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RESEARCH METHODOLOGY

3.1 INTRODUCTION:

The new economic policy of globalization has opened the financial markets of India to outside world and infused competitiveness there in. The financial sector plays a crucial role in mobilizing community’s saving and channeling them into effective investment avenues in the country. The present banking system in India was evolved to meet the financial needs of trade and industry and to satisfy the institutions of the country. The world has become a global market. The impact of globalization, privatization and liberalization has totally changed the style of banking sector in India. Banks are essential instruments of accelerated growth in a developing economy.

Productivity is one of the factors affecting the profitability among others like expansion of banks’ operation in the areas characterized by deployment of funds is non-profitable coupled with higher overhead expenses, increase in sickness in industrial units, mounting of NPAs over the years etc. Higher the productivity results in proportionately lower in the establishment cost. The experience of Indian banking systems since nationalization has brought to the forefront the immense potential of banking as a level of economic development. Since banking, development and economic development are closely associated with each other. It would be pertinent to have an analytical study of the activities of the Public Sector Banks and Private Sector Banks in the field of economic development in India. It is necessary to examine the extent to which the banks have moved towards their goal.

Research methodology is a way to solve the research problem systematically. It may be understood as a science of studying how research is done scientifically. Research Methodology includes the assumptions and values, which is useful for interpreting data and reaching to conclusions. The present
analytical study is an attempt to study the productivity measurement for selected unit of Public Sector Banks and Private Sector Banks for particular period. The purpose of this analytical study is, thus to make an in-depth study of what the Public Sector Banks and Private Sector Banks in India have done during the period of last five years (2005-'06 to 2009-'10).

3.2 PROBLEM OF THE STUDY:

The life standard of a person has become very high. More needs, more demands and more production process are there. Thus in a state of large strides in economy activity and determined efforts for increased production and holding the price-line, the role, which the banking systems is called upon to play, must necessarily be significant. The year 1990 ushered in financial and banking sector reforms in India. The main reason behind the introduction of reforms was the deteriorating financial health and the sub-standard performance of Public Sector Banks, which until then almost enjoyed a monopoly position. These banks were not only burdened with rising Non-Performing Assets but also scored low in terms of customer service and the usage of information technology while carrying out banking operations, soon after the liberalization of the India economy, banks began to enter into the real of financial services. The beginning of the 1990s witnessed the structural modifications of fundamental magnitude in global banking systems. Large-scale mergers, amalgamations and acquisitions between the banks and financial institutions helped them in their growth due to their shear size and financial strengths of the merged entities. Thus, in recent times, the newly developed financial conglomerates could maximize economies of scale and scope by extending all the financial services under a single umbrella. Private and foreign banks have entered India in a big way and have introduced an element of competition riding on the wave of technology and customer service. By making of cutting-edge technology, these banks have reduced the number of physical branches and the associated overhead costs thereby, increasing the volume of business and profits.
During the post reform period, because of liberalization, privatization and globalization, Indian banking sector is facing some problems and challenges. Major problems and challenges, which Indian commercial banks are facing today, are as below.

- Lower profitability
- Low productivity
- High NPAs
- High operating costs
- High provisioning
- Problem of Scandals
- Problem of customer satisfaction
- Complex and non-responsive organizational structure
- Poor asset management
- Low work culture
- Low credit-deposit ratio
- Global crisis period and its impact on Indian banks
- Limited automation

3.3 SIGNIFICATION OF THE STUDY:

This study makes a clear picture of Public Sector and Private Sector Banks related to the productivity. The bank management of India faced two important challenges one of which was to improve their profitability and productivity by employee and branch level the other was to achieve the social objective in an efficient manner. After the submission of Narshimhan committee recommendations in 1991, the whole banking scenario changed in India. The committee proposed reforms in the financial sector. These reforms permit
operational flexibility efficiency, productivity and profitability. Indian banking Industry is passing through critical financial position and efforting to improve their profitability and productivity on one hand and carters the social need on the other, the study of the research problem is contemporary. It can search out the major problems and prospects and can suggest an appropriate strategy for improvement of financial performance.

3.4 TITLE OF THE RESEARCH STUDY:

In the present research work title of research study is “An Analytical Study of Productivity of Banking Industry in India: A Comparative Study of Public Sector Banks and Private Sector Banks” With this research work researcher aims at measuring the productivity of selected Public Sector Banks and Private Sector Banks.

3.5 OBJECTIVES OF THE STUDY:

- To evaluate the overall productivity and profitability of Public Sector Banks and Private Sector Banks.
- To evaluate the financial performance of Public Sector Banks and Private Sector Banks under study.
- To evaluate labour productivity of Public Sector Banks and Private Sector Banks.
- To evaluate branch productivity of Public Sector Banks and Private Sector Banks.
- To evaluate capital productivity of Public Sector Banks and Private Sector Banks.
- To evaluate the profitability of Public Sector Banks and Private Sector Banks.
- To suggest the remedial measures for overall development of Public Sector Banks and Private Sector Banks.
3.6 PERIOD OF THE STUDY:

The present study has been made covering the period of last 5 years i.e. year 2005-2006 to 2009-2010. There is no special reason to choose this time.

