF LITERATURE REVIEW:

- To define and limit of the research
- To place your study in an historical perspective
- To avoid unnecessary duplication
- To evaluate promising research methods
- To relate your findings to previous knowledge and suggest further research

A good literature review, therefore, is critical of what has been written, identifies areas of controversy, raises questions and identifies areas which need further research.

2.2.4 TYPES OF SOURCES FOR REVIEW:

- 1) Primary review: Usually a report by the original researchers of a study (unfiltered sources). Letters/correspondence, diaries, memoirs, autobiographies, official or research reports, patents and designs, and empirical research articles.¹
- 2) Secondary review: Description or summary by somebody other than the original researcher, e.g. a review article (filtered sources) academic journal articles (other than empirical research articles or reports), conference proceedings, books (monographs or chapters' books), documentaries.

- 3) Conceptual/theoretical review: Papers concerned with description or analysis of theories or concepts associated with the topic².

2.2.5 LITERATURE RELATED TO RESEARCH WORK:

Foreign Studies

The issue of efficiency in financial institutions has been the subject of considerable examination. Berger and others provide a survey of the research on scale and scope economies, X-inefficiency in banking (which describes all allocative and technical efficiencies) and the impact on efficiency of bank mergers. (Berger, Hunter and Timme,1993).

The authors note the research finding that X-inefficiencies account for around 20 percent or more of costs in banking, while scale and product-mix inefficiencies are found to account for less than 5 percent of costs. They also observe that the measured inefficiency varies considerably depending on the choice of measurement method. One interesting finding they highlight is that output inefficiencies are on average larger than input inefficiencies, which suggests that most of the inefficiencies are in the form of deficient revenues rather than excessive costs. This suggests that focusing on the cost function could understate bank inefficiency.

As regards the sources of X-inefficiency, the authors highlight research findings that suggest this could be the result of agency problems between owners and managers, regulations and organizational and legal structures and scale and scope of operations.

The literature on bank privatization itself is rather scanty. In one of the few studies of its kind, Verbrugge, Owens and Megginson(1999) investigated bank privatization that used public security offerings as the divestment mechanism. Their study covered 65 banks from 12 high information and 13 emerging economies, although pre- and post privatization data was available for only 36 banks, of which 31 were located in high-information economies and five in emerging economies.

The authors found 'limited improvement' in bank profitability, operating efficiency, leverage, and non-interest revenue after privatization. There were significant returns to IPOs (although there was no information to compare these with market returns), which were consistent with those found in other non-financial privatization studies and in the IPO literature in general. This conclusion was limited to high-information economies, as pricing data for emerging economies was very limited. Seasonal issues were not significantly under priced.

The authors found that the government retained substantial ownership even after the IPO; only in seven cases was government ownership totally eliminated at the IPO stage and there were eight cases where such ownership was eliminated with a secondary offering. The authors are inclined to ascribe the limited improvement in performance post-privatization to the fact of continued government control over bank decision.

Another study involves a comprehensive survey of government ownership of banks and an examination of its implications for financial development and economic growth (La Porta, Lopez de-Silanes and Shleifer(2000)). Surveying 92 countries around the world, the authors find that government ownership of banks is still common. In 1995, 42 percent of the equity of the top ten banks was owned by government in an average country. The authors also found that higher government ownership is associated with slower subsequent development of the financial system, lower efficiency in the financial sector and lower economic growth. Further, they find that government ownership of banks tends to be more prevalent in less- developed countries.

Whatever the author's results for developing countries in general, it would be hard to argue that government ownership of banks has not contributed to financial development in India. Indeed, as highlighted earlier, the fact of financial deepening is, perhaps, among the least-contested propositions about government ownership of banks in India. This would hold even if we went by some of the measures that the authors employ: growth of private credit/GDP, growth of liquid liabilities/GDP, growth of commercial bank assets/total bank assets, and growth of stock market capitalization/GDP.

Moreover, this study also finds that state ownership need not always be bad for growth. The World Bank (2001) notes that the above study does show that ‘at higher per capita income levels, the negative effect diminishes to become insignificant’. Barth, Caprio and Levine (2001) showed that greater state ownership is associated with higher interest rate spreads, lower levels of private credit, lower stock market activity and less non bank credit. They also find that state ownership tends to heighten the probability of crises, although this finding was not statistically significant. Reviewing further evidence on the subject of government ownership, the World Bank concludes there is a strong case for moving to sell government banks, but, for reasons that are clear, it qualifies its recommendation with the comment that ‘the findings do not demand elimination of all state ownership’.

