CHAPTER 2

RESEARCH DESIGN
RESEARCH DESIGN

Research Design deals with the Aims, Purposes, Intentions and Plans for achieving the Objectives of the Study within the given constraints. The Chapter encompasses a conceptual structure within which the research will be conducted yielding maximum information on the Relevant Topic. It explains the logical process adopted by the research student for conducting the research and a comprehensive picture of each aspect of the study. The Chapter shows the entire research procedure from Framing the Research Problem to finally Analyzing and arriving at Inferences which enables in solving the Research Problems and in achieving the end of Objectives of the research.

2.1 NEED FOR THE STUDY

Business Practices in India are undergoing massive transformation; the vision of successful and sustainable business requires adoption of new practices, being receptive to new ideas which open new avenues for business entities. New Business Practices emerge from Business Process and Management Innovations that organizations adopt and develop for their sustainability. Whether a new business is to be launched or want to take the existing business organization to the next level, implementation of sound Business Practices is a necessity. Business Practices comprise of well defined systems and procedures set by the organizations for achieving their mission and vision, thus Business Practices have a direct impact on the efficiency and sustainability of enterprise. The changing dynamics of business environment has compelled organizations to continuously innovate their Business Practices to adapt itself to the changing trends of industry and to make the enterprise sustainable in the long run.

The research aims to study the developments in the Banking Sector with respect to the parameters: viz. Products and Services, Service Quality, Technological Aspects, Legal and Regulatory Framework. Traditionally Banks used to focus only on increasing the bottom line, at the present moment value added services are slowly but steadily emerging as a substantial opportunity for Banks to exploit greater market share. Banks are the
major Financial Institution for the country; Banking Business Practices play a prominent role in the sustainable growth and development of the nation. The Indian Banking and Financial System have made progress in extending its geographical spread and functional reach. The spread of Banking System has been a major factor in promoting financial intermediation in the economy and in the growth of financial savings. The main function of the Banking System in any economy is to mobilize the resources and to channelize these resources for productive purposes. The Best Business Practices will enable Banks to:

i) Become more Competitive
ii) Increase Market Share and in Identifying New Markets
iii) Reduce Costs and become more Effective and Efficient
iv) Increase Productivity of Employees Substantially
v) Usage of Information Technology more Effectively
vi) Improving Service Quality
vii) Respond more quickly to Innovations in the Banking Sector
viii) Manage its available Resources Effectively

The end results of the Business Practices should be quantifiable; the benefits derived out of the application of Business Practices should be measured to find out the efficiency and efficacy of the system. Key Performance Indicators can be used for measuring the effectiveness of Business Practices such as Growth, Profitability, Productivity and Revenues. Financial development involves establishment and expansion of institutions, instruments and markets that support this investment and growth process. Banks are the major financial institution for the country; Banking Business Practices play a prominent role in the sustainable growth and development of the nation. The Indian Banking and Financial System has made progress in extending its geographical spread and functional reach which has been a critical element in promoting financial intermediation in the economy and in the growth of financial savings.

2.2 SCOPE OF THE STUDY

The Indian Financial Sector comprises of a gamut of Financial Institutions, Stock Markets, Insurance and Money Markets. The research is based on the Financial System of India but is limited to the Banking Sector with specific reference to the Scheduled Commercial Banks and Urban Co-operative Banks. Commercial Banking Business
Practices encompasses numerous roles and functions performed by the Banks towards various sectors of the economy. Banking being a Service Industry the role of customer becomes pivotal. Retail customers of Banks have diverse demands but are the ones who contribute a major share of banking business. Banks should have dynamism in its functioning to adapt itself to the changing environment and needs of its customers. It should introduce new Business Practices to cater the changing demand, competition and to increase the market share in the global markets. Prompt and efficient services to the customers will create goodwill for the Bank and will lead to retention of customers for longer duration of time period.

