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Comparative Analysis Nationalized Banks Vs. Privatebanks at Hdfc Bank Ltd

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ABSTRACT

The project explores the comparative performance of private sector banks and public sector banks in India across various important aspects such as network, growth, productivity, capital adequacy, asset quality, management quality, earnings quality, and liquidity. The selected period is significant as it allows us to assess how different banks performed after the sub-prime mortgage crisis and their preparedness for potential future recessions. To gain better insights into this argument, Data Envelopment Analysis (DEA) has been conducted on a pool of banks consisting of new private sector banks and public sector banks in India.Over the past years, private sector banks in India have made remarkable progress. Since their entry in the mid-90s, these banks have experienced substantial growth in terms of income, margins, and asset sizes, outperforming their public sector counterparts in several areas. The performance of both sectors is evaluated based on eight key parameters that contribute to better profitability and competitiveness in a highly volatile and regulated environment.While the asset base and income of public sector banks witnessed decent growth in recent years, the new private sector banks faced greater fluctuations primarily due to the recession. However, these banks demonstrated phenomenal growth, indicating their ability to recover swiftly from such catastrophes. Capital adequacy is an indicator of a bank's ability to maintain sufficient capital in relation to various types of risks and its management's capacity to identify, measure, monitor, and control these risks. It also reflects a bank's ability to absorb losses while still meeting regulatory capital requirements. Currently, the Reserve Bank of India (RBI) mandates banks to maintain a Capital Adequacy Ratio (CAR) of 9% concerning credit risk, market risk, and operational risk, exceeding the 8% prescribed by the BASEL framework. Effective management is a crucial factor contributing to bank performance, although it is challenging to quantify due to its qualitative nature. Nevertheless, various indicators such as the ratio of non-interest expenses to total assets can be employed to assess management's control over operating expenses.

Keywords : Remote Sensor Network, Wireless Sensor Network Framework, WSN, Microcontroller

I. INTRODUCTION

In today's globalized world, organizations face fierce competition, compelling them to establish global capabilities. The banking sector plays a crucial role in economic development, underscoring the importance of nurturing human resources within this sector to drive national progress.

Banking in India has a rich history dating back to the late 18th century, with the State Bank of India being the country's oldest existing bank. Established in June 1806, it is a government-owned bank and currently holds the position of the largest commercial bank in India. The Reserve Bank of India, which took over the central banking responsibilities from the Imperial Bank of India in 1935, plays a vital role in regulating the banking system. After India gained independence in 1947, the Reserve Bank of India was nationalized. Subsequently, in 1969, the government nationalized the 14 largest commercial banks, followed by the nationalization of the six next-largest banks in 1980.

However, liberalization has also intensified competition among both domestic and foreign banks, as well as competition from mutual funds, non-banking financial corporations, and post offices.

The definition of a bank varies from country to country. In English common law, a banker is defined as a person who conducts the business of banking, which includes maintaining current accounts, processing and honoring checks, and collecting checks on behalf of customers. Although some jurisdictions may have statutory definitions of banking business, the common law definition prevails in many English common law countries.

The Reserve Bank of India has effectively controlled inflation in India, maintaining the wholesale price index (WPI) inflation at around 4% as of December 2007. The WPI serves as the primary measure of inflation in India and tracks the prices of a representative basket of wholesale goods. It comprises three groups: Primary Articles, Fuel and Power, and Manufactured Products. The moderation in inflation during 2007.

India's industrial production experienced a significant decline in January 2009, primarily due to a sluggish manufacturing sector. The overall industrial production index displayed a growth rate of only 5.3% in January 2008, compared to 11.6% in January 2007. This slowdown marked the third consecutive month of low growth, influenced by the manufacturing and mining sectors' deceleration.

From April 2008 to January 2009, industrial production registered a growth of 8.7%, with manufacturing at 9.8%, mining at 4.6%, and electricity at 6.3%. Factors such as increased interest rates and decreased global demand have impacted industrial growth in recent months.

The manufacturing sector witnessed a decline in growth from 12.3% in January 2008 to 5.9% in January 2009, while the mining sector experienced a decrease from 7.7% in January 2007 to 1.8% in January 2009. The electricity sector demonstrated moderate growth of 3.3% in January 2009, compared to 8.3% in January 2007. The increase in interest rates particularly affected the consumer durables and capital goods sectors, resulting in a decline in production for consumer durables and minimal growth for capital goods.