The World Bank study also examines the experience of bank privatization in several countries and documents the gains from ownership, it underlines, are for ‘other things equal’, such as the ‘quality of financial infrastructure and the regulatory environment’. It cites the examples of Chile and Mexico, where there were major banking crises (including costs of 42 percent and 20 percent of GDP respectively) following privatization. This happened because of an underdeveloped supervisory and regulatory framework. The bank concludes that there must be a ‘deliberate and credible’ phasing out of state ownership, going hand-in-hand with a strengthening of the environment.

Indian Studies

Studies on bank efficiency and profitability in the Indian context had not been the sufficient enough of research work since later, profitability was not the objective of Indian banks there have been many attempts to compare profitability in the various categories of banks. Many of the studies (Swami and Subrahmanyam, 1993 for instance) have attempted to focus on profitability within public sector banks in attempt to set benchmarks for laggards.

A field study was conducted by Reddy (1998) after selecting 150 borrower farmers from small, medium and large group and reported that “almost all sample farmers (93%) from

small, medium as well as large size group told that their low income was the main reason for non-repayment of loan.”

Siddiqi, Rao & Thakkar (1999) conducted a study on about 800 top NPA in 17 commercial banks and reported that the diversion of funds like expansion, diversification, modernization or promoting sister concerns, etc. was the single most prominent reason for the growth of NPAs in public sector banks and concluded that “the higher NPAs in priority sector advances have pushed up the overall proportion of NPAs of these banks by about 3% to 4%”.

Kumar (2000) analysed the trends of NPAs in RRB at all-India level through the classification of loan assets and size of NPAs and pointed out that the percentage of gross NPAs at all-India level, though declined over the periods, remained at a very high level (28%) at the end of March 1999.

An empirical study on determinants of Off-Balance Sheet Activities of Public Sector Banks in India was conducted by Nachane and Ghosh (2002). The main objective of this study is to identify the factors influencing off-balance sheet (OBS) activities of public sector banks in India. For the purpose of the analysis, pooled data models are used for the period 1995-96 to 1999-2000. The results indicate that (i) size plays an important role in influencing OBS activities and (ii) higher the levels of capital and liquid assets, lower the incentive of the banks to engage in OBS activities.

Saha (2002) conducted a study on credit card in India at the growth stage in plc. The objective of this study is a comparative study on customer benefits provided by banks to its credit card customer’s vis-à-vis profit maximization of banks through best possible credit management in Credit Card Business in India. This study concludes that credit card is in the growth stage in the context of PLC, so far as India is concerned and that is the reason why a lot of foreign banks like ABN-AMRO and private sector banks like IDBI, HDFC etc. are planning to introduce credit card as their latest product. It is estimated that by another 5 years number of credit card holder would be tripled if not quadrupled as compared to today, in India.

Bhattacharya and Das (2003) conducted a study which examines the nature and the extent of changes in the market concentration in the Indian banking sector and their possible implications on prices and output of banking services. The first part of this study attempts to measure market concentration in banking in India in alternative ways from 1989-90 to 2000- 01. It focuses on both static and dynamic measures of market concentration. The paper finds a strong evidence of change in the market structure occurred during the early 1990s. Despite a spate of mergers during the late 1990s, market concentration was not significantly affected. It is also observed that the different concentration ratios rank the changes similarly over time. The second part of the paper analyses the possible impact of changes in banking market structure on prices and output of this sector during the same period. It is demonstrated that measurement problem of real output pertaining to banking sector in the national income data could be severe. The implied inflation as obtained through the GDP deflator for the banking sector in India led to unbelievable measures of inflation for banking services, casting some doubt on the methodology adopted. Alternatively, proxy price measures based on the spread appear to be more consistent with the changes in market structure in India during the late 1990s. The paper argues that the favorable market structure in India could be one important factor that led to a reduction in the 'prices' of banking services after the administered interest regime was lifted.

Ranjan and Dhal (2003) conducted an empirical study on non-performing loans (NPLs) and terms of credit of Indian Public Sector Banks. This study attempted an empirical analysis of the NPLs of public sector banks in India and investigated the response of NPLs to terms of credit, bank size and macroeconomic conditions. The empirical results from panel regression models suggested that the terms of credit variables have significant effect on the banks' NPLs in the presence of bank size and macroeconomic shocks. Moreover, alternative measures of bank size could give rise to differential impact on bank's non-performing loans. In regard to terms of credit variables, changes in the cost of credit in terms of expectation of higher interest rate induced increase in NPLs. On the other hand, factors like horizon of maturity of credit, better credit culture, favourable macroeconomic and business conditions lead to lowering of NPLs.

