In this section the researcher has analyzed the nature and present status of MAS in selected banks on the basis of secondary data, collected through information given in annual reports, expert’s opinion and websites of both the banks. For this purpose the researcher selected the following ten points for study: Internal Control System, Credit Audit Review, Risk Management, Information Technology, Non-Performing Assets Management, Citizen’s Charter, Right to Information Act and Customer care.

3.1  NATURE & PRESENT STATUS OF MAS IN PNB

3.1.1  INTERNAL CONTROL
The Bank main objective of Internal Audit System is to bring effectiveness in the internal control, which has become quite crucial in the fast changing Banking scenario. As per Annual Financial Inspection (AFI) Report for the FY ended 2010-11 by RBI, rating of the Bank has improved under "Systems & Controls". Inspection & Audit Division (IAD) at the apex level with its extended arms of (12) Zonal Audit Offices and a team of Internal / External Auditors at field level, lays emphasis on "Quality Growth" by identification, measurement and mitigation of risks in day to day operations at branches of the Bank. To achieve these objectives, various types of Audits are conducted i.e. Risk Based Internal Audit (Onsite & Offsite), Revenue Audit, Information System (IS) Audit, Credit Audit, Snap Audit, Segment Audit and Compliance Audit. Various IT initiatives have been taken in the area of audit. PNB is the first bank, to introduce online Risk Based Internal Audit (e-RBIA) & Revenue Audit, which enables online, submission, processing, and compliance of audit reports. Further, upgradation of server for e-RBIA, dedicated cells for Cyber-crime reporting and surveillance has also been undertaken. CBS Lab has also been set up at each Zonal Audit Office & IAD, to bring more effectiveness in control aspect, through "Remote Audit". In compliance of directions of RBI, shifting to 3x3 Matrix has been ensured and all branches were subjected to RBIA except newly opened branches, where Inspection was not due during 2011-2012. Under RBIA, branches have been
categorized as Low Risk (3525), Medium Risk (1484) & High Risk (6). Besides, entire undercharges pertaining to 2010-11 identified during the course of Revenue Audit stand recovered during 2011-12. Periodicity of revenue audit is also changed to calendar year in order to book the income in same financial year. As on 31st March 2012, 818 branches/offices were under concurrent audit, covering 75% of advances, 63% of deposits and 68% of total business of the Bank, which is in line with RBI stipulations. Concurrent audit of branches/offices was partially outsourced to CA Firms, on approved panel of the Bank. Conducting FEMA audit of eligible branches was also ensured. In view of CBS environment, rationalization of various forms/documents has also been done, to make them customer friendly.

Fig no.3.1 Internal Control

- The Bank main objective of Internal Audit System is to bring effectiveness in the internal control, which has become quite crucial in the fast changing Banking scenario.
- Bank emphasis on "Quality Growth" by identification, measurement and mitigation of risks in day to day operations at branches of the Bank.
- Bank has conducted various types of Audits i.e. Risk Based Internal Audit (Onsite & Offsite), Revenue Audit, Information System (IS) Audit, Credit Audit, Snap Audit, Segment Audit and Compliance Audit. Various IT initiatives have been taken in the area of audit.
- As on 31st March 2012, 818 branches/offices were under concurrent audit, covering 75% of advances, 63% of deposits and 68% of total business of the Bank.

Source: Annual Report 2011-2012 (PNB)
3.1.2 CREDIT AUDIT & REVIEW

The Bank’s Credit Audit & Review as part of Loan Review Mechanism is undertaken to examine compliance with extant sanction and post-sanction processes/procedures laid down by the Bank from time to time. During 2011-12, credit audit was conducted in 'B' & above risk rated standard accounts with exposure of `10 crore & above and weak ('C' & 'D' risk rated) standard accounts with exposure of `3 crore & above. Further, 5% of accounts (selected on random basis) with exposure from `5 crore to `10 crore and outstanding balance of `3 crore and above were also subjected to Credit Audit. As against RBI requirement of at least 30% to 40% of credit portfolio to be reviewed every year, during 2011-12 credit audit covered 63.9% of Bank's credit portfolio (Fund based and Non Fund based). During 2011-12, Bank has formulated policy of conducting Credit Audit of accounts in overseas branches which is under implementation.

