Chapter - II:

DESIGN AND METHODOLOGY OF THE STUDY

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Chapter – II:  

**DESIGN AND METHODOLOGY**

In this competitive world, the landscape of the financial services industry is more dynamic. Unless the financial institutions update themselves in these areas, it is difficult for them to survive in the global market. In this context, the study provides an overview of how the Banking industry is outsourcing its activities to different sectors in both domestic and international scenario. The Study gives information with the knowledge of how the Banking industry can sustain in the market, and helps in developing suitable methods on outsourcing of financial services by Bank. It is also help in finding out ways and means for getting better services from financial BPO’s and as well as give better services by Bank.

**OBJECTIVES OF THE STUDY:**

The objectives of the study of outsourcing of financial services by Bank are as below:

(a) To identify the reasons for outsourcing of financial services by banks.

(b) To examine the various financial services outsourced by banks in India.

(c) To study the issues and challenges in outsourcing of financial services by banks.
(d) To identify the future prospect of outsourcing services by Banks.

(e) To suggest measures to improve the banking services through outsourced financial services.

RESEARCH METHODOLOGY:

Selection of Banks:
The study attempts to obtain a comprehensive description and analysis to find out the outsourcing of financial services by bank in present days, with particular reference to Banking Industry. Four Banks have been purposively selected for the study – they are State Bank of India, Bank of Baroda, ICICI Bank and Axis Bank. Two public sector banks and two private sector banks have been selected. SBI being the largest public sector Bank in India and another public sector bank, Bank of Baroda have been selected for the study. Similarly, ICICI Bank being the largest private sector bank in India and another private sector bank, Axis Bank has been selected for the study. The study must therefore be designed to provide for the collection of all necessary information keeping the above significance in mind. Both types of research are carried out (i.e. explorative and conclusive) according to the depth requirement of investigation. In exploratory research is to ‘explore’ the general subject through literature survey to develop a better understanding, experience survey by knowledgeable person or institution for particular idea, and the specific analysis of cases with respect to divergent view of the service. In conclusive research is done for testing the hypothesis generated by exploratory research either descriptive experimental research.
Descriptive research is performed to find out specific purpose (e.g. outsourcing of financial services in India by State bank of India, Bank of Baroda, ICICI Bank, & Axis Bank). For this data have been collected from primary as well as secondary sources like- Newspapers, Magazines, Books, & different websites etc.

Out of the different means of gathering primary data, viz. Discussion, observation, personal interviewing, telephone interviewing and mail surveying, Discussion, Personal interview and Mail Survey are chosen.

The rational behind choosing discussion and personal interviewing is that it enables the gathering of detailed information with minimum errors. The requirement of the research is such that other than simple information some detail feedback is also sought.

(a) Study Procedure:

The ‘schedule’ is prepared for collecting of data, which has been used at the time of visiting various banks for collecting information from Head of the Bank Branches or concerned officials of Head Office, Local Head Office or Regional Offices of Banks under study.

(b) Tools for data collection:

The Judgment sampling design is followed for collection of data and information.

Proposed sources of Data:

Basic sources of information of the study are from Interaction, discussion and personal interview with concerned officials of Banks under study. Sources like Annual Report of Banks under study are as important as primary data. To supplement the primary
data, secondary sources like Statistical report, Journals, books, websites are also resorted to.

**Analysis and Interpretation of Data:**

The data so obtained is processed using percentage, tables, graphs and other statistical tools, as and when required arriving at logical conclusion on the sample data.

It has therefore been designed to provide for the collection of all necessary information keeping the above specification in the mind; the research design to be adopted here is descriptive and analytical in nature.