Maji and Dey (2003) concluded a case study of the Khatra People's Co-operative Bank Ltd (KPCB), an Urban Co-operative Bank (UCB) in the district of Bankura in west Bengal regarding management of NPAs. This study makes an attempt to analyse amountwise, age-wise, loan head-wise and sector-wise classification of NPAs and identify the factors responsible for the growth of NPAs of KPCB. This study reveals that the gross NPAs (both in absolute and relative terms) of KPCB, though lower than other UCBs operating in this district, has not improved significantly during the study period. Higher proportion of NPAs in unsecured loans, increasing NPAs in service security loans and high level of NPAs in hypothecation loans are important factors for the growth of NPAs. Another alarming factor is that the quantum of doubtful asset is very high. It is clear from this study is that the KPCB has already taken certain steps to reduce NPAs in service security and hypothecation banks. Lastly, this study concludes that KPCB should adopt certain further steps to reduce substandard and mounting doubtful assets.

Misra (2003) conducted a field study in which he examined whether allocative efficiency of the Indian Banking System has improved after the introduction of financial sector reforms in the early 1990s. For this study, allocative efficiency has been studied for 23 states of India and also estimated for two periods (1993-2001) to get a comparative perspective. This study concludes that improvement has been observed in the overall allocative efficiency in the post-reform period for the majority of the states and the improved allocative efficiency is more marked for the services sector than for industry across the states.

Gani and Bhat (2003) conducted a comparative study on service quality in five commercial banks (including private sector, public sector and foreign banks) of selected states of Northern India. For this study, 800 customers of banks were chosen by using the method of simple random sampling based on all important demographic characteristics like age, education, income, profession and geographic location of bank. For examining service quality and its five dimensions (Tangibility, Reliability, Responsiveness, Assurance and Empathy) in banks, SERVQUAL Model was used. This study concluded that service quality of foreign banks was comparatively much better than that of Indian

banks and suggested heavy investment by Indian banks in tangibility dimensions to improve the quality of service to the customers.

A case study of Jammu and Kashmir Bank Ltd. in regard to Transformative Role of Information Technology in Promoting HRD was conducted by Rohmetra (2004). This study highlights the need for taking a transformative view for Information Technology Systems with due appreciation of HRD-IT interface. The aim of this study is to ascertain the current status of IT in the Jammu and Kashmir Bank Ltd., besides commending on its transformative efficacy in terms of how people feel about the technological change in the bank. This study reports that employees in J&K bank have been able to deliver good services with efficiency un spite of certain inadequacies in the system and there has been a need for supportive development culture with a sharp focus on adequate and appropriate training interventions considered cardinal for maneuvering fundamental transitions in banking business.

A comparative study on performance evaluation of Indian commercial banks was conducted by Ram Mohan and Ray (2004). This study attempts a comparison of performance among three categories of Indian banks-public, private and foreign, using physical quantities of inputs and outputs, and comparing the revenue maximization efficiency of banks during 1992-2000. This study concludes that public sector banks performed significantly better than private sector banks but no differently from foreign banks. The conclusive points to a convergence in performance between public and private sector banks in the post-reform era, using financial measures of performance.

A study of mergers and acquisitions in the banking industry in India was conducted by Selvam, Vanith and Babu (2005). The main objective of the study was to analyze and compare the financial performance of merged banks in terms of their growth of total assets, profits, revenue, investment and deposits before and after merger. The performance of merged banks is compared taking four years of pre-merger and four years of post-merger as the time frame and the year of merger uniformly included in the post-merger period of all sample banks. In this study, seven banking units (SBI, Oriental Bank of Commerce, Centurion Bank, Bank of Baroda, Union Bank of India, HDFC Bank,

ICICI Bank) were randomly Drawn from the 20 banking units which had undergone mergers and acquisitions. In order to evaluate the performance, statistical tools like mean, standard deviation and t-test were used. The growth rates of sample banks for all variables (mean values of variables before and after mergers) have been analyzed. This study concludes that the performance of ICICI Bank is high in the growth of all respects (except deposit) than that of other sample banks taken for this study. This study also suggests that if the banks want to proceed through merger & acquisition, they have to proceed more carefully so that they can avoid the common mistakes associated with merger & acquisition activities.