Source: Annual Report 2011-2012 (PNB)
3.1.3 CASH MANAGEMENT SERVICES

The Bank's Cash Management Services (CMS) is a value-added product for Corporates that provides customized & enriched services, facilitating reconciliation of their accounts related to their Collections/ Payments. The range of services available under CMS includes collection of cash & all types of cheques, NEFT / RTGS services, DD Drawing arrangement, Pay fee services etc. CMS facility is offered to educational institutions through 'Pay Fee'. During the year, 156 customers have opted for CMS services, while 410 educational institutes have availed pay Fee service and also facility available through all CBS branches spread across 4505 locations.

Fig no.3.3 Cash management services

Source: Annual Report 2011-2012 (PNB)

3.1.4 RISK MANAGEMENT

The risk management philosophy & policy of the Bank is an embodiment of the Bank's approach to understand measure & manage risks. It aims at ensuring sustained growth of healthy asset portfolio. This would entail adopting leadership
approach in products and segments well understood by the Bank and having predetermined risk standards of moderate to low risk level, innovative approach in high risk areas taking limited exposure, optimizing the return by striking a balance between the risk and the return on assets and striving towards improving market share to maximize shareholders' value.

a. **Credit Risk:**
Bank has robust credit risk framework and has already place credit risk rating models on central server based system 'PNBTRAC', which provides a scientific method for assessing credit risk rating of a client. Periodic validation exercises of the rating models are undertaken and rating migration and default rate analysis are carried out to test robustness of rating models. The output of the rating models is used in decision making i.e. sanction, pricing and monitoring of credit portfolio. Bank has set a desired portfolio distribution in terms of Low Risk, Medium Risk & High Risk Categories and the actual portfolio is being monitored on quarterly basis and the same is placed to the Risk Management Committee of the Board. Taking a step further, Bank has developed and placed on central server scoring models in respect of retail banking and SME sector advances. These processes have helped Bank to achieve quick & accurate delivery of credit, bring uniformity in the system and facilitate storage of data & analysis thereof. The scoring model for farm sector has also been developed.

b. **Market Risk:**
Bank has in place a well-defined organizational structure for market risk management functions, which looks into the process of overall management of market risk viz. interest rate risk, foreign exchange risk, liquidity risk and implements methodologies for measuring and monitoring the same. Tools like stress testing, duration, modified duration, etc. are being used effectively in managing risk in the treasury operations. Asset Liability Management (ALM) of the Bank is done on proactive basis to manage any eventuality. Although liquidity position in the system remained tight during the year, Bank managed to tide over the situation by proactive liquidity management using various prescribed tools
like Repo etc. The liquidity situation of the bank is now comfortable. With Core Banking Solution (CBS) covering entire branch network, ALM in respect of all assets and liabilities is being done on daily basis. Moreover, fixation of BPLR/Base rate and interest rates in respect of assets and liabilities products is done on scientific basis. The bank has moved from BPLR to Base Rate System for pricing of fresh loans/renewals of existing with effect from 01.07.2010.

c. Operational Risk:
Bank has in place a well-defined organizational structure for operational risk management functions, which looks into the process of overall management of operational risk. Bank has robust operational risk management (ORM) frame work with a well-defined ORM Policy. Bank is identifying, measuring, monitoring and controlling/mitigating the operational risk by analyzing historical loss data, Risk & Control Self-Assessment Surveys (RCSAs), Key Risk Indicators (KRIs) and Scenario Analysis etc. Bank has also introduced an online Op-Risk Solution under Enterprise wide Data Warehouse Project and placed it on central server to take care of various aspects of data capturing and management information system at various levels.
CHAPTER-3 Nature & Present Status of MAS in selected Banks

Fig no.3.4 Risk management

The risk management philosophy & policy of the Bank is an embodiment of the Bank’s approach to understand measure & manage risks.

