PROJECT REPORT

ON

"A COMPARATIVE STUDY BETWEEN PRIVATE SECTOR BANKS AND PUBLIC SECTOR BANKS"

FOR THE PARTIAL FULFILLMENT OF THE REQUIREMENT

FOR THE AWARD OF

MASTER OF BUSINESS ADMINISTRATION

UNDER THE GUIDANCE OF

Submitted to

Dr. Shakeb Akhtar

Submitted By

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School of Business

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CERTIFICATE

This is to certify that the Master's Thesis "**A COMPARATIVE STUDY BETWEEN PRIVATE SECTOR BANKS AND PUBLIC SECTOR BANKS**" has been prepared by **Mr. PRIY RAJ SINGH.** under my supervision and guidance. The project report is submitted towards the partial fulfillment of 2-year, Full time Master of Business Administration.

Name & Signature of Faculty

Date

DECLARATION

I, Priy Raj Singh, **ROLL NO 20GSOB2010076** the student of **GALGOTIAS UNIVERSITY** studying in MBA has submitted a project report on the title **"A COMPARATIVE STUDY BETWEEN PRIVATE SECTOR BANKS AND PUBLIC SECTOR BANKS"** assigned by the university, for the partial fulfilment of the degree of Master of Business Administration (MBA).

I solemnly declare that the work done by me is original and no copy of it has been submitted to any other university for award of any other, degree, diploma, and fellowship on similar title.

Signature of the Candidate

ACKNOWLEDGEMENT

To list who all have helped me is difficult because they are so numerous and the depth is soenormous.

I would like to acknowledge the following as being idealistic channels and fresh dimensions inthe completion of this project.

I take this opportunity to thank the University o for giving me a chance to do this project.

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Lastly, I would like to thank each and every person who directly or in directly helped me in the Completion of the project especially My Parents and Peers who supported me throughout my Project.

PREFACE

Someone has rightly said that practical experience is for better and closer to the real world then mere theoretical exposure. The practical experience helps the students view the real world closely, which in turn widely influences their perceptions and argument their understanding of the real situation. Research work constitutes the backbone of any management education programme. A management student has to do research work quite frequently during his entire span. The research work entitles **"A COMPARATIVE STUDY BETWEEN PRIVATE SECTOR BANKS AND PUBLIC SECTOR BANKS"** aims to analyze various services provided by private sector banks and public sector banks for this purpose Pathankot city have been chosen.

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EXECUTIVE SUMMARY

The purpose of conducting this project is to understand the Indian baking system in depth and to know the difference types of banks and their functioning in India and also outside the nation. To know the various kind of services provided by the bank to its customers and by getting those services customers are satisfied or not. To know which one is better public sector bank or private sector bank. To understand the customer needs in today's era.

Comparative study helps to understand which bank is better than other and what kind of different services' they are offering to attract the customers and what strategy they are applying to sustain in the Indian banking system.

The main aim of this comparative study, which is based on existing knowledge and research. is to develop understanding of the main similarities and differences among public sector banks and private sector banks and the competition issues that have arisen in relation to Indian banking system.

This study is undertaken to understand the day to day working of the Indian banking system and the growing needs and demand of the customer from their bank and which one is customer's first choice public sector bank or private sector bank.

This experience was an emphasis on the importance of the comparative study which could be the roots of decisions or strategy made by management that can make or break the company. So, I was influenced to allocate the aim of this project to study the details about the banking system in India and the comparison done between public and private bank is useful or not.

CHAPTER - 1

INTRODUCTION

Introduction

1.1 Background

The world of banking has assumed a new dimension at dawn of the 21st century with the advent of tech banking, thereby lending the industry a stamp of universality. In general, banking may be classified as retail and corporate banking. Retail banking, which is designed to meet the requirement of individual customers and encourage their savings, includes payment of utility bills, consumer loans, credit cards, checking account and the like. Corporate banking, on the other hand, caters to the need of corporate customers like bills discounting, opening letters of credit, managing cash, etc.

Metamorphic changes took place in the Indian financial system during the eighties and nineties consequent upon deregulation and liberalization of economic policies of thegovernment. India began shaping up its economy and earmarked ambitious plan for economic growth. Consequently, a sea change in money and capital markets took place. Application of marketing concept in the banking sector was introduced to enhance the customer satisfaction the policy of privatization of banking services aims at encouraging the competition in banking sectorand introduction of financial services. Consequently, services such as Demat, Internet banking, Portfolio Management, Venture capital, etc, came into existence to cater to the needs of public.

The introduction to the marketing concept to banking sectors can be tracedback to American Banking Association Conference of 1958. Banks marketing can be defined as the part of management activity, which seems to direct the flow of banking services profitability to the customers. The marketing concept basically requires that there should be thorough understanding of customer need and to learn about market it operates in. Further the market is segmented so as to understand the requirement of the customer at a profit to the banks.