Ghosh and Das (2005) conducted an empirical study on depositor discipline in the banking sector in India. This study traces the determinants of depositor discipline in Indian banking. Using annual data on commercial banks covering the period 1996 to 2003, the findings reveal that, while bank-specific factors are dominant in case of state-owned banks, systematic variables tend to overwhelm bank-specific factors in explaining behavior of depositors of private banks. In case of private and foreign banks, policy announcements have an important bearing on the dependent variable. For state-owned banks, larger asset translates into higher deposit growth, suggesting that depositors are sensitive to the 'to-big-to-fall' effect. Finally, insured depositors tend to exercise discipline by compelling banks to pay a higher price on deposits.

A study was conducted by Chakraborty (2005) on Management of NPAs- Trends and Challenges. Need for managing NPAs, present situation in Indian banks, strategies adopted by banks to reduce NPAs are discussed in this study.

A study regarding growth of retail banking was conducted by Sudhir (2005) in which it was found that the existing potential of retail banking was untapped in rural and semi-rural areas and that hitherto untapped clientele provided a good and vast opportunity for growth in this segment.

Mahakud and Bhole (2005) conducted an empirical study on Bank as Source of Finance- Evidence from Indian Corporate Sector. This study analyses the trends in commercial

bank financing of Public Limited Companies (PULCos), Private Limited Companies (PRLCos) and Foreign Companies (FRCos) in India during the period of 1966-67 to 2001-02 and estimates panel data models by using data for 500 companies listed in S&PCNX 500 Index of NSE India for the period 1996-97 to 2003-04, for empirically identifying the determinants of corporate bank borrowings. From this study, it has been found that the dependence on bank borrowings is high in the case of PRLCos than PULCos and FRCos in India. An industry wise analysis also has been carried out to know the dependence on bank borrowings of the various industries in India. From the econometric analysis it has been found that the variables like size of the company, debt to equity ratio, return on assets, Tobin's Q-ratio, Altman's Z-score and tangibility are the major determinants of bank debt in the case of Indian Corporate Sector.

Krishnaveni and Prabha (2005) conducted a study to analyse the internal service quality perceptions of bank employees. According to them developing long-term relations with the external customers depends primarily on the superior quality of service delivered to the customer which, in turn, depends on the quality and capability of the internal; customers (employees) of the bank, as they play a major role in the service delivery process.

A field study was conducted by Bodla (2005) after selecting 226 customers from four selected private sector banks and four selected public sector banks of only urban areas of Northern India for the period during September'03 to January'04. This study was designed to determine expectations and perceptions of the quality of services offered by selected commercial banks by using SERVQUAL Model. This study finds that the performance of selected banks falls short of the expectations of customers on a large majority of the elements of service quality and concluded that service quality of private sector banks was better than that of public sector banks on all dimensions except 'assurance' where the later had an edge over the former.

A study regarding Service Tax on Banking Services was conducted by Dehaleesan (2005). This study gives us a broad view of the operation of Service Tax on Banking. In this study, various relevant matters regarding service tax such as applicability of the Act, specific

exclusions, registration to be followed for proper compliance, method of valuation and also the Cenvat Credit utilization are discussed. Findings of this study is that except interest income all other income (particularly fee-based) attracts Service Tax. It is indeed imperative that the banks avail the Cenvat Credit available via various input services/input (including Capital Goods), lest it dents into the bottom line.

Bagchi (2005) conducted a study on Basel II Accord on Operational Risk Management in Indian banking sector. In this study, the author says that in view of Basel II Accord, operational risk management in banking will need new skill sets aided and supported by an articulated Operational Risk Policy of each bank. He concludes that Basel II Accord on Operational Risk Management is a welcome move. This will surely strengthen the business orientation and focus of Indian Banking. Furthermore, since each bank is likely to have a specific Operational Risk Policy, it will provide a clear direction to operating staff and simultaneously enable Top Management to monitor and control the risk on an ongoing basis. Basic Indicator Approach is a simple and viable method of capital computation it would set apart necessary amount to take care of Operational Risk in tune with integral best practices.

Chakrabarti and Chawla (2005) conducted a study on bank efficiency in India since the Reforms. They apply the increasingly popular methodology of Data Envelopment Analysis (DEA) to evaluate the relative efficiency in Indian banks during the period 1990- 2002 after selecting 70 banks out of over 100 commercial banks operating in India. This study suggests that on a 'value' basis, the foreign banks, as a group, have been considerably more efficient than all other bank groups, followed by the Indian private banks. From a 'quality' perspective, the Indian private banks dominate with foreign banks coming up last.