The Indian rupee's outlook has stabilized following a significant appreciation driven by substantial foreign institutional investments and a weakening US dollar in 2007. To manage inflows and ensure a balanced movement of the rupee against the US dollar, measures were implemented, including the regulation of external commercial borrowing and participatory notes. The US dollar is expected to remain weak due to the US Federal Reserve's aggressive easing stance. However, global uncertainties such as the increased likelihood of a US recession and rising commodity prices have led to investor risk aversion, impacting India's equity and debt markets.

II. NEED OF THE STUDY

The need of this study is to examine and compare the growth and performance of nationalized and private banks, specifically focusing on SBI, Syndicate Bank, Indian Bank, ICICI, HDFC, and Axis Bank, using a comparative analysis approach.

1. To evaluate the financial position of SBI, Syndicate Bank, Indian Bank, ICICI, HDFC, and Axis Bank.
2. To analyze the current status of SBI, Syndicate Bank, Indian Bank, ICICI, HDFC, and Axis Bank.
3. To identify areas that require improvement in the performance of SBI, Syndicate Bank, Indian Bank, ICICI, HDFC, and Axis Bank.
4. To assess the competitive landscape between SBI, Syndicate Bank, Indian Bank, ICICI, HDFC, and Axis Bank in comparison to other cooperative banks.

By conducting a comparative analysis, this study aims to provide insights into the strengths and weaknesses of these banks, their financial stability, operational efficiency, and overall performance. This analysis will help identify areas where these banks excel and areas that need enhancement, ultimately contributing to the betterment of the banking sector as a whole.

III. OBJECTIVE OF STUDY

• To analyze the growth trend of the banking industry over a period of five years, with a specific focus on the private banking and nationalized banking sectors.

• To examine the correlation between the Banking index and BSE Sensex, Sectoral Index, and share prices of major industries within the banking sector. This analysis will help understand the relationship and interplay between the overall market performance and the banking sector's performance.

• To investigate the impact of inflation on the growth or decline of the BANKING INDEX, utilizing a sample of four banks, three from the private sector and three from the public sector. This analysis aims to assess how inflation affects the overall performance of the banking sector and identify any differential impacts between private and public banks.

• To guide investors on analyzing and predicting the stock market to make the most profitable investment decisions.

IV. SCOPE OF THE STUDY

• This study focuses on conducting a comprehensive ratio analysis to evaluate the asset and liabilities management of SBI, Syndicate Bank, Indian Bank, ICICI, HDFC, and Axis Bank. The objective is to assess the financial performance of these banks by utilizing various asset and liability management ratios.

• The study aims to perform a comparative analysis by comparing the financial statements of SBI, Syndicate Bank, Indian Bank, ICICI, HDFC, and Axis Bank. Through this analysis, we seek to gain insights into the growth and performance of these banks and identify any notable differences among them.

• Furthermore, the analysis aims to examine the growth patterns within the banking sector, specifically focusing on nationalized banks versus private banks. By comparing the share prices of these banks with sector-wise indices and the national index, S&P CNX Nifty, the study intends to provide investors with a comprehensive report on the behavior of major banking stocks in both the private and nationalized sectors. This information will assist investors in building a well-diversified portfolio, making informed forecasts about the stock market, and making lucrative investment decisions to maximize capital gains.

• In addition to the comparative analysis of the banks' financial performance, the study includes a comparative analysis of these stocks with their respective sectoral indices and the national index. This analysis will provide a broader perspective on the performance of these banks in relation to their respective sectors and the overall market.

• By conducting a detailed ratio analysis and comparative assessment, this study aims to offer valuable insights into the asset and liabilities management, growth patterns, and market behavior of major banks in both the private and nationalized sectors. These findings will aid investors in making informed decisions and optimizing their investment strategies.

V. RESEARCH METHODOLOGY

The research methodology employed in this project is as follows:

1. Research Design: Descriptive Design - The study adopts a descriptive research design to analyze the data and provide a comprehensive understanding of the subject matter.
2. Source of Data: The analysis is based entirely on secondary data obtained from reliable sources.
3. Tools and Techniques: The following tools and techniques are utilized for data analysis:

o M.S. Excel: Data is processed and analyzed using Microsoft Excel, which includes the application of line graphs, moving averages, and correlation analysis.

Data Processing and Analysis:

The analysis of equities consists of two main parts: Fundamental Analysis and Technical Analysis.