3.7 UNIVERSE OF THE STUDY:

Universe of the Study consists of all the banks working in India. Banking industry of India consists of the following segments.

Indian Banking Sector as on September 30, 2010\(^{82}\)

- **Number of Banks:**
  - SBI & Associate Banks 6
  - Nationalized Banks 20
  - Old Private Sector Banks 15
  - New Private Sector Banks 8
  - Foreign Banks 32

3.8 SELECTION OF SAMPLE UNITS:

The overall areas of the study focused on Public Sector Banks and Private Sector Banks of India. The researcher has selected 14 units as the sample for this study. As a part of the research, study researcher has selected Public Sector Banks and Private Sector Banks at macro level. The selection has been done from Public and Private Sector Banks with the help of random sampling method. In this, study the size of sample 7 Public Sector Banks as well as 7 Private Sector Banks. The selected units are as under:

- **Public Sector Banks are as under:**
  1) Bank of Baroda

\(^{82}\) Dr. Bandi Ram Prasad President, FT Knowledge Management Co. Ltd bandi.ramprasad-2010.
2) Bank of India
3) Central Bank of India
4) Dena Bank
5) Punjab National Bank
6) Union Bank of India
7) State Bank of India

❖ Private Sector Banks are as under:
1) Axis Banks Ltd.
2) Development Credit Bank Ltd.
3) HDFC Bank Ltd.
4) ICICI Bank ltd.
5) IndusInd Bank Ltd.
6) Kotak Mahindra Bank ltd.
7) Yes Bank ltd.

The sample has been selected on the following bases:

➢ The data that is available for last five years i.e. period of the study from the year 2005-2006 to 2009-2010.

➢ The banks should be working in Public Sector Banks and Private Sector Banks in India.

3.9 SCOPE OF THE STUDY:

The scope of the study is very wide. For an analytical, study of productivity of banking Industry in India and meaningful research some parameters in relation to productivity and profitability selected like labour information, branch information, capital information, and profitability information of selected banks. To evaluate productivity effectiveness, some cases developed. In this research work, researcher has tried to measure the productivity of selected banks researcher has used various ratios. The problems and suggestions from the banks to improve productivity effectiveness also covered.
3.10 RESEARCH DESIGN:

The present analytical study relate to critical evaluation of Public Sector and Private Sector Banking for the period of 5 years (2005-'06 to 2009-'10). Any project requires a basic plan of action, or a series of actions chalked out, in order to accomplishes the objectives effectively and efficiently with in a time framework, without deviating from the original target. In other words, we can say that, from where we are and where we want to go, the process involved is carefully transformed in to a blue print called the research design.

“According to Claire Selitiz\(^{83}\) “A research design is the arrangement of the condition for collection and analysis of data in a manner that aims to combine relevance to research purpose with economy in procedure”.

According to Bernard S. Philips\(^{84}\), “The research design constitutes the blue print of the collection, measure and analysis of data.” The definition highlights that research design includes the methods of research, viz. survey, observation, experiment, the content analysis or their combinations. Thus, according to the author, the research design is the overall framework of research project and which mentions about the types and sources of information and procedure to be followed in collecting it. In other words, Decisions regarding what, where, when, how much, by what means concerning an inquiry or a research study constitutes a research design.

There is a competition between Public Sector Banks and Private Sector Banks regarding the productivity. Therefore, it is a keen need to study this matter. The study mainly on bases of secondary data obtained from the annual reports of selected Public Sector Banks and Private Sector Banks. The population of the study consists of all type of Indian banking industries in Public Sector Banks and Private Sector Banks. Design of the study indicates two things

\(^{83}\) Claire Selitiz, Research Methodology in Social Sciences, 1962 P. 50.

(I) The size of the sample (II) The methodology that used in selecting the sample banks. The universe of this study is finite. The researcher takes a sample of 14 banks (7 Public Sector Banks & 7 Private Sector Banks) with the help of random sampling method. For the present study the researcher, formulate null hypothesis. Two types of tools and techniques of analysis have been used i.e. accounting techniques and Statistical techniques. The researcher pick-up the Simple statistical techniques, such as mean and one-way ANOVA test, for testing hypothesis relating to various variables of productivity, profitability and financial efficiency of various banks under the study.

3.11 TYPE OF THE STUDY:

The present study being empirical in nature undertaken to examine the capital structure patterns and their impact on the productivity of banks. This study useful how the capital structure works, how the labour units are works-and its relevant decision in financial management. In analytical research, on the other hand the researcher also uses facts already available, and analyzes these as a critical evaluation of the materials. Thus, the study is an analytical study. So, the study undertaken based on adequate size of sampled banks discussed in sampling design.