Bhayani (2005) conducted an empirical study on retail banking awareness among 200 customers having their current accounts with private banks, nationalized and co-operative banks in the Rajkot city of Gujarat. The objective of this study was to compare the services provided by different private sector banks in the Rajkot city and also to know the customers' awareness about the services provided and how often they utilized these services. This study concluded that in India, due to various factors like illiteracy etc, the IT awareness of the customers was still very low. So, the banks needed to put major efforts towards educating the customers for building up an 'IT savvy customer base'.

Roy (2006) conducted a study on bank lending to priority and retail sectors during the period from 1996-97 to 2004-05. For this study, 47 Indian scheduled commercial banks, which accounts for about 90-95 percent of bank credit of all scheduled commercial banks were selected. From this study, it is clear that there has been a structural shift in credit delivery of scheduled commercial banks from priority sectors i.e. agriculture, small-scale industries, to services and retail sectors during the last few years.

A study, Chidambaram and Rama (2006), examines how an employer can influence the job satisfaction of an employee at the work place so that his job performance can be enhanced. For this study, 200 bank employees (50 officers and 150 clerks) of 114 bank branches consisting of 97 public and 17 private sector bank branches operating in Kamarajar district were selected randomly. Several statistical tools i.e. Chi-square test, Multiple Linear Regression Analysis, Inter-correlation Analysis, Factor Analysis were adopted for various purposes. This study gives us some findings that the efficiency and performance of an employee are often hampered by his socio-economic conditions. As these are out of the periphery of formal organizational jurisdiction and could hardly be changed, it is always better for the management to concentrate on the job variables, such as pay and benefit satisfaction, promotional opportunities, equipment and resources, to aiming, workload and supervisory relationships, which determine job satisfaction and are considered deficient areas.

Neetu Prakash (2006) conducted a comprehensive study on the growth of retail banking in India. The findings of this study indicate that the growth of retail banking is an

important milestone in Indian banking sector developments, through the growth of retail banking in India is very small as compared to work standards. The study also finds that the performance of private sector banks in respect of retail banking is much better than that of their public sector counter parts.

Srivastava, Halani and Bajpai (2006) conducted a study on the impact of banking reforms on role clarity of Indian public sector bank employees. Role clarity is one of the important factors at work culture. This study is based on about 120 respondents selected randomly from middle and top-level management of five different branches of one of the topmost public sector bank in the Chhattisgarh region. A questionnaire developed by Sinha(1990) was used for ascertaining the degree of role clarity. The items reliability of questionnaire was found to be 0.785 (Cron batch alpha value). The outcome of this indicates that role clarity of public sector bank employees has increased in the post-reform era.

A study conducted by Bhasin (2006) shows that leading banks are using Data Mining (DT) tools for customer segmentation and profitability, credit scoring and approval, predicting payment default, marketing, detecting fraudulent transaction etc.

Maji and Dey (2006) conducted an empirical study on productivity and profitability of select public sector and private sector banks in India. The specific objectives of the study are (i) to examine the productive efficiency of selected banks during the study period; (ii) to test how fast the sample banks have been able to improve their respective levels of profitability with respect to a larger level; and (iii) to examine the factors influencing the profitability of the selected banks. In this study, five large Indian banks from the public sector and private sector each have been selected on the basis of highest quantum of deposit mobilization during the period 1996-97 to 2003-04. a composite productivity index is used to analyze the productivity efficiency of selected banks. In order to measure the bank's efficiency in achieving the larger level of profitability during the study period, OLS model has been used and to examining the factors influencing profitability, multiple regression Model has been used. The study finds that except for a few cases, the productivity index of 'greater than 1' is found for all the selected banks, though definite

pattern is not noticed. In the matter of achieving the larger level of profitability by the banks, SBI and PNB are the most successful banks followed by HDFC Bank and ICICI Bank. Regarding the factors influencing the profitability, a strong and significant impact of interest spread on profitability is found in case of SBI, PNB, HDFC Bank and ICICI Bank.

Balasubramaniam (2006) conducted a study on Securitisation reforms and Asset Reconstruction Companies (ARCs). The main objective of this study is to analyse and explain the reasons for heavy burden of NPAs and role of ARCs in NPA management. Findings of this study suggest that ARCs have to be set-up on the best professional standards, employing staff with high-level legal and financial expertise on concerning creditors and borrowers. Further more, ARC is not a panacea for all problems related to NPA management in the banking sector. Introduction of corporate governance guidelines in banks would be working as an inspiration towards maintaining financial discipline and upholding the value to the shareholders/ stakeholders. The ultimate benefit to the economy would arise when these distressed assets are sold to successful promoters and thus turned into healthier companies and industrial resurgence is made resulting into better economy.