**LIMITATION OF THE STUDY:**

The world over, banks are increasingly using outsourcing, as a means of both reducing cost and accessing specialist expertise, not available internally and achieving strategic aims. Typically, outsourced financial services include application processing (loan advancing, credit card), document processing investment management, marketing and supervision of loans, data processing and back office related activities etc. Outsourcing brings in its wake, several risks. Some key risks in outsourcing are strategic risk, Reputation risk, Operational risk, Exit strategy risk, Counterparty risk, Country risk, Contractual risk, Access risk, Concentration and Systematic risk. The failure of a service provider in providing a specified service in security/confidentiality, or non-compliance with legal and regulatory required either the service provider or the outsourcing bank can lead to financial losses and reputational risk for the bank. Despite the fast growth of the BPO industries, players in India still have not reached a stage where they truly handle on entire banking business process. In the study, an
attempt would make to examine the issues regarding strategic risk, operational risk, contractual risk, systemic risk, confidentiality risk and its impact in banking industry for outsourcing of financial service, such findings concerning the Bank cannot be generalized.

In the context of population of the study comprises of four Banks of India, two from public sector and two from private sector banks. We have purposively selected State Bank of India being the largest of the public sector banks and another public sector bank i.e. Bank of Baroda both are outsourcing their financial services. In private sector banks we have selected ICICI Bank being the largest of the private sector banks in India and another top most bank in private sector is Axis Bank. The socio-economic background of these Public and Private sector Banks are not resembles all the Banks in the country and as such the findings concerning the Bank obviously cannot be generalized.

The style and format of data have also been changed substantially. This has created lack of consistency in case of various data. These factors together have caused void in some cases as far as data are concerned.

Out of the different means of gathering primary data, viz. Discussion, observation, personal interviewing, telephone interviewing and mail surveying. Discussion, Personal interview and mail survey are chosen. So far as the accuracy of data is concerned, it needs to be mentioned that utmost care has been taken to avoid any mistakes or error while collecting primary data. In possible cases, primary data have been compared and confirmed with official statistics of banks, but in some cases Bank officers not discloses all the data due to confidential matter of the bank. Some void in
the primary data has been filled from official websites or from officers concerned. Apart from this, in the course of data collection, it is experienced that with the increasing competition in the field of banking industries, Banks are become very much cautious and reluctant in sharing data even with the research scholars. Regarding secondary data, some anomalies have been observed in the sources in certain cases. Anomalies bearing clear clues for rectification have been rectified and used in the study whereas in the absence of any such clear and reliable clues, figures are used as those are. As a result the study is subject to such limitations as the figures bear.

**HYPOTHESIS OF THE STUDY:**

The following hypotheses have been tested in the course of the study for the fulfillment of the objectives:-

1. There is a relationship between lowering costs and maximizing efficiency level in the banks by outsourcing their financial services.
2. There is a close relationship between financial service outsourcing by bank and customer services.
3. Existing Reserve Bank of India guidelines on outsourcing of financial services by bank is effective for security concerns of its clientele.
CHAPTERISATION OF THE THESIS:

The present study has been completed under the following Chapters:

Chapter I: INTRODUCTION- An overview of the outsourcing industry.

Chapter II: DESIGN AND METHODOLOGY OF THE STUDY – This Chapter give an overview of design, objective and methodology of the study.

Chapter III: EVOLUTION OF BPO PROCESSES FOR FINANCIAL SECTOR- This Chapter is discussing the various steps of evolution of BPO processes for financial sector.

Chapter IV: OUTSOURCING OF FINANCIAL SERVICES IN INDIA- This Chapter is discussing about the outsourcing of financial services by banks in India.

Chapter V: ISSUES AND CHALLENGES IN OUTSOURCING OF FINANCIAL SERVICES- This Chapter is discussing about the different issues and challenges pertaining to Outsourcing of financial services by Banks in India.

Chapter VI: FUTURE PROSPECTS OF FINANCIAL SERVICES OUTSOURCING- This Chapter is assessing the future prospects of Financial Services outsourcing. It analyses the data and information collected from the banks under study and draws inferences as to the future prospects.

Chapter VII: SUMMARY AND CONCLUSION – The last and the sixth chapter is summarise the findings of the study and draw conclusions thereon.
The increasing use of outsourcing arrangements, as well as the unfamiliar complexity, suggest the need to know more about how to effectively utilize this strategy. Consequently, more information is needed to understand successful outsourcing of financial services by banks and problems encountered in outsourcing activities and its impact on overall organizational performance. The claims by proponents of outsourcing strategy suggested some research questions that guided this work of the relationships between outsourcing programs of banks and organizational performance.