

# Chapter – 4

## Chapter – 4 Research Methodology

Banking sector is plays a very significant role in the economic life of a country. Banking is the pivot of present day business environment, because it is mobilizing subtle and scattered savings of mass and spread community of the country and direct them into productive purpose of Investment and other economic activities. So, banking sector is the backbone of financial system.

The financial reforms that started in 1991 are actually approximately 24 Years old. The effect of Liberalization, privatization and Globalization (LPG) has affected and changed the functioning trend and mind set of Indian Banking sector. The authorities and RBI each have designed and broaden this are as a simple priority and that is why this sector is continuously converting itself in line with the need of present time. Today, banking sector is imparting many new services beyond their traditional services.

Indian Banking sector is one part of the changing commercial enterprise paradigms throughout the globe. The sector is passing from an era high competition, regulatory adjustments and gradual increase of Indian economic system, which has affected it. The sector is hoping for better times after two years of recession. In the past records NPAs and restructuring request Interest fee and Liquidity remained tight. The RBI has prolonged the time line for Basel III compliance and after long instances, all over again, it is with in the process to issue new Banking licenses to Private sector entities. So, Competition is going to intensify growing competition is going to be a problem and also it is a good chance to discover new vicinity and scope of Banking services. Customer satisfaction, service Innovation as well as technology up gradation might be the focus factors.

Over all in the past decade, banking sector has resulted a many developments. But it ought to tighten itself drastically in all aspects thinking about the future competition and need of the time and economic system. In such a scenario, study of performance of Indian Banking sector as a whole or as a part is an Interesting area for the researcher. The

present study is an attempt to study the overall performance in the context of Earnings, Asset Quality, Growth, Liquidity, Equity and strategy assessment or measurement for selected unit of Public sector Banks and private sector banks for a particular Period.

#### **4.0 Research Design:**

The study is based on exploratory research and it is analysed as follows:

#### **4.1 Research Problem:**

In the present Indian Banking sector is facing a critical situation to enhance the overall financial performance on one hand and to offer technology enabled rural banking on the other. Asset Quality of banking sector is a indication of worrisome signal. Hence, the study of financial performance of banking sector is contemporary.

In this context, for this research study, banking sector has been studied at the macro level, but at the same time considering the limitations of time, resources etc. researcher has selected five Banks from public sector and five from Private sector banks. It consist the following are for the purpose of Present Study.

#### **4.2 Objectives Of the Study**

- To review the present status of Indian Banks.
- To examine the Financial Performance of selected Banks from the view point of CAMELS and EAGLES Models.
- To rank the banks based on CAMELS and EAGLES models regarding financial Performance.
- To make suggestions for the better performance of selected banks based on CAMELS and EAGLES Models.

#### **Sources of the Data**

Data collection is a significant task. The present study is based on secondary data. The data for selected Banks have been extracted from website and annual reports of respective Banks. To supplement the data, Banking Journals, Publications, IBA Bulletin, periodicals, Various Books, RBI Publication etc. have also been used. Database also been

searched from the various related websites also. Moreover, the news papers, accounting literature have also been referred.

### **Period of the study**

The Present study has covered the data of last ten years. The study period is 10 years, starting from the year 2005-06 to 2014-15.

### **Sample Of The Study**

For the in-depth analysis of the Profitability, Five Public sector Banks and five Private sector Banks were selected on the basis of their total assets for the year 2015.

**Table 3: Total Assets for the year 2015**

Total Assets for the Year 2015		(Rs. In Crores)	
Public sector	Total Assets	Private Sector	Total Assets
State bank of India	2,048,079.80	ICICI	646,129.29
Punjab National Bank	601,946.05	HDFC	590,503.07
Bank of Baroda	714,988.55	Kotak	106,012.08
Bank of India	618,697.76	Axis	461,932.39
canara Bank	542,594.70	Yes	136,170.42

### **Scope of the study:**

The study is Based on census of Public and Private Sector Banks India for a period of ten Years from 2005-06 to 2014-15. Though researcher has selected 5 Public sector Banks and 5 Private sector Banks for this present study. Total 10 Banks are covered for the study. The study is limited for only financial performance covering various ratios. The tool for appraisal of financial performance is ratio analysis. So, scope of the present research study is very wide.

### 4.3 Tools and Techniques

For the Present study, various tools and techniques are adopted to evaluate the financial Performance. It can be divided as:

- Accounting Tools/ Techniques
- Statistical Tools/ Techniques

#### Accounting Tools/ Techniques

Ratio Analysis has been used as an accounting technique (according to the need of study) for the study & analysis of financial performance of various banks.

#### Statistical Tools/ Techniques:

The statistical tools/ techniques that have been adapted for the nature and demand of the study. The collected data is duly classified, tabulated and analysed by applying relevant statistical techniques. The researcher has used parametric and non-parametric tests. The data has been analysed with the help of various tools and techniques like mean, Growth, diagrammatic and graphic representation t-test and F- test (ANOVA) etc according to the need of the study and hypothesis have been tested at 5% level of significance.

#### Hypotheses of the Study:

For the present study, the broader hypothesis is as under:

- **(H<sub>01</sub>):** There is no significant difference in Capital Adequacy (ratios) in selected Public sector and private Sector banks under CAMELS Model.

Or

**(H<sub>11</sub>):** There is significant difference in Capital Adequacy (ratios) in selected Public sector and private Sector banks under CAMELS Model

- **(H<sub>02</sub>):** There is no significant difference in Asset Quality (Ratios) in selected Public and Private sector banks under CAMELS Model.