Shri A.S. Shiralashetu and Dr. Akash S.B (2006) conducted a study on the Management of NPAs in Indian Commercial Banks. The main objectives of this study are to (i) analyse bank-wise NPAs (ii) analyse gross and net NPAs to total assets and advances (iii) analyse sector-wise NPAs and (iv) offer useful suggestions to reduce the NPA in banks. This study covers the NPAs in public sector, private sector and foreign banks in India. This study concludes that the problems of NPA are more in public sector banks compared to private and foreign banks in India. Similarly, the problems of NPA are more in non-priority sector than priority sector. Further, SSI sector has largest share in the total NPA of priority sector which affects adversely financial health of banks. Hence, banks in India must apply the principles of financial management to solve the problems of mounting NPAs.

Prakash (2006) conducted a study on implementation of Basel Norms in Indian banking sector. The main objective of this study is to observe whether Indian banks, particularly the public sector banks are ready to implement Basel Norms within the outer limit of year 2006. This study concludes that banks in India particularly public sector banks are ready to migrate to Basel Accord II only at a conceptual and academic level. They have to travel a long distance when it comes to organizational and technological readiness to go ahead, only then they can compete with international competition smoothly.

A study was conducted by Dey and Maji (2006) on “Need to Improve Customer Service in Banks: An Indian Perspective”. An attempt has been made in this study to show the reasons behind Indian banks’ increase in their business levels under retail banking in tough competition and the factors that determine better customer service. This study concludes that banks should try to retain their existing customers because the cost of retaining a customer is much lower than the cost of acquiring a new customer and to retain customers banks should focus on customer needs and wants and increase continuously their service standards levels.

A study was conducted by Negi and Thakur (2006) on Online Banking. This study attempts to examine whether banks can meet their client’s expectation through online and internet in the competitive environment. Concept of on-line banking, evaluation of on-line banking, types of on-line banking, how on-line banking helps, current on-line banking products, advantages of on-line banking, on-line banking on Indian perspective, future of online banking are discussed in details in this study. Lastly, this study concludes that on-line banking has become a necessary weapon and is fundamentally changing the banking industry world wide.

Rao, Das and Singh (2006) concluded an empirical study on Commercial Bank Lending to Small-Scale Industry. This study examines the trends in sectoral allocation of bank credit to the Small-Scale Industry (SSI) vis-à-vis non-SSI Sector in the post-reform period (1992-2003). This study also attempts to understand the variations in bank credit to the SSI Sector across bank groups and also the influence of the size and performance of banks on credit to the SSI Sectors. For this study, 97 scheduled commercial banks

excluding RRBs are taken. These banks are classified into four groups, viz, SBI and its associates, nationalized banks, foreign banks and other scheduled commercial banks. These banks are also classified broadly into three size classes- small, medium and large, high incidence of bad loans arising out of SSI advances could be one of the reasons for the declining share of SSI loans of the commercial banks.

However, a comparative as well as exhaustive study about the financial performances of public sector banks and private sector banks in India, especially after Banking Sector Reforms have not been undertaken to highlight their roles in the areas of priority and non priority sector lending, management of NPA, interest rate reforms, overall profitability, social responsibility performance in the form of extending employment opportunities to the huge number of unemployed youths, in the form of providing adequate wage payment and also providing soft-term loans to employees to build up employee morale.

2.3 MEANING OF RESEARCH:

Research is a careful and scientific inquiry into every subject, subject matter of area, which is an endeavor to discover valuable information which would be useful for further application. Thus, research process of a systematic and in depth study or search of any specific topic, subject or area of investigation. Research may involve a scientific study or experimental and result in discovery or invention, which would increase in scientific development or decision-making. The research would result in the formulation of new theories, discovery of new techniques, an improvement in old concept or knocking off of an existing theory, concept, method or technique. With the help of research we may develop a hypothesis and test it. There can not be any research which does not increase in the knowledge or improve scientific know how in any branch of science, arts or commerce.

2.4 DEFINITIONS:

“Research is a systematic activity directed towards the discovery and development of an organized body of knowledge.”

- Johan west

“Research is careful investigation or inquiry specially through search for new facts in any branch of knowledge.”

- The Advance Learners Dictionary

“Any scholarly investigation in search for through facts and for certainties is research.”