1. Fundamental Analysis: This involves evaluating the financial health and performance of companies based on factors such as financial statements, earnings, growth potential, and industry trends.
2. Technical Analysis: This approach focuses on studying historical price and volume data to predict future price movements and identify patterns or trends in the market.

Limitations of the Study:

1. The study relies on past data of banks, which may not accurately reflect current market conditions.
2. The analysis is based on the structural liquidity statement and gap analysis.
3. The study primarily relies on secondary data from various sources.
4. The results are approximate due to the unavailability of precise data.
5. The study focuses only on the Last Traded Price (LTP) and issue prices, neglecting other factors in determining whether an issue is overpriced or underpriced.
6. The study considers only the issues listed on NSE and BSE, excluding other exchanges.

VI. REVIEW OF LITERATURE

The research conducted by Judy Pate and Hugh Scullion in 2009 explores the evolving nature of the psychological contract between customers of private bank and nationalised banks. The study aims to analyze how the traditional expatriate psychological contract has changed for both multinational corporations (MNCs) and their expatriate workers. The article is based on in-depth interviews with HR managers, line managers, and expatriates, and includes three case studies. The findings reveal that the psychological contract from the employer's perspective has a transactional tone. However, preliminary research indicates a shift in the characteristics of the working relationship, with employees seeking to enhance their marketability and reduce dependence on a single employer in response to contract changes. The paper provides implications for practice, including the importance of actively managing expatriates' expectations, being aware of remuneration market rates, implementing support and contact policies to enhance integration, and exploring innovative approaches to strategic talent management. This research contributes new theoretical and empirical insights to the understanding of psychological contracts for expatriates and highlights the role of location in shaping expatriates' perspectives.

A study conducted by Gary Davies in 2008, aims to explore how the employer brand influences employees' perceptions in four key areas: distinctiveness, affinity, satisfaction, and loyalty. The research involved surveying 854 commercial managers from 17 different companies to assess their connection with the employer brand using a multidimensional measure of corporate brand personality. Structural equation modeling was employed to determine the impact of different dimensions on each of the four outcomes. The models were developed and evaluated using two validation samples: a representative "gold standard" sample and a sample obtained from a single organization called the "black box" sample.

The study concludes that likability (being friendly and trustworthy) predicts satisfaction, likability and, unexpectedly, ruthlessness (being aggressive and controlling) predicts affinity, likability, and enterprise (being exciting and daring) predicts perceived differentiation and loyalty, while chic (stylish, prestigious) does not predict any of the outcomes. Competence (reliability, leadership) did not emerge as a significant factor in any of the models. The research suggests that further investigations are needed to understand how to manage the right improvements in employee associations.

The findings emphasize the importance of an employer brand and highlight the complexities involved in managing it, as no single factor has a disproportionate effect on the outcomes that matter to the company. The responsibility for overseeing an organization's employer reputation remains a subject of debate. This study contributes to the literature by providing empirical evidence of the employer brand's role in increasing satisfaction, affinity, distinctiveness, and loyalty.

"An Individual's Rights and Benefits Under the Law," written by J.R. Carby-Hall in 1985, focuses on the enhanced protections and job stability that employees enjoy as a result of recent employment laws. The article categorizes these personal protections into four areas for easy reference. The first area covers the protection of personal freedoms, including guarantee payments, medical leave, parental leave, approved time off, and company bankruptcy. The discussion also addresses other individual rights, such as the right to refrain from joining a trade union in a closed shop, rights related to trade union membership, the right to receive written reasons for dismissal, and more, under relevant headings. The article then explores the worker's protection against racial and sexual discrimination in the workplace, the right to fair dismissal, and the right to severance compensation in case of layoff. The author suggests investigating the worker's individual liberties as the primary focus of the book, with separate monographs dedicated to each topic. It is important to note that statutory employment conditions cannot be overridden by explicit terms in the employment contract, unlike common law terms that can be modified by such terms. Statutory conditions, along with common law rights, form the basis of an employment contract but are distinct from the contract itself.

"The EAP: Employee Counselling Enters the Modern Era," written by John Berridge in 1990, highlights the growing popularity of Employee Assistance Programs (EAPs) in the United States and the United Kingdom, with a specific focus on worker counseling. The article acknowledges that various professionals, including welfare officers, occupational health workers, and managers, have been providing counseling services in an intuitive manner for years.