Credit Risk
- The bank has placed credit risk rating models on central server based system ‘PNB TRAC’.
- Bank has also developed score based rating models in respect of schemes of retail banking.

Operational Risk
- Bank has in place a well defined organizational structure for operational risk management functions, which looks into the process of overall management of operational risk.

Market Risk
- Bank has well defined organizational structure for market risk management functions, which looks into the process of overall management of market risk viz. interest rate risk, foreign exchange risk, liquidity risk and implements methodologies for measuring and monitoring the same.

Source: Annual Report 2011-2012 (PNB)
3.1.5 INFORMATION TECHNOLOGY
PNB has been in the forefront and a pioneer in the use of technology.

Alternate Delivery Channels

Internet Banking Services
Bank's Internet Banking Services (IBS) offer a complete-bouquet of banking and financial services to its internet banking users. PNB's Internet Banking is witnessing a steady shift of customers for transfer of funds, inter-bank remittances through NEFT/RTGS and On-Line share trading along with other e-payments towards various services. It also offers an online payment platform for various taxes like Excise and service tax, MCA 21 services, Direct taxes, port payments, custom duty payment, etc. By participating very actively in all the e-initiatives of Govt. of India as well as several state Governments, Bank has positioned itself as a leading e-service provider. The effectiveness of the channel is enhanced with the utility payment facility for all the popular service providers. The success of the Bank’s multi-channel strategy is evidenced in the fact that over 86% of customer initiated transactions are serviced through the non-branch channels. 'IBS Shield', a global security solution has been introduced to strengthen the system that minimizes the risk of fake websites that are put up by unscrupulous elements to lure customers to part with their confidential data. Under this, customers are required to choose their preferred image / picture and phrase that would be displayed at the time when a customer logs into his IBS Account. During the year 2011-12, several new products/facilities related to receipts/payments and other aspects of day-to-day banking were introduced under alternative delivery channels in order to provide easy and customer friendly world class products to our customers. In tune with commitment of the Bank to promote Alternative Delivery Channels. Bank added 959 ATMs during the year, taking the total ATM network to 6009 ATMs at the end of March 2012. Similarly, during the financial year 2011-12, more than 36 lakh new ATM/Debit Cards were issued, taking the total base of ATM/Debit Card holders to about 170
lakh. Bank’s base of Internet Banking Users also showed a growth of over 3.60 lakh users, bringing the total number of Internet Banking Users to over 16.80 lakh. Mobile Banking is another such facility that has generated considerable interest amongst the customers of the Bank. During the FY 2011-12, Bank’s debit card transactions registered an increase of more than 16% with an addition of more than 53 lakh transactions. Debit card transaction undertaken at Point of Sale (POS) terminals and internet grew by over 93%. The average number of internet based transactions per day at the end of March 2012 registered a YOY growth of over 42%. Additionally, Bank has introduced the facility of OTP (one time password) that makes IBS transactions even more secure. This facility has also enabled the system that customers need not wait to add payees to their id, as was earlier required. Further, IBS customers have also been enabled to set their own limits for log-in time, with the maximum amount and number of transactions that can be undertaken during a day.

**SMS Alert Services**

SMS Alert facility is being availed by over 8 million customers. It is sent on identified financial transactions undertaken through branches and delivery channels. The channel is also leveraged for providing information on Bank’s products and services over SMS under the SMS Pull Mechanism.

**Mobile Banking Services**

Utilizing this platform, a customer can undertake banking transactions through their Mobile handsets. The extension of mobile payments has added value to the channel as the users can also make payments of utility bills/services using their mobile phones, besides effecting transfer of funds to third party accounts. The channel has been integrated with National Payments Corporation of India (NPCI) for interbank mobile payments using Interbank Mobile Payment Service (IMPS).