The changing environment has posed various challenges to Banks which have forced Banks to think the way they function and to make use of the latest and ever changing technologies. Banks need to be ready to change and redefine themselves in the way they conduct business, the transformed business should rapidly respond to meet the customers demand, market opportunities and external threat which is possible only through Innovations. Business Practices are subject to replication therefore need arises for modifications and up gradations in the systems and procedures so that best practices may emerge for the given activities therefore innovation within and outside the organisation becomes an integral element for any business entity. The research work aims to study Service Quality and Innovations in Banking Sector which are the two vital functions of Banking Business.

The research is restricted to the Banking Sector in India. The Banks selected for the study comprises of Scheduled Public Sector Banks, Private Sector Banks, Foreign Banks and Urban Co-operative Banks located in Pune City. Other Financial Institutions such as Non Banking Financial Companies Business Practices have been referred only for comparison with the Scheduled Commercial Banks Business.

The study is limited to the following Business Practices:

i) Quality of Banking Services offered to Retail Customers by Scheduled Commercial Banks and Urban Co-operative Banks.

ii) Innovative Practices followed by the selected Scheduled Commercial Banks and Urban Co-operative Banks.

The Banking Business is dynamic in nature; there has been tremendous transformation in the Business Practices of the Banks since Nationalisation in 1969. For the research work the progress of Banking Sector has been studied in three different Phases viz.:

i) Nationalisation Phase from 1969 to 1980
ii) Pre Liberalization Phase from 1981 to 1991
iii) Post Liberalization Phase from 1991 up to 2011

Financials of the Banks reflects the soundness and viability of the business, for research purpose the Scheduled Commercial Banks and Urban Co-operative Banks financial indicators of business practices relating to previous five financial years commencing from 2007 up to 2011 has been studied.

The focus of the study is elaborated by way of objectives which will serve as a basis for the research work.

2.3 RESEARCH OBJECTIVES

Research is a process of collecting, analyzing and interpreting information to arrive at certain conclusions. Research Objectives is a framework that states the purpose of the study and the end outcomes that are to be achieved from the study. The research work tends to study the following Objectives pertaining to Banking Sector:

i) To study the Business Practices followed by the Banks.
ii) To study the aspects of Business Practices that increases efficiency and transparency of banking functions.
iii) To study whether the existing Business Practices followed by Banks supplement the nature of business and the organizational objective.
iv) To study the various strategies followed by Banks to cater the growing competition.
v) To identify innovative Business Practices that can increase the overall efficiency and profitability of the Banks.
vi) To make comparative analysis between Banks, NBFC’s and Financial Institutions of Business Practices that has an impact on profitability and cost effectiveness.
2.4 HYPOTHESIS

Hypothesis\(^{10}\) means mere assumption or supposition to be proved or disproved. It is a formal question which the investigator wants to resolve. Hypotheses are assumptions capable of being objectively verified and tested, in the context of statistical analysis there is Null Hypothesis and Alternate Hypothesis. Hypothesis is important because it guides the researcher towards the solution of the research problem.

❖ Formulation of Hypothesis

Problem Statement I: A customer friendly Business Practices followed by the Banks have a direct impact on its profitability.

Hypothesis

➢ Null Hypothesis (H0): There is no significant relation between Business Practices relating to retail customers followed by the Banks and its profitability.
➢ Alternate Hypothesis (H1): There is a significant relation between the Business Practices relating to retail customers followed by the Banks and its profitability.

Problem Statement II: Dynamic Business Practices bring in variety of products, new culture and competition which helps in improving trade and investment.

➢ Null Hypothesis (H0): Dynamic Business Practices do not lead to financial prosperity
➢ Alternate Hypothesis (H1): Dynamic Business Practices leads to financial prosperity.

Problem Statement III: Innovative Business Practices leads to profit maximization and cost effectiveness in Banks.

➢ Null Hypothesis (H0): Innovative Business Practices have no direct correlation with profit maximization and cost effectiveness.
➢ Alternate Hypothesis (H1): Innovative Business Practices have direct correlation with profit maximization and cost effectiveness.

2.5 RESEARCH METHODOLOGY

Research Methodology is a systematic way of solving a particular problem. It shows the step by step process adopted by the researcher for solving the research problem during the course of study.