However, the need for a more systematic approach to counseling and professional guidance has arisen due to increased productivity expectations and personal challenges faced by employees. The article discusses the role of counseling within an EAP and identifies the types of issues that are best suited for specific counselors. It suggests that implementing a counseling culture can enhance the success of a company.

"Involvement in the Workplace: The Importance of Employee Dedication," written by Julie Drake, Joanne Blake, and Wayne Swallow in 2009, presents a case study of a higher education course in the financial services industry. The study examines the challenges and opportunities related to employer involvement through the lens of course design, delivery, and employee commitment. The research methodology involves a case study of a higher education course conducted within a financial services organization, with input from both the employer and the university. By analyzing student application data and comments, the study uncovers the practical challenges associated with the course. The findings underscore the significance of tailored delivery models and employee dedication in attracting non-traditional firms to collaborate with universities for undergraduate course delivery, thereby enhancing employer engagement in developing higher skills in the workplace. The study contributes valuable insights into the issues surrounding higher education-business partnerships, including curriculum development, training, and sustainability.

"Worker Classification," authored by J.R. Carby-Hall in 1983, distinguishes between a contract for services and a contract of service (employment contract). In a contract for services, the worker is considered an independent contractor, while in a contract of service, the worker is an employee or "servant" as referred to in case law. The article explains that the employer's right to exercise residual control over the employee is a necessary but not sufficient condition for a contract of service, with other considerations also playing a role. The distinction between the two types of contracts is significant, as statutory employment conditions cannot be disregarded by express terms in the employment contract. Common law terms implied in the contract of service, which impose duties on both the employer and the employee, can be modified by explicit terms in the contract. In addition to common law rights, statutory employment conditions can also form the basis of an employment contract but are distinct from the contract itself.

Assessments of Business Occupational Pension Plans by Employees: Human Resources Implications," as quoted by Colin Hales and Orla Gough in 2003, discusses the development and current status of company occupational pensions. It also examines the role of pension schemes in fostering employee loyalty to organizations. The paper reports the findings of a research study that investigates employees' perceptions of these pension plans, an area that has received limited attention thus far. The results reveal that while employees actively participate in company pension programs, the attractive features of these schemes are not primarily centered around providing security for the employee and their dependents as "breadwinners." Instead, the appeal lies in offering a cost-effective means for individuals to build their own retirement fund, possibly enabling early retirement.

Many individuals do not view company pension plans as long-term, binding commitments made by the company or to the company. Based on these findings, the relationship between pension provision and employee loyalty or commitment, which was already fragile, becomes even more unstable if the employer is seen as just one of several potential pension providers.

"Worker Classification," authored by J.R. Carby-Hall in 1983, emphasizes the distinction between a contract for services and a contract of service or employment contract. In the former, the worker is an employee or "servant" according to case law, while in the latter, the worker is an independent contractor. The employer's right to exercise residual control over the employee, though it may be reduced to a mere formality in some cases, is a necessary but not sufficient condition for a contract of service. Other factors also come into play, as discussed in subsequent sections.

Josée Bloemer and Gaby Odekerken-Schröder conducted research in 2006 on the significance of employees' propensity to form relationships in shaping levels of loyalty. The study explores how relationship proneness (RP) influences three types of employee loyalty attitudes: affective commitment, calculative commitment, and normative commitment (NC). The research also examines how these attitudes relate to loyalty behaviors such as advocacy and fidelity (ITS), insensitivity to benefits (BI), and complaining (COM). The empirical study involved 199 bank employees, and the data analyzed through structural equation modeling reveals that RP has a significant impact on both employee well-being and organizational commitment. Affective commitment predominantly drives positive loyalty behaviors, while NC only affects ITS and BI at the expense of COM. Calculative commitment negatively influences the levels of BI and COM.

Laura den Dulk, Pascale Peters, Erik Poutsma, and Paul E.M. Ligthart published a paper in 2010 titled "Western and Eastern Europe's Expanded Economic Case for Child Care and Leave Policies." The article proposes an expanded conception of the business case to analyze employer involvement in childcare and leave arrangements beyond legal requirements. The focus is on Central and Eastern European (CEE) nations. The study analyzes data on human resource policies and procedures from 2,865 businesses across 19 countries, encompassing all European welfare state regimes, using multinomial regression analysis. The findings indicate that the long-form business case sheds light on the varying degrees of employer participation. State funding shows a negative correlation with employee engagement, while employer participation is substantial under the liberal system but varies significantly across businesses. The lowest level of employer engagement is observed in CEE nations, with no significant differences across different organizational elements of the business case.