- Spar and Swenson

“A searching made for something, especially with care also, a continued careful enquiry or investigation into a subject, in order to discover facts or principles.”

- The New Century Discovery

“Research is an original contribution to the existing stock of knowledge for knowledge making for its advancement. In short, the research for knowledge through objective and systematic method of finding solution to a problem.”

- C. R. Kothari

“Research is the investigation of the underlying processes operative in the lives of persons who are in association.”

- E. S. Bogardus

“Research may be defined as a method of studying problems whose solutions are to be derived partly or wholly from facts.”

- W. S. Monero

“Research includes a study of human group relationship.”

- Whitney

2.5 PROBLEM OF THE STUDY:

The entire research activity is based on the proper identification of the research problem. Unless researcher diagnoses the problem correctly no appropriate salutation can be covered. The present research work is related to banking industry.

After reviewing the available literature review. Researcher has reviewed all aspects related to performance evaluation in banking industry. And after considering time,

capability, availability of data, tools and technique and other requirement researcher select the problem of the study.

The problem of the study is, **“A COMPARATIVE ANALYSIS OF PERFORMANCE APPRAISAL IN SELECTED PUBLIC SECTOR BANKS AND PRIVATE SECTOR BANKS IN INDIA”**

2.6 RESEARCH DESIGN:

The formidable problem that follows the task of defining the research problem is the preparation of the design of the research project, popularly known as the research design. As design includes an outline of what the researcher will do from writing the hypothesis and its operational implications to the final analysis of the data. An analytical research design has been chosen, in which information and data already available is used.

2.7 OBJECTIVES OF THE STUDY:

In context of present research work the primary objective of the study is to evaluate the financial performance of the public and private sector banks in India.

The following are the specific objectives of the study:

- (1) To find out the trend of financial performance of all public sector banks and private sector banks in India
- (2) To examine comparatively the financial performance of public sector banks and private sector banks under study.
- (3) To examine comparatively the operational efficiency of public sector banks and private sector banks under study.
- (4) To find out the trend of fund management of all public sector banks and private sector banks in India

2.8 HYPOTHESIS OF THE STUDY:

For the present study the researcher has formulated two hypothesis viz. Null hypothesis and Alternative hypothesis. Both hypotheses were tested with the help of statistical tools. The statements of hypothesis were as under:

A. Null Hypothesis:

There would be no significant difference in mean score of financial information of selected banks during study period.

B. Alternative Hypothesis:

There would be significant difference between the mean score of financial information of selected banks during study period.

2.9 PERIOD OF THE STUDY:

A longer period could have been still better but due to time and resource constraints, the last ten years period was taken for present study. The present study covers the span of ten years i.e. from 2005-06 to 2014-15. This period is selected for study because the complete data for the entire period is available. So, the period is considered adequate for the study.

2.10 DATA COLLECTION:

Data collection is very important task for the researcher. The sources are to be collected through secondary data. This study is purely based on the secondary data taken from published annual reports of the companies. Other information related to companies has been taken from official web sites and online sources.

2.11 UNIVERSE OF THE STUDY:

For the present research work universe is cover the whole banking business sector of the globe.

2.12 POPULATION OF THE STUDY:

The population for the present study is all public and private sector banks of the India.

LIST OF BANK

Sr. No.	Public Sector Banks	Esta. Year	Private Sector Banks	Esta. Year
1	Allahabad Bank	1923	Axis Bank	1993
2	Andhra Bank	1865	Bandhan Bank	2014
3	Bank of Baroda	1908	City Union Bank	1904
4	Bank of India	1906	DCB Bank	1918
5	Bank of Maharashtra	1935	Dhanlaxmi Bank	1927
6	Bhartiya Mahila Bank	2013	Federal Bank	1931
7	Canara Bank	1906	HDFC Bank	1994
8	Central Bank of India	1911	ICICI Bank	1994
9	Corporation Bank*	1906	Indusind Bank*	1994
10	Dena Bank	1938	ING Vysya Bank	1930
11	IDBI Bank	2004	Jammu & Kashmir Bank	1938
12	Indian Overseas Bank	1937	Karur Vysya Bank	1916
13	Oriental Bank of Commerce	1901	Kotak Mahindra Bank*	1985
14	Punjab National Bank	1895	Yes Bank	2003
15	State Bank of India	1806	Lakshmi Vilas Bank	1926
16	Syndicate Bank	1925		
17	UCO Bank	1943		
18	Union Bank of India	1919		
19	United Bank of India	1950		
20	Vijiya Bank	1931		