2.5.1 Type of Research:

The research is Descriptive and Quantitative in nature. Descriptive research includes surveys and fact finding enquiries of different kinds. The major purpose is the description of the state of affairs as it exists at present. The methods used in descriptive research are survey, correlation and comparative method. Quantitative research is based on measurement of quantity or amount.

The nature of research is Descriptive as is it is based on the facts and information which is already available relating to Banking Business Practices. Survey method has been used for collection of primary data. The information gathered for research work are numerically measurable, thus Quantitative in nature.

2.5.2 Population:

Population in statistics means the whole of the information which comes under the purview of statistical information. It is the aggregate of statistical information on a particular character of the members covered by an investigator.

The Population for the research work comprises of Scheduled Commercial Banks and Urban Co-operative Banks, Retail Customers and Bank Officials of Commercial Banks and Urban Co-operative Banks from Pune City.

a) Banks:

The Population for the study comprised of Scheduled Commercial Banks and Urban Co-operative Banks which have branches in Pune City. The Population of Scheduled Commercial Banks in Pune City comprised of Public Sector Banks: 27,
Private Sector Banks: 21 and Foreign Banks: 10, amongst the different types of Cooperative Banks, Urban Cooperative Banks have been considered for research work, there are 54 Urban Cooperative Banks\textsuperscript{14} in Pune City.

Table : 3.1 indicates the Total Number of Commercial Banks in India and the Number of Commercial Banks present in Pune City.

![Table 2.1 Number of Scheduled Commercial Banks](image)

\textbf{b) Retail Customers:}

To assess the Quality of Banking Services Retail Customers availing Banking facilities formed the targeted Population for the research work. The study was restricted to Retail Customers residing in Pune City. Pune City was further categorized as into following areas Aundh, Shivajinagar, Pune Camp, Deccan Gymkhana, Warje and Fergusson College Road.

c) Bank Officials:

Bank Managers or Bank Officials having more than three years of experience in the same Bank constituted the Population for understanding the Innovative Business Practices followed by the Commercial Banks and Urban Co-operative Banks.

2.5.3 Sample:

Sample refers to a part of Population. It is the selection of a group of individuals or items from a population in such a way that the group possesses the same characteristics of the entire population.

The sample for research comprised of Scheduled Commercial Banks: 30, Urban Cooperative Banks: 5, Retail Customers: 355 and Bank Officials: 35 from Pune City.

\textsuperscript{14} Source: Pune District Urban Cooperative Banks Association Ltd.
To evaluate the financial performance 35 Banks formed the basis of sample.

To assess the quality of service and innovative practices at Banks the Bank branches of these selected Banks falling under the purview of Pune City were considered as the sample for the study. On an average four branches of these selected 35 Banks constituted the sample for the research relating to service quality evaluation and innovations. The overall sample size for the evaluation of service quality and innovative practices was 140 Bank branches of these selected 35 Banks from Pune City.

2.5.4 Sample Units:
Sample Units are elements or set of elements considered for selection at some stage of Sampling, each unit is regarded as individual and indivisible.

The research comprises of following three sets of Sample Units: Banks, Retail Bank Customers and Bank Officials.

a) Banks:
Researcher has selected Sample of 30 Scheduled Commercial Banks and 5 Urban Co-operative Banks having branches in Pune city. Out of the selected Sample for the research, the Sample Units comprised of Banks, Customers and Bank Officials. Table 3.2 indicates the breakup of the Sample Units selected for the Research:

<table>
<thead>
<tr>
<th>S. No</th>
<th>Type of Bank</th>
<th>No. of Banks</th>
<th>Total No. of Banks Selected for the Study</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Public Sector Banks</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>a) Nationalised Banks</td>
<td>13</td>
<td>15</td>
</tr>
<tr>
<td></td>
<td>b) State Bank of India</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td></td>
<td>c) Other Public Sector Banks</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>Private Sector Banks</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>a) Old Private Sector Banks</td>
<td>4</td>
<td>10</td>
</tr>
<tr>
<td></td>
<td>b) New Private Sector Banks</td>
<td>6</td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>Foreign Banks</td>
<td>5</td>
<td>5</td>
</tr>
<tr>
<td>4</td>
<td>Cooperative Banks</td>
<td>5</td>
<td>5</td>
</tr>
<tr>
<td></td>
<td><strong>Total</strong></td>
<td><strong>35</strong></td>
<td><strong>35</strong></td>
</tr>
</tbody>
</table>
Four Bank Branches from each selected Banks from Pune City formed the basis of data collection for the research work.