Or

**(H<sub>12</sub>):** There is significant difference in Asset Quality (Ratios) in selected Public and Private sector banks under CAMELS Model

- **(H<sub>03</sub>):** There is no significant difference in Management (ratios) in selected Public sector and private Sector banks under CAMELS Model.

Or

**(H<sub>13</sub>):** There is significant difference in Management (ratios) in selected Public sector and private Sector banks under CAMELS Model.

- **(H<sub>04</sub>):** There is no significant difference in Earnings (ratios) in selected Public sector and private Sector banks under CAMELS Model.

Or

**(H<sub>14</sub>):** There is significant difference in Earnings (ratios) in selected Public sector and private Sector banks under CAMELS Model.

- **(H<sub>05</sub>):** There is no significant difference in Liquidity (Ratios) in selected Public and Private sector banks under CAMELS Model.

(Or)

**(H<sub>15</sub>):** There is significant difference in Liquidity (Ratios) in selected Public and Private sector banks under CAMELS Model.

- **(H<sub>06</sub>):** There is no significant difference in sensitivity (Ratios) in selected Public and Private sector banks under CAMELS Model.

(Or)

**(H<sub>16</sub>):** There is significant difference in sensitivity (Ratios) in selected Public and Private sector banks under CAMELS Model.

- **(H<sub>07</sub>):** There is no significant difference in Earnings (ratios) in selected Public sector and private Sector banks under EAGLES Model.

(Or)

**(H<sub>17</sub>):** There is significant difference in Earnings (ratios) in selected Public sector and private Sector banks under EAGLES Model.

- **(H<sub>08</sub>):** There is no significant difference in Asset Quality (Ratios) in selected Public and Private sector banks under EAGLES Model.

(Or)

**(H<sub>18</sub>):** There is significant difference in Asset Quality (Ratios) in selected Public and Private sector banks under EAGLES Model.

- **(H<sub>09</sub>):** There is no significant difference in Growth (Ratios) in selected Public and Private sector banks under EAGLES Model.

(Or)

**(H<sub>19</sub>):** There is significant difference in Growth (Ratios) in selected Public and Private sector banks under EAGLES Model

- **(H<sub>010</sub>):** There is no significant difference in Liquidity (Ratios) in selected Public and Private sector banks under EAGLES Model.

(Or)

**(H<sub>110</sub>):** There is significant difference in Liquidity (Ratios) in selected Public and Private sector banks under EAGLES Model.

- **(H<sub>011</sub>):** There is no significant difference in Equity (Ratios) in selected Public and Private sector banks under EAGLES Model.

(Or)

**(H<sub>111</sub>):** There is significant difference in Equity (Ratios) in selected Public and Private sector banks under EAGLES Model.

- **(H<sub>012</sub>):** There is no significant difference in Strategy (Ratios) in selected Public and Private sector banks under EAGLES Model.

(Or)

**(H<sub>112</sub>):** There is significant difference in Strategy (Ratios) in selected Public and

Private sector Banks under EAGLES Model.

#### **4.4 Significance of the Study:**

Banking plays a significant role in an economy. Public and Private sector Banks are working together but with heavy competition with each other. Public sector Banks are also using the core banking solution and provide other technology enabled services to match with their counterpart Private sector banks. Once again RBI is in the process to issue new banking licenses to new entities in the banking sector. So, competition is going to intensify in near future.

So, the present study is an attempt to evaluate performance of Indian Banking sector. This study gives an idea about ups and downs of financial performance of selected public and private sector banks. There, financial performance gives a path to other banking institutions also. In nut shell, this study throws a light on financial environment of public and private sector Banks.

#### **4.5 Outline of the Chapter Plan**

- **Chapter One: Financial Performance and EAGLES Conceptual Frame work**

The first chapter gives an Introduction: Back ground of the study- What is financial Appraisal?- History of Financial Performance Appraisal- Process of Financial Performance Appraisal- Process of Financial Appraisal- Methods of Financial Analysis- Techniques of Financial Analysis- Approaches to Financial Performance Measurement- “EAGLES Model” : A conceptual Framework

- **Chapter two: An over view of Banking Sector and Profile of Selected Banks**

The second chapter gives about Banking sector in India: An overview- Genesis of Banking in India – Modern Banking : An overview- Structure of Indian Banking system- Profile of selected Banks- selected Public sector Banks- Selected Private sector Banks.

- **Chapter three: Review of Literature**

The third chapter gives the various past studies regarding the financial performance of banks national wise and internationally.



- **Chapter Four: Research Methodology**

The fourth chapter on the Research Methodology includes – Title of the Research Problem – Objectives of the study – Tools and Techniques – Significance of the study – Limitations of the study.

- **Chapter Five: Analysis of Data and Interpretation**

The Fifth chapter contains Data Analysis and Interpretation of selected Public and Private Sector Banks in India of CAMELS Model.

- **Chapter Six: Analysis of Data and Interpretation of EAGLES Model**

The sixth chapter contains Data Analysis and Interpretation of selected Public and Private Sector Banks in India of EAGLES Model.

- **Chapter Seven: Findings, suggestions and Conclusion**

The last chapter describes or represents the summary, Findings, suggestions and conclusions.

#### **4.6 Limitations of the Study**

- No study can be free from Limitations. The Limitations of the Present study are as under:
- The study is based on secondary data. The data is collected from annual reports, Journals, Magazines and websites. So, Limitations of secondary data remain with it and also apply to this study.
- In the present study only accounting and statistical tools are used i.e., Ratios etc it has its own limitations that also apply to this research work.
- Only few ratios taken into consideration for the analysis of CAMELS Model because of time constraint.
- The present study has covered five public and five Private sector banks. So any generalization for universal application is very difficult and cannot be applied, because results of this study are confined and limited to the selected banks.