**ATM Services**

In order to provide more convenience to customers, more than 6000 ATMs have been installed at various geographical locations of the country. Apart from cash
withdrawals, other value added services like Funds Transfer, Bill Payments and mobile registration for generation of SMS alerts, Direct Tax Payment, request for stop payment of cheques etc are also provided to the cardholders.

**Real Time Gross Settlement System (RTGS) and National Electronic Fund Transfer (NEFT)**

All Branches of the Bank have been enabled for NEFT and RTGS facility. Internet banking customers can remit funds just by click of a button and without any bank/branch intervention to any RTGS / NEFT enabled branch of other banks in India.

**NEW IT BASED PRODUCTS/SERVICES**

During the year; Bank introduced various products and services with special focus on various segments of the customers, some of which include:

**Cash Deposit Machines:**

In Cash Deposit Machines, customers can deposit upto a specified amount of cash which gets credited into the account on real time basis without any intervention of the branch officials.

**Self Service Passbook Printing Terminals:**

Here the customers get their passbooks updated without standing in queue as per the convenience of the customers without any intervention of the branch officials.

**Introduction of new Fund Collection module in CBS:**

The new Fund Collection Module has been designed to meet the day to day requirement of various institutes/ organizations which are involved in collecting fees or funds etc.
Pilot implementation of Ultra Small Branch & Online Financial Inclusion model:
Bank has implemented Ultra Small Branch at village Khakuda, District Bulandshahar on pilot basis, where beneficiaries are being served by the Business Correspondent Agent using a Hand Held Terminal. The transactions are done in online real time mode.

Fig no 3.5 Information Technology

3.1.6 NON-PERFORMING ASSETS MANAGEMENT
The bank started with concerns emerging on assets quality, as reflected in the slippages during the previous year. The bank not only stepped up its follow up & recovery efforts but also contained slippages by gearing up its machinery. Ratio of Gross Non-Performing Assets (NPAs) to Gross Advances of the Bank stood at 2.93% at the end of March’ 2012 and the ratio of Net NPAs to Net Advances was 1.52%. Bank gave focused attention on NPA Management. Account-specific resolution strategies were implemented and progress was monitored regularly in all NPAs. Thrust was also given to up gradation of NPAs to performing category.
While Bank initiated enforcement action under SARFAESI Act in majority of eligible NPAs, Compromise / negotiated settlement was adopted as another vital strategy to tackle NPAs. Special recovery campaigns (RinMuktishivirs) were launched in various geographical locations, where Senior Authorities from Circle Office/ Head Office and Field General Managers (FGMs) participated for on the spot decisions on resolution of accounts i.e. One Time Settlement (OTS)/ Upgradation etc. Exclusively for resolving NPAs, Bank has set up specialized 17 Asset Recovery Management Branches (ARMBs) and 34 Special Asset Recovery Cells (SARCs). Besides, following steps were taken during the year:

- "Prayaas" Staff Incentive Scheme for association of staff members in recovery of NPAs and written off accounts.
- Engagement of Resolution Agents including Asset Reconstruction Companies (ARCs) & honorably retired bank officials on commission basis in accounts up to `1 crore.
- Comprehensive on the spot review of ARMBs and steps for their revamp have been initiated.
- In small value NPAs up to `10 lakh, RinMuktishivirs created a favourable recovery atmosphere. During the year, 32,367 borrowers participated in 139 Shivirs resulting in cash recovery of `48.64 crore, upgradation of 2436 accounts with balance outstanding of `53.98 Crore and recovery of `22.59 crore in Irregular accounts.
- OTS was marketed as a product for faster resolution of NPAs and OTS in 60,524 accounts was approved.
- One to one Meeting with NPA borrowers of `1 crore and above by FGM/at HO for quick decision on recovery/ restructuring etc.
- Targeted and freshly slipped accounts during the year were focused for recovery.

Accounts with aggregate outstanding of `529.69 crore were upgraded to standard category. Total cash recoveries in NPA accounts amounted to `1675.43
crore. Through well-defined recovery policy, 60524 NPAs amounting to `1120.30 crore were resolved through negotiated settlements. During the year 2011-12, Bank recovered `50.65 crore out of the accounts earlier written off. Moreover, there is an increasing trend in reduction, if the effect of debt waiver and prudential write off is netted from the data.