b) Customers:
Retail customers of the selected Commercial and Urban Co-operative Banks availing Banking Services from Pune City were considered for the study. Total 355 Customers of selected Banks formed the sample for research work of which, Table : 3.3 depicts the composition of Sample Units:

<table>
<thead>
<tr>
<th>S. No</th>
<th>Nature of Bank</th>
<th>Number of Retail Customers Selected</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Public Sector Banks</td>
<td>160</td>
</tr>
<tr>
<td>2.</td>
<td>Private Sector Banks</td>
<td>100</td>
</tr>
<tr>
<td>3.</td>
<td>Foreign Banks</td>
<td>45</td>
</tr>
<tr>
<td>4.</td>
<td>Urban Co-operative Banks</td>
<td>50</td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>355</td>
</tr>
</tbody>
</table>

c) Bank Officials:
Bank Officials having more than three years of experience from the selected 30 Scheduled Commercial Banks and 5 from Urban Co-operative Banks were taken as sample for the study. One Bank Manager or Senior Bank Official was selected from each Commercial Bank and Co-operative Bank for the research. Each Bank Manager or Bank Official from the selected Sample constituted the Sample Unit for the research work.

2.5.5 Sampling Technique:
Sampling refers to the procedure of selecting a Sample from the Population. There are two methods of Sampling: Probability Sampling and Non Probability Sampling.

The Sampling Technique used for the selection of Commercial Banks was Non Probability Stratified Sampling Method, for Retail Customers the method used was Non Probability Convenience Sampling and for Bank Officials it was Non Probability Purposive Sampling Method. The details of deriving sample for each category can be enumerated as:
a) **Banks:**
Non Probability Stratified Random Sampling Technique was adopted for Sample selection. In this method the Population is sub divided into several groups called strata before the Sample is drawn. The first category of Scheduled Commercial Banks was divided into three strata consisting of Public Sector, Private Sector, Foreign Banks and second category comprised of Urban Co-operative Banks. Sample was drawn from each Stratum on the basis of geographical presence in Pune City and the volume of Business.

b) **Bank Customers:**
Convenience Sampling Method was used for the Retail Bank Customers. In Convenience Sampling the Sample is obtained by selecting convenient sample elements from the population. The selected Banks from Pune City was visited frequently during the Bank working hours and questionnaires were distributed to the customers present in the banks, depending on the availability of the customers the required information was gathered. The questionnaires were also emailed to the known customers of the selected banks residing in the vicinity of Pune.

c) **Bank Officials:**
Non Probability Purposive Sampling technique was adopted for the Sample selection of Bank Officials. Purposive Sampling is the method of Sampling by which a Sample is drawn from a Population based entirely on the personal judgment. The Bank Officials in an officer’s rank working with the Bank for more than three years was the required criteria for sample selection. Questionnaires were given to the Bank Officials who showed the willingness to disclose the required information for the research. The selection of the Bank Official was purely on the basis of judgment depending on their desire to extend support and cooperation.

2.5.6 **Determination of Sample Size:**
The number of items of the Population included in a Finite Sample is called Size of the Sample.
The Sample Size for the research work comprised of:

i) Banks

The Population of Scheduled Commercial Banks and Urban Cooperative Banks in Pune City were finite.