2.13 SAMPLE OF THE STUDY:

From the population based on the demographic factor age (year of establishment) of the bank five banks are selected from both public and private sector banks. The sample unit selected from the population is as under:

Sr. No.	Public Sector Banks	Est. Year	Private Sector Banks	Est. Year
1	State Bank of India	1806	ICICI bank	1994
2	Punjab National Bank	1895	HDFC bank	1994
3	Canada bank	1906	Axis Bank	1993
4	Bank of Baroda	1908	J & K Bank	1938
5	Bank of India	1906	Federal Bank	1931

2.14 SCOPE OF THE STUDY:

The scope of the present study is limited to the evaluation of financial performance of the selected banks using various ratios as parameters. The study covers only five banks based on his demographic factor i.e., year of establishment from the public sector and private sector of India.

2.15. TOOLS AND TECHNIQUES:

Researcher has followed scientific approach to design the research methodology for investigation. For the study researcher has used secondary data as a source of information.

The following tools and techniques have been classified in the study:

2.15.1. ACCOUNTING TOOLS:

The researcher picks up the technique to suit their requirement and also basis to data available to them. The accounting techniques which are used for the analysis is as under:

1. Ratio Analysis:

Ratio analysis is a very powerful analytical tool useful for measuring performance of an organization. The ratio analysis concentrates on the inter relationship among the figures appearing in the aforementioned four financial statements. The ratio analysis helps the management to analyse the past performance of the firm and make further projections. Ratio analysis allows interested parties like shareholders, investors, creditors, government and analysts to make an evaluation of certain aspects of a firm's performance. Ratio analysis is a process of comparison of one figure against, another, which make a ratio, and the appraisal of the ratios to make proper analysis about the strength and weakness of the firm's operations.

2.15.2. STATISTICAL TOOLS:

The statistical techniques which are used for the analysis are as under:

1. Average (Mean):

Average is most important and frequently used technique. Mean, also known as arithmetic average, is the most common measure of central tendency and may be defined as the value which we get by dividing the total of the values of various given items in a series by the total number of items.

2. T- test:

The Problem of comparing the means of two small sample test and under the right conditions researcher can use an extension of the t-test. A part from the basic requirement that the underlying distributions should be at least approximately normal.

T-test is appropriate test for judging the significance of a sample mean or for judging the significance of difference between the means of two samples in case of small sample(s) when population variance is not known. The relevant test statistic, t-value is calculated from the sample data and then compared with its probable value based on t-distribution at a specified level of significance for concerning degrees of freedom for accepting or rejecting the null hypothesis. It may be noted that t-test applies only in case of small sample(s) when population variance is unknown.

2.16 CHAPTER PLAN:

The research work is being prepared under following six chapters:

Chapter-1: Overview of Banking Sector

This chapter is related to banking industry. This chapter includes introduction to the banking industry evolution and definitions of bank, functions of bank, concerns of banking sector and role of banking in economic development.

Chapter-2: Review of Literature & Research Methodology

This chapter give idea about what is review of literature, how literature review is write, importance of literature review in research work, types of sources for literature review and literature review related to the present research work.

This chapter provides the blue picture and framework of the research work. It includes meaning, definition, problem of the study, research design, objectives of the study, hypothesis of the study, period of the study, data collection, universe of the study, population of the study, sample of the study, scope of the study, tools and techniques, chapter plan and limitations of the study.

Chapter-3: Data Analysis and Interpretation

This chapter represents the data analysis and interpretations through various ratios which are calculated from available data.

Chapter-4: Comparison of performance Appraisal of Selected Public Sector banks and private sector banks.

This chapter indicates the comparison of selected ratios of public sector banks and private sector banks during study period.

Chapter-5: Summary, Findings and Suggestions

The overall conclusion, output of research, and suggestions for better performance are given in this chapter.

2.17 LIMITATIONS OF THE STUDY:

In spite of all sincere efforts in preparing this report, there are certain limitations which cannot be ignored.

1. The data, which has been used for this study mainly secondary data, which has been taken from published annual reports and other reports from time to time. The limitation of the secondary data and its findings depend entirely on the accuracy of such data.
2. The researcher's sample for analysis includes only ten year (i.e., 2005-06 to 2014-15) annual data so it may affect the result of the analysis. Therefore the quality of this research depends on quality and reliability of data published in annual reports.
3. The present study is mainly based on ratio analysis, which has its own limitations, which applicable here also.
4. Scope of this study is wider but sample size is limited to only ten banks. This ten banks include five public sector and five private sector banks which is also a limitation to the study.

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