**Fig no.3.6 Non-performing assets management**

- The bank started with concerns emerging on assets quality.
- Ratio of Gross Non-Performing Assets (NPAs) to Gross Advances of the Bank stood at 2.93% at the end of March’ 2012 and the ratio of Net NPAs to Net Advances was 1.52%.
- Following steps were taken during the year:
  1. "Prayaas" Staff Incentive Scheme for association of staff members in recovery of NPAs and written off accounts.
  2. Engagement of Resolution Agents including Asset Reconstruction Companies (ARCs) & honorably retired bank officials on commission basis in accounts up to `1 crore.
  3. Comprehensive on the spot review of ARMBs and steps for their revamp have been initiated.
  4. In small value NPAs up to `10 lakh, RinMuktiShivirs created a favorable recovery atmosphere.

*Source: Annual Report 2011-2012 (PNB)*

### 3.1.7 MANAGEMENT INFORMATION SYSTEM

The bank’s Management Information System Division (MISD) was set up with the objective of centralization of MIS. To achieve this objective, Enterprise-wide Data Warehouse (EDW), had been implemented. EDW has facilitated ready access to data required for Regulatory/Statutory reporting as well as for
analytical purposes. So far EDW has customized 418 returns pertaining to sixteen HO Divisions. LADDER (Loans and Advances Data Desk for Evaluation & Reports) System, comprising of BASEL & CIBIL modules, with monthly data updating periodicity, is also being:

- Implemented for creating data base of loan accounts.
- Generation of credit related MIS & retrieval of credit related information.
- Asset classification and provisions computation in respect of NPAs.
- Credit administration and monitoring of NPAs.
- Credit Data input source for Enterprise wide Data Warehouse (EDW).

The project of "Integration of LADDER with CBS" has been implemented across the bank w.e.f. 1st Oct, 2010 and is aimed at achieving single data entry point, stop opening of accounts manually in LADDER, obviate the scope of manual intervention for Asset Classification and minimize submission time of LADDER data. Data of all accounts is being transmitted to three Credit Information Companies on monthly basis through CIBIL Module, an extension of Ladder System, thus enabling our branches to draw Credit Information Reports (CIRs) for taking credit related decisions. 5,97,383 CIRs of prospective borrowers under Consumer category 16,957 CIRs under Commercial category were drawn from CIBIL, Experian & Equifax database during the current year. Bank is handling the issue of registering the particulars of equitable mortgages with central registry. So far our bank has filed Security interest (mortgages) by deposit of Title Deeds in 35000 cases. The objective is to avoid multiple financing thereby preventing perpetrators of frauds by mortgaging the same property to more than one financial institution.
3.1.8 CITIZEN’S CHARTER

The bank citizen’s charter has been made available to the customers in all the branches. Apart from English and Hindi, copies of the charter have been printed in 10 regional languages of different states. Pamphlets containing the bank’s deposit and credit schemes are freely available to the customers in the branches. These pamphlets also contain brief details of the formalities and documents required for availing different credit facilities.
3.1.9 RIGHT TO INFORMATION ACT

The Right to Information act has been implemented by the Bank. The relevant information as per the Right to Information Act has been posted on the Bank's website (www.pnbindia.in). During 2011-12, Bank received 10118 applications, of which 8413 applicants were provided information. While none of the applications was found ineligible, 1361 applications were found exempted under the provisions of the Act.
3.1.10 CUSTOMER CARE

PNB is committed to provide the best customer care and is using its technology platform for ensuring consistent customer experience. In order to ensure customer service of a high order, Bank has taken concerted efforts to train the staff on the operational and behavioral aspects. Periodically reviews and other measures are taken on an ongoing basis for improvement of Customer Service to minimize the inflow of complaints. Every complaint is attended for immediate action and more than 99% complaints are resolved/responded within 15 days. Bank has a well-defined Grievance Redressal Mechanism and Grievance Redressal Policy available on its website. Efforts are made to ensure that maximum numbers of complaints are redressed within shortest possible time. The overall redressal mechanism is monitored and strengthened to achieve tangible results. Bank's endeavor is to fine tune the operations within the framework of Banking Code and Standards Board of India (BCSBI) Code to achieve higher operating standards. PNB is also entrusted with the responsibility of managing Customer Service Centre at Delhi, for all nationalized banks situated
at Delhi. Bank observed Customer Contact Week from 12.12.2011 to 17.12.2011 to improve the customer service, identify the areas for improvement, understand the grievances of staff, and motivate them and to improve the up-keeping of bank branches. Theme Based Meeting is conducted at monthly intervals to bring awareness about bank's products and scheme and for improving knowledge and skill amongst the staff. Theme Based Staff Meeting Portal v1.0 A has recently been introduced on Bank's website. Besides, Customer Day is being observed on 15th of every month in all our branches.

**Fig no.3.10 Customer care**

- PNB is committed to provide the best customer care and is using its technology platform for ensuring consistent customer experience.
- Every complaint is attended for immediate action and more than 99% complaints are resolved/responded within 15 days.
- Bank has a well defined Grievance Redressal Mechanism and Grievance Redressal Policy available on its website.

*Source: Annual Report 2011-2012 (PNB)*
3.2 NATURE & PRESENT STATUS OF MAS IN HDFC BANK

3.2.1 INTERNAL CONTROL
The management of HDFC Bank is responsible for establishing and maintaining adequate internal control over financial reporting. The Bank’s internal control system was designed to provide reasonable assurance to the Bank’s management, its Audit Committee and Board of Directors regarding the preparation and fair presentation of published financial statements. There are inherent limitations to the effectiveness of any internal control or system of control, however well designed, including the possibility of human error and the possible circumvention or overriding of such controls or systems. Moreover, because of changing conditions the reliability of internal controls may vary over time. As on 31st March 2012, audit, covering 18.5% of advances, 22.3% of deposits and 48.39% of total business of the Bank. As a result even effective internal controls can provide no more than reasonable assurance with respect to the accuracy and completeness of financial statements and their process of preparation.
3.2.2 CREDIT AUDIT & REVIEW

The bank has committed Credit Audit & Review to examine compliance with extant sanction and post-sanction processes/procedures laid down by the Bank from time to time. During 2009-10, during 2009-10 credit audit covered 69.05% of Bank's credit portfolio. As against RBI requirement of at least 30 to 40% of credit portfolio to be reviewed every year.
3.2.3 CASH MANAGEMENT SERVICES

The Bank has constructed a wide range of CMS products covering Collections and Disbursements of operating flows, as well as specialized cash flow streams such as rights/public issue collections, dividends, interest/principal repayments, excise and sales tax payments etc. We operate out of a large and expanding network of over 780 outlets across the country. This is the largest network of online, electronically linked branches in the country. This provides us with a clear competitive advantage over the rest of the competition, which naturally translates into a lower cost and faster credit to Corporates. In addition to our network, we have an extensive correspondent banking arrangement, which allows us to offer you Cash Management Services - over 1486 locations covered for collections and over 4355 locations for Payments.
3.2.4 RISK MANAGEMENT

Bank is exposed to; the most important are credit risk, market risk and operational risk. The identification, measurement, monitoring and management of risks remain a key focus area for the Bank. Sound risk management and balancing risk-reward trade-offs are critical to a bank’s success. Business and revenue growth have therefore to be weighed in the context of the risks implicit in the Bank’s business strategy. The Risk Policy and Monitoring Committee of the Board monitors the Bank’s risk management policies and procedures, vets treasury risk limits before they are considered by the Board, and reviews portfolio composition and impaired credits. For credit risk, distinct policies, processes and systems are in place for the retail and wholesale businesses. In the retail loan businesses, the credit cycle is managed through appropriate front-end credit, operational and collection processes. For each product, programs defining customer segments, underwriting standards, security structure etc., are specified to ensure consistency of credit buying patterns. Given the granularity of individual exposures, retail credit risk is monitored largely on a portfolio basis, across various products and customer segments. During the year the Bank obtained the ISO 9001:2008 re-certification of its retail credit underwriting unit,
which was confirmed for 35 sites. For wholesale credit exposures, management of credit risk is done through target market definition, appropriate credit approval processes, ongoing post-disbursement monitoring and remedial management procedures. Overall portfolio diversification and periodic as well as proactive reviews facilitate risk mitigation and management. The Risk Policy and Monitoring Committee of the Board monitors the Bank’s risk management policies and procedures, vets treasury risk limits before they are considered by the Board, and reviews portfolio composition and impaired credits.

**Fig no.3.14 Risk management**

The bank has exposed to; the most important are credit risk, market risk and operational risk. The identification, measurement, monitoring and management of risks remain a key focus area for the Bank.

**Credit Risk**
The bank has developed credit risk rating models.

**Operational Risk**
Bank has defined organizational structure for operational risk management functions, which looks into the process of overall management of operational risk.

**Market Risk**
Bank has defined organizational structure for market risk management functions, which looks into the process of overall management of market risk viz. interest rate risk, foreign exchange risk, liquidity risk.

*Source: Annual Report 2011-2012 (HDFC Bank)*
3.2.5 INFORMATION TECHNOLOGY

Bank has made and continues to make substantial investments in its technology platform and systems, built multiple distribution channels, including an electronically linked branch network, automated telephone banking, internet banking and banking through mobile phones, to offer its customers convenient access to various products. During the year 558 new branches and over 3,400 ATMs which resulted in higher infrastructure and staffing expenses and also the Bank’s debit card base this year coupled with a growth in its ATM network translated to an increase in ATM transactions by 20%. The Bank also made strong inroads in its internet banking channel with around 60% of its registered customers now using net banking facilities for their banking requirements. The bank now offers phone banking in 1397 locations in addition to giving its customers the convenience of accessing their bank accounts over their mobile phones. The success of the Bank’s multi-channel strategy is evidenced in the fact that over 80% of customer initiated transactions are serviced through the non-branch channels. The bank has made further strides in adding more capability to the internet banking platform, launched mobile banking for 2G customers and launched applications for various mobile platforms Bank has templatized credit underwriting through automated customer data de-duplication and real-time scoring in its loan origination process. Having enhanced its cross selling and up-selling capabilities through data mining and analytical customer relationship management solutions, the Bank’s technology enables it to have a 3600 view of its customers. The bank employs event detection technology based customer messaging and has deployed an enterprise wide data warehousing solution as a back bone to its business intelligence system. Implementation of risk management engine for internet transactions coupled with various multi factor authentications has reduced the phishing attacks significantly. The bank has also implemented a digital certificate based security engine for corporate internet banking customers. Credit and debit cards usage of the Bank’s customers is secured by powerful proactive risk manager technology solutions which does rules based SMS alerts as well as prompts customer service representatives to call
the customer on detecting abnormal usage behavior. This prevents frauds and minimizes losses to customers, if the card has been stolen and yet to be hot listed. Sophisticated automated switch-over and switch-back solutions power the Bank’s Business Continuity and Disaster Recovery management strategy for core banking and other key applications. The bank conducts drills periodically to upgrade this capability and to improve the availability of your Bank’s services to its customers. With the various initiatives that your Bank has taken using technology, it has been successful in driving the development of innovative product features, reducing operating costs, enhancing customer service delivery and minimizing inherent risks. In April 2011, RBI issued Guidelines on Information Security, Electronic Banking, Technology Risk Management and Cyber Frauds and provided recommendations for implementation. The Bank remains committed towards complying with the requirements outlined in the guidelines and instituted a senior level internal team to oversee the implementation program for complying with the guidelines. The team supervised the various domains, performed gap analysis, and prepared remediation plan for each area where gaps were observed. Significant progress has been made towards remediation over the year and this has been reported to the board on a quarterly basis.

Fig no.3.15 Information technology

- Electronically linked branch network.
- Automated telephone banking.
- Internet banking.
- Banking through mobile phones.
- Mobile banking for 2G customers.
- The bank has also implemented a digital certificate based security engine for corporate internet banking customers.
- SMS alert services.
3.2.6 NON-PERFORMING ASSETS MANAGEMENT

The bank started with concerns emerging on assets quality, as reflected in the slippages during the previous year. The bank not only stepped up its follow up & recovery efforts but also contained slippages by gearing up its machinery. Loan loss provisions for non-performing assets and provisions for standard assets increased from Rs. 1,726.3 crores to Rs. 1,938.9 crores due to higher NPA formations during the first half of the financial year ended March 31, 2011. The incremental NPA formations subsequently came down in the second half of the year. The Bank’s provisioning policies for specific loan loss provisions remained higher than regulatory requirements. The Net NPA 0.18% as on March 31, 2012.

Fig no.3.16 Non-performing assets management

- The bank concerns emerging on assets quality.
- Loan loss provisions for non-performing assets and provisions for standard assets increased from Rs. 1,726.3 crores to Rs. 1,938.9 crores due to higher NPA formations during the first half of the financial year ended March 31, 2011.
- The incremental NPA formations subsequently came down in the second half of the year. The Bank’s provisioning policies for specific loan loss provisions remained higher than regulatory requirements. The Net NPA 0.18% as on March 31, 2012.

Source: Annual Report 2011-2012 (HDFC Bank)

3.2.7 MANAGEMENT INFORMATION SYSTEM

The bank has Management information system (MIS) is a subset of the overall internal control of a business covering the application of people, documents, technologies, and procedures by management accountants to solve
business problems such as costing a product, service or a business-wide strategy. Management information systems are distinct from regular information systems in that they are used to analyze other information systems applied in operational activities in the organization.

3.2.8 CITIZEN’S CHARTER
The bank Citizen’s Charter offers relevant information about the products, facilities and services we provide. Apart from English and Hindi, copies of the charter have been printed in 2 languages of different states. Customers can also find out about the time norms for various banking transactions, our policy on customer information, and the process followed for redressal of
3.2.9 RIGHT TO INFORMATION ACT

The Bank has provided relevant information as per the Right to Information Act has been placed on the Bank’s website (www.hdfc.com). During 2011-12, the Bank 59% applicants were provided information.
3.2.10 CUSTOMER CARE

HDFC Bank Customer Care service offers the best of assistance to troubled customers of the bank. If you are a customer of the bank then you can feel free to call HDFC Bank customer care numbers to contact the nearest customer service center or phone banking center. Every complaint is attended for immediate action and more than 99% complaints are resolved.

**Fig no.3.20 Customer care**

- HDFC has committed best of assistance to troubled customers of the bank.
- Every complaint is attended for immediate action and more than 99% complaints are resolved

*Source: Annual Report 2011-2012 (HDFC Bank)*
3.3 Conclusion

To conclude Nature & Present Status of both the banks, the researcher can say that both the banks presently consider different types of audit to make its Internal Control more effective. Auditors both the banks consider Credit Audit & Review to examine compliance with extent sanction and post sanction process laid down by the banks from time to time. Banks also consider Cash Management Services for reconciliation of their accounts related to their collection/payments. Banks also take into consideration the Risk Management which helps in managing risk related to credit, operational and market risk. Banks use Information Technology for delivering new IT based products and services. Non-performing assets management helps PNB to reduce NPA whereas HDFC Bank don’t have separate department for NPAM. In PNB, MIS department was set up with the objective of centralization of MIS whereas it is absent in HDFC Bank. Both the banks Citizens’ charter has been made available to the customers in all the branches. Both the banks provided Right to Information Act on the banks websites and both the banks have also committed to provide the best Customer care.
REFERENCES

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