✓ The Sample Size for Commercial Banks was determined on the basis of:
  - Existence of Bank Branches in Pune City.
  - Volume of Business in terms of Deposits and Loans
  - Total Asset Size

✓ The Geographic coverage of Commercial Banks was restricted to Pune City which included the following areas viz.: Aundh, Shivajinagar, Pune Camp, Deccan Gymkhana, Warje and Fergusson College Road. These areas were selected on the basis of concentration of Bank Branches.

ii) Respondents:

The Sample Size for Respondents was 390 which comprised of:

- Bank Retail Customers: 355
- Bank Officials: 35

✓ Arriving at the Sample Size for retail Bank Customers was difficult as the Population was infinite. The Sample Size for Retail Bank Customers was determined on the basis of Convenience Sampling and depending on the geographical spread of the selected Bank Branches in Pune City.

✓ The sample size of Bank Officials was in proportion to the number of Commercial Banks selected from different category of Banks. The major focus of the study was on the Commercial Banking Business Practices therefore the number of Banks selected was higher in proportion to the number of Urban Co-operative Banks. Urban Co-operative Banks differ from Commercial Banks therefore an effort was made to study the business practices of Urban Co-operative Banks therefore only five major Urban Co-operative Banks were selected for the research from Pune City.
2.5.7 Data Collection:
Data collection is the technique of collecting the information required for the research work from various sources. There are two major sources for obtaining the data: Primary and Secondary sources, Primary Data are gathered through personal interactions with the respondents whereas Secondary Data is available through varied published media.

Both Primary and Secondary sources of data has been used for the research work. Primary Data was collected through Survey Method where Structured Questionnaire was distributed to the Bank Customers and Bank Officials. Interviews were also conducted with the Bank Officials for getting the required information. Questionnaires were also mailed to Customers with a request to return it after completing the same Secondary Data has been used extensively for designing the Introduction and Literature Review Chapters. Financial Performance of the Banks is also assessed using the Secondary Data available from the published sources of respective Banks.

2.5.8 Data Analysis
Data Analysis incorporates various techniques for analyzing the collected information to arrive at suitable interpretations and conclusions of the research. The analysis of data requires a number of closely related operations such as classification of data, coding, tabulation and then drawing statistical inferences.

The analysis of the data collected for the research includes the following set of activities:

a) Primary Data collected through questionnaire has been analyzed using statistical techniques such as classification, tabulation and graphical representation.

b) Statistical Software SPSS version 14 has been used for testing of hypothesis and for conducting paired t test for the service quality feedback obtained from the retail customers of the various Banks.

c) Financial performance of previous five years of the Banks have been ascertained using Secondary sources of Data from the Annual reports of the Banks and Bank websites. Financial Tools such as Ratio Analysis have been used to assess the financial indicators of the selected Banks. Statistical analysis such as Correlation has been carried out between the financial variables of the Banks to arrive at inferences.
2.5.9 Time frame:
  i) For assessing the growth of Banking Sector, since nationalization the time period
     is divided into three broad categories:
     Pre Liberalization Phase: 1981 to 1991
     Post Liberalization Phase: up to 2011
  ii) For analyzing the Financial Indicators of the selected Banks, previous five
      financial year’s data has been used. The Financial Analysis of Banks will cover a
      time frame commencing from March, 2007 up to March, 2011.

2.5.10 Practical Applicability of the Research:
Banking is a service industry; in a service industry product differentiation is limited but
the quality of service helps in customer retention and determines the profitability of the
Banking business. The varying scenario of business has shifted the focus of Banks from
only products and services to deliver value to customers. Today Banks are trying to be at
par with the global practices in order to achieve this objective they have to ponder on
cost efficiency, restructuring its operational activities and financial growth. Need arises
to trace the untapped markets and redesigning of its products and services as per the
requirements of the varied customer segment. Further research can be undertaken in the
areas of identifying customer’s perception about Banking Services and in developing
value added products to different class of customers which will render Banks to be cost
effective and profitable.