"The Legality of Object and Restrictive Covenants in the Contract of Employment" by J.R. Carby-Hall (1983) addresses the complex nature of contract law's illegality theory. While this theory can be challenging to comprehend, a comprehensive book solely focused on the illegality of the employment contract would be redundant, as much of it is irrelevant to labor law. The article suggests concentrating solely on employment contracts and recommends referring to accepted textbooks for further reading on the topic. In some instances, lawful provisions of employment contracts have been challenged in industrial tribunals and courts. J.R. Carby-Hall's "The Contract of Employment: Nature and Formation" (1983) delves into the essential components of an employment contract. The article begins with an analysis of the employment contract and explores how statutes regulate the framework of employment law. It further delves into the specifics of the employment agreement and provides a brief overview of assembling an employment agreement.

VII. FINDINGS

1. The growth of the Indian banking industry is influenced by economic variables such as interest rates and inflation. Increased inflation has a negative impact on banking stocks.
2. When a stock exhibits strong fundamentals but experiences temporary negative fluctuations, it is referred to as speculation.
3. SBI, HDFC Bank, Axis Bank, and ICICI Bank are sector and market leaders in NIFTY, with ICICI Bank having the highest weightage. There is a higher level of speculation associated with ICICI Bank compared to other banks, despite Syndicate Bank showing approximately 11% growth during the given period.

4. Nationalized banks have also introduced more promotional strategies and facilities to compete in the market.
5. All banks experienced a correction from the first week to the third week of December. SBI showed significant growth during this period. Both SBI and the other banks have strong fundamentals, making them suitable for long-term investment, but caution should be exercised when making fresh investments at current levels.
6. Public sector banks recorded a net profit increase of 42.51%, while private sector banks saw a growth of 39.64%. Operating expenditure is higher in private sector banks.
7. Private sector banks have higher deposits and investments compared to public sector banks due to their promotional activities.
8. There have been no changes in the capital structure of SBI, while the other five banks have seen an increase.
9. Andhra Bank has experienced the highest negative fluctuations in intraday trading, while it has also shown the highest positive fluctuations.
10. India holds the first place for having the highest banking interest rates in the world.

VIII. RECOMMENDATIONS

The entry of new banks in India has brought about a significant shift in the banking landscape. The increasing competition and growing customer expectations have highlighted the importance of technology in the banking sector. Foreign and private banks, known for their advanced technology-based services, have motivated Indian banks to embrace the latest technologies to stay competitive and retain their customer base. The deregulation of the banking industry and technological advancements are the two major changes that have reshaped the banking environment.

Financial service organizations in India are increasing their investments in technology, with new initiatives emerging, although still at a basic level. However, technology investments in transaction and process automation will eventually become standard and no longer a competitive differentiator.

Technology has revolutionized banking by breaking barriers of time and enabling banks to provide services to customers around the clock. Channels such as ATMs, electronic funds transfer (EFT), debit and credit cards, mobile banking, and telebanking are now accessible to customers 24/7.

Automation has allowed banks to offer single-window service, extend business hours, and provide banking services anytime, anywhere. This automation also frees up bank personnel's time, allowing them to focus on business planning and development. Furthermore, technology-driven channels enable each player in the market to offer unique products and services for a competitive advantage. These new channels also help banks reduce costs, as the cost of transactions through these channels is only a fraction of what it used to be at physical branch counters.

As a result, technology has significantly transformed the major functions performed by banks, including access to liquidity, transformation of assets, and monitoring of risks. Information technology and communication networking systems play a crucial role in enhancing the efficiency of money, capital, and foreign exchange markets.

IX. CONCLUSION

Despite the progress made in upgrading the payment system infrastructure, there are still challenges that need to be addressed to fully realize the benefits achieved so far.

One of the primary obstacles to the widespread adoption of electronic funds transfer, especially in the retail segment, is the lack of knowledge and awareness among bank staff at the branch level who interact with the public. A survey conducted by one of the Regional Offices of the RBI revealed that several bank branches in the state were unaware of the National Electronic Fund Transfer system. Therefore, banks should make concerted efforts to educate and raise awareness among branch staff to ensure that electronic fund transfer services are effectively communicated to the public.

On the customer side, there is a need for increased education and awareness about the features and benefits of electronic funds transfer. This lack of awareness often leads to continued reliance on traditional payment methods.

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