3.12 DATA COLLECTION:

The present study is mainly based on secondary data obtained from the annual report of selected Public Sector Banks and Private Sector Banks. To supplement the data RBI publication, IBA Bulletin, different publications, Bank quest, various books, periodicals, journals and different website related banking industries etc. have used for better reliability. Opinions expressed in Business standard, Newspapers, accounting literature, Annual review and different publications also used in this study.
3.13 HYPOTHESES FOR THE STUDY:

Hypothesis is usually considered as the principal instrument in research. Its main function is to suggest new experiments and observations. In the simple meaning, hypothesis means a mere assumption or some supposition to be proved or disproved. According to Michel\textsuperscript{85}, a hypothesis is a special proposition formulated to be tested in a certain given situation as a part of a research which stats what the researcher is looking for... Thus, a hypothesis may be defined as a proposition or a set of proposition set forth as an explanation for the occurrence of some specified group of phenomena either asserted merely as a provisional conjecture to guide some investigation or accepted as highly probable in the light of established facts.\textsuperscript{86} For the present study, the researcher has formulated null hypothesis. The hypotheses are as under:

**Null Hypothesis (H\textsubscript{0}):**

- There is no significant difference between the productivity ratios of the Public Sector Banks and Private Sector Banks.
- There is no significant difference between the profitability ratios of the Public Sector Banks and Private Sector Banks.
- Productivity and profitability performance of banks under study is not independent of banking sector reforms.
- Financial performance of banks unit under study is not independent of banking sector reforms.

\textsuperscript{85} Michel V.P., Research Methodology in Management, Himalaya Publishing house Bombay, 1985, P. 107.

3.14 TOOLS & TECHNIQUES FOR ANALYSIS:

The researcher use different type of tools and techniques to suit requirement. The collected data are duly edited, classified and analyzed using all type of relevant accounting ratios and statistical techniques. These techniques have been classified as follows:

1) Accounting Techniques

2) Statistical Techniques

1) Accounting Techniques:

The researcher picks up the accounting technique to suit the requirement and based on data available. Ratios analyses have been used as accounting technique; this is used for the analysis of financial statement of the selected units.

**Formula:**

- Productivity = Output/Input
- Profitability = Operating income/Operating assets

The researcher picks up the technique to suit the requirement and based on data available. Ratios analyses have been used as accounting technique; this is used for the analysis of financial statement of the selected units. Ratio analysis means the process of computing, determining and presenting relationship of items and group of item in the financial appraisal. Ratio expresses the numerical relationship between two figures. Accounting ratios are used to describe significant relationship, which exist between figures shown on a balance sheet, in a profit and loss account, in a budgetary control system or in any other part of the accounting organization.

2) Statistical Techniques:

The researcher use of statistical tools and techniques for financial analysis of selected banks. The researcher pick-up the Simple statistical techniques, such as mean and one-way ANOVA test. The data are presented through simple classification and with the help of percentage, average and the hypothesis are
tested at 5% level of significance by employing F– test. Diagrammatic and graphic presentation of data has been also made wherever necessary of the present study. There are many techniques, which may be used for analyzing the productivity, profitability and financial efficiency of various banks under the study.

3.15 LIMITATIONS OF THE STUDY:

The researcher is well aware of the following limitations with which the study are undertaken as under.

- This study is related to selected Public Sector Banks and Private Sector Banks only.
- The secondary data, which used for this study is based on annual reports of the bank. The quality of this research depends on quality and reliability of data published in annual reports of banks.
- There are different methods to measure the productivity and profitability of the banks. View of expert can be different in this matter from one another.
- The present study of common size analysis has been made but common size analysis has its own limitations, which also applies to the study.
- The present study is largely based on ratio analysis; such analysis has its own limitations, which also applies to the study.
- This study is related with selected Public Sector Banks and Private Sector Banks. Any generalization for universal application cannot be applied here.
- This study is in the nature of a positive empirical research. It is not being proposed to enter in the normative aspect and offer suggestion for improvement in the working.
3.16 CHAPTERISATION OF THE STUDY:

Chapter –I: Introduction:


Chapter-II: Review of the Literature:

This chapter covered survey of some studies relating to financial analysis of Indian banking sector conducted in the past.

Chapter-III: Research Methodology:

This chapter covered Problem of the Study, Significance of the Study, Objectives of the Study, Period of the Study, Universe of the Study, Selection of Sample Units, Scope of the Study, Type of the Study, Data Collection, Hypotheses for the Study, Tools & Techniques for Analysis, Limitation of the study and Chapterisation of the Study etc.

Chapter-IV: Indian Banking Industry:

This chapter covered introduction of Banking industry, The History of Indian Banking, Institutional Structure of the Indian Banking System, Nationalization of Major Commercial Banks, Banking System Reforms, Narasimham Committee Reports-1991, New Private Banks, Role of Indian
Banks in the new Millennium, Function of Commercial Banks and Performance Assessment of Selected Banks.

Chapter-V: Productivity of Indian Banking Industry:

This chapter covered An Analytical Study of Labour Productivity, Branch Productivity, Capital Productivity and Profitability of Public Sector Banks and Private Sector Banks, with the help of Accounting Techniques and Statistical Tools.

Chapter-VI: Finding, Suggestions and Conclusion:

This chapter covered major Finding, Suggestions and emerging Conclusion of the study based on analysis carried out. It point out the variations if any from the literature.
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