2.5.11 Limitations:
  i) Data collection was intricate due to the confidentiality nature of data, people were
     reluctant to disclose the information especially Bank employees.
  ii) Bank officials also denied disclosing information about their respective Banks,
     due to fear of threat from their competitors.
  iii) Non cooperation from the retail customers also posed difficulty in data collection.
  iv) Non availability of annual reports of certain Co-operative Banks proved to be
     hindrance to the research work.
2.6 CHAPTERISATION SCHEME AND FRAME WORK OF ANALYSIS

Chapter 1: Nature and Rationale of the Study
The focus of this chapter is to introduce the area of research and the relevance of the study in the current scenario. The chapter discusses the broad concept and role of business practices with reference to Banking Sector.

Chapter 2: Research Design
The Chapter discusses the sequence of activities followed by the researcher during the course of research work.

Chapter 3: Literature Review
The Chapter tries to analyze the existing facts and the viewpoints expressed by various researchers relating to the topic of research through various secondary sources.

Chapter 4: Progress of Banking Sector
The Chapter discusses the various developments in the banking sector at different phases of evolution. The chapter also tries to justify the reasons for development and the factors that lead to the penetration and growth of banking sector in India. This part of the research work is based on secondary data collected through various sources which has been analyzed using graphs and charts.

Chapter 5: Analysis of Financial Performance of Banks
The objective of this chapter is to analyze the financial and operating efficiency of the Banks. Total 35 Banks were selected for the study, 10 Banks from Private Sector, 15 Banks from Public Sector, 5 Foreign Banks and 5 Urban Co-operative Banks. Data relating to the selected Banks have been collected through secondary sources which have been analyzed using statistical tools to find out the performance of selected Banks during previous five financial years. Correlation analysis is conducted to derive which are the variables that majorly affect the performance and efficiency of the Banks.

Chapter 6: Assessment of Service Quality at Banks
The Chapter focuses on the need for good quality service at Banks. For the research work questionnaire were distributed to 355 retail customers of selected Banks from different categories. Out of 355 questionnaires 100 were distributed to retail customers of
Private Sector Banks, 160 to retail customers of Public Sector Banks, 45 to customers of Foreign Banks and 50 questionnaire to retail customers of Urban Co-operative Banks from Pune city. The sample size of respondents was in proportion to the weight assigned to the number of Banks from different categories. The success rate of respondents was 98% for Private Sector Banks, 97% for Public Sector Banks, 89% for Foreign Banks and 90% for Urban Co-operative Banks. In all 339 questionnaires were received back and 16 questionnaires were rejected on account of incomplete data and non response from the customers end.

The duly completed questionnaire is analyzed into two parts, first part comprises of descriptive statistics which shows the demographic profile of the retail customers. Second part is the SERVQUAL Analysis which shows the service quality gap in customer services rendered by selected Banks. The gap analysis is done using paired t test has been conducted to evaluate the major factor that affects the service quality.

Chapter 7: Innovative Business Practices in the Banking Sector

This part of the study relates to the innovative practices adopted by the selected Banks. Total 35 Banks were surveyed for data collection; questionnaire was distributed to a Bank Official having more than 3 years of experience in the Bank. In all 35 questionnaires were distributed to the Bank Officials of selected Banks, out of which only 30 questionnaire was received, 5 Bank Officials were reluctant to disclose the required information thus the response rate was 86%. Correlation Analysis was conducted to find out the relation between the product and process innovation and the financial performance of the Banks.

Chapter 8, 9 and 10 form the closing pages of the research comprising of Conclusions, Findings and Suggestions.

Conclusion:

Research Design are the guidelines for undertaking the research work, since the research pertains to Banking Sector it becomes inevitable to study the Indian Banking Sector growth during the years. Banking Industry is evolutionary in nature. The development of financial system and the changing trends in the Banking business has added to the growth and development of the nation. An assessment of Banking Sector is possible only
by focusing on roles and actions of the Banks, their core capabilities and in meeting their organizational objectives which includes growth in gross domestic product, fostering financial inclusion, optimum utilization of available resources and managing the cost efficiently, a review of these factors become imperative to analyze the growth in the Banking Sector. The development in the Banking Sector during previous decades and the dynamic business practices with specific reference to customer service, service delivery mechanism and product and process innovations has been discussed in detail based on various literatures available from published sources in the later chapter, Chapter 3: Literature Review.

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