1.2 What is Bank?

According to the Oxford dictionary Bank can be defined as,

"An establishment for the custody of money, which it pays out, on a customer's order."Banking Company in India has been defined in the Banking Companies Act 1949 as,

"One which transacts the business of banking which means the accepting, for the purposeof lending or investment of the deposits of money from the public, repayable on demand, or otherwise and withdraw able be cheque, draft, order or otherwise."

The banking system is an integral subsystem of the financial system. It represents an important channel of collecting small savings form the households and lending it to the corporate sector.

The Indian banking system has Reserve Bank of India (RBI) as the apex body for all matters relating to the banking system. It is the Central Bank of India. It is also known as the Banker To All Other Banks.

1.3 Indian Banking System

Banking in India has its origin as early as the Vedic period. During the Mughal period, indigenous Bankers played a very important role in lending money financing foreign trade and commerce. During the days of East India Company, it was turn of the agency houses to carry on the business. "The General Bank of India" was the first to join sector in the year 1786.The others that followed were the Bank of Hindustan and the Bengal bank. The bank of Hindustan is reported to have continued till 1906 while the other two failed in the meantime.

In the first half of the 19th century the East India Company established three banks:Bank of Bengal (1809).

Bank of Bombay (1840).

Bank of Madras (1843).

These three banks are also known as Presidency Banks were independent units andfunctioned well. These three banks were amalgamated in 1920 and Imperial Bank of India was established on 27th january1921, which started as private shareholdersbanks, mostly Europeans shareholders, with the passing of time Imperial bank wastaken over by the newly constituted State bank of India act in1955.In 1865 Allahabad Bank was established and first time exclusively by Indians, Punjab National Bank Ltd. was set up in 1894 with headquarters at Lahore. Between 1906and 1913, Bank of India, Central Bank of India, Bank of Baroda, Canara Bank, Indian Bank, and Bank of Mysore were set up. Reserve Bank of India came in 1935. On July, 1969, 14 major banks of India were nationalized and on 15th April, 1980 six more commercial private banks were also taken over by the government.

1.4 Reserve Bank of India

The Indian banking system has The Reserve Bank of India (RBI) as the apex bodyfrom all matters relating to the banking system. It is the “Central Bank” of India and act as the banker to all other banks.

Functions of RBI:

- Currency issuing authority.

- Banker to the government.
- Banker to other Bank.
- Framing of monetary policy.
- Exchange control.
- Custodian to foreign exchange and gold reserves.
- Development activities.
- Research and development in the banking sector.

1.5 Classification of Banks

1.5.1 On the basis of ownership

Public Sector Banks

Public sector banks are those banks that are owned by the government. The government owns these banks. In India 20 banks were nationalized in 1969 and 1980 respectively. Social welfare is there main objective.

Private Sector Banks

These banks are those banks that are owned and run by private sector. An individual has control over these banks in proportion to the shares of the banksheld by him.

Co-Operative Banks

These are those banks that are jointly run by a group of individuals. Each individual has an equal share in these banks. Its shareholders manage the affairs of the bank.

1.5.2 According to the Law

Scheduled Bank

Schedule banks are the banks, which are included in the second schedule of the banking regulation act 1965. According to this schedule bank:

1. Must have paid-up capital and reserve of not less than Rs500, 000.

2. Must also satisfy the RBI that its affairs are not conducted in a mannerdeterminate to the interest of its depositors.

Schedule banks are sub-divided as:-

a) State co-operative banks

b) Commercial banks

Non-Scheduled Banks

Non -schedule banks are the banks, which are not included in the second schedule of the banking regulation act 1965. It means they do not satisfy the conditions lay down by that schedule. These are the banks having paid up capital, less than Rs.5Lakhs. They are further classified as follows:-

A. Central Co-operative banks and Primary Credit Societies.

B. Commercial banks

1.5.3 On the basis of function

Commercial Banks

These are the banks that do banking business to earn profit. These banks make loans for short to business and in the process create money. Credit creation is the main function of these banks.

Foreign Banks

These are those banks that are incorporated by foreign company. They have set up their branches in India. These banks have their head offices in foreign countries. Their principle function is to make credit arrangement or the export and the import of the country and these banks deals in foreign exchange.

Industrial Banks

Industrial banks are those banks that offer long term and medium term loan to the industries and also work for their development. These banks help industries in sale of their shares, debentures and bonds. They give loan to the industries for the purchase of land and machinery.

Agricultural Banks

Agricultural banks are those banks that give credit to agricultural sector of the economy.

Saving Banks

The principle function of these banks is to collect small savings across the country and put them to the productive use. In India department of post office functions a savings banks.

Central Bank

Central