PREAMBLE

Management Audit is commonly used for examination and appraisal of the efficiency and effectiveness of management in carrying out its activities. Areas of auditor interest include the nature and quality of management decisions, operating results achieved, and risks undertaken.

The management audit focuses on results, evaluating the effectiveness and suitability of controls by challenging underlying rules, procedures, and methods. Management audits, which are generally performed internally, are both compliance reviews and goals-and-effect analyses. When performed correctly, they are potentially the most useful of evaluation methods, because they result in change.

Management audit is the composition of several audits such as Environment audit, Human resource audit, Quality audit, Managerial style audit and Secretarial audit. These audits are helpful not only a strengthening internal soundness but also the external activities resulting in evaluation of overall performance.

It is a new concept in the sphere of auditing and also still in the process of evaluation, it is also known by the name of efficiency audit. It was United States of America, which coined the term management audit. The management audit means the audit of management process and function; it is a comprehensive examination and a critical view of management. Management audit ensures the efficiency of all areas covered by the management.

Within the bank there has grown wide spread delegation of authority and this has led to the need for audits and checks. As specialization grows the need for auditing automatically grows. It becomes absolutely imperative to know the effectiveness of performance in each delegated functional area of operation and the impact of breakdown in any area of specialized function or other areas of operation. With the growing size of each organization and geographical
dispersion it is virtually impossible to all management authority at one place. Each branch may start taking a complete life of its own divorced from the policies of the management so checks and blames are needed which are provided by management audits. Due to their very nature management audits are able to provide objectives views and give the strategic level. The technical level managers also can express their option criticism and recommendations for improvement. So we can say that Management Audit provides a forum. At present with the growing liberalization and globalization of economy every business house is facing problems and challenges. Now the management faces these challenges which can prove to the central focus to the management audit and the starting point of action.

After reviewing the entire profile of MAS researcher concludes that although some of the topics have been covered in the earlier, no comprehensive study exists that treats all the components of Management Audit System is an integrated fashion. The current study aims to fill the gap. This indicates that topic chosen for the study is quite relevant. To summarize, the researcher opens the doors for a few upcoming emerging areas in the field of Management Audit System such as, Performance audit, Operational audit, internal audit etc. in order to make the further studies more meaningful, hence the researcher had chosen the topic, “A comparative study of Management Audit System between Punjab National Bank and HDFC Bank Ltd. In India”

The entire study has been divided into seven chapters. The first chapter starts with the background of management audit system including the relevance of MAS in Indian Banking industry. This further includes evolution of MAS (History, Meaning and Concept of MA, Definition of MA, Salient Features of MA, Need for MA, Objectives of MA, Advantages of MA, Disadvantages of MA, Working Procedure of MA, Scope of MA, Management Audit - Need of Hour, Appointment of Management Auditor, Management Auditor’s Report, and
Company profile of the selected banks), the need of the study, objectives and the research methodology used for the research.

The researcher has collected both primary as well as secondary data, through self-structured questionnaire and related published materials i.e. journals, websites, research thesis, newspapers, policies & procedure framed by the organizations, etc.

In the light of basic objectives, some hypotheses were also framed by the researcher pertaining to existing MAS in the organizations, relationship between MAS and employee’s productivity, MAS and organization profitability.

The researcher has applied statistical tools for analysis and data presentation: graphs, percentage calculation, frequency count, average, mean, standard deviation, Karl Pearson’s coefficient correlation, Spearman’s rank correlation coefficient, regression analysis, Coefficient of Determination, Fisher’s z-transformation, t-test and z-test application of test statistical techniques have been used.

During the research work researcher has also tested certain hypotheses related to MAS to give the research a scientific base. Main research hypotheses tested during the research are as follows:

\( H_01: \) In reference to Management Audit System both the banks are independent to each other.

\( H_02: \) The MAS and Employee’s productivity are independent to each other.

\( H_03: \) The MAS and Profitability are independent to each other.

\( H_04: \) The responses of PNB and responses of HDFC Bank are equal.

The researcher has studied some related literature on the chosen parameters which incorporates some important organizations having MAS. Some authors have also studied about the effectiveness of MAS for better result in organization and employees’ attitude towards it. Majority of the study which has been done on
MAS shows the efficiency and effectiveness and the outcome of MAS for the organization.

As far as the studies at international level are concerned the researcher found that many studies have been done on MAS and its influence on employees’ productivity and also on their efficiency and effectiveness. After reviewing the entire study at both the levels the researcher concludes that although some of the studies related to management audit have been covered in the studies no comprehensive study in the field of banking industry has been done so far hence, the researcher has tried her level best to cover all the aspects of MAS prevailing in the banking industry.

Analysis of secondary data has been done with the help of available data of the organizations, news articles, and different publications by the organizations, annual reports and the website of the organizations. On the other hand, the researcher has taken into consideration ten parameters for comparing public sector bank with private sector bank.

The researcher has also compared both the organizations on the above stated parameters. PNB is found to have better employee’s productivity than HDFC Bank. As far as profitability is concern PNB is better than HDFC Bank. Further both the banks were compared on the basis of selected ten parameters in which researcher found that PNB is performing better on the following parameters- Internal control, Credit audit & Review, Cash management, Risk management, Information technology, Management information technology, Citizen’s charter whereas parameters-Non-performing assets management, Right to information act and Customer care both the banks performing equally.

Analysis of primary data has been done with the help of a questionnaire. The main analysis starts with the questions based on introductory questions related to management audit, objectives of MAS, advantages of MAS, profitability of MAS, efficiency & effectiveness of MAS in both the banks. The responses of
respondents and analysis done by the researcher the result reveals that public sector bank is performing better than private sector bank.

The final chapter consists of conclusions and recommendations of the study. In this chapter, the researcher has summarized all derived conclusions based on primary as well as secondary data. At the same time, it has been advised for the private sector bank HDFC to implement MAS seriously for better result for the organization. These include employee’s productivity, profitability of the bank and efficiency & effectiveness of employees.

Thus, the thesis traces a blend of MAS practices, compares MAS practices of the selected organizations and identifies the positive points of MAS. It also magnifies with findings confined to MAS and performance of the organizations and finally suggests some ways through recommended action plan for private sector bank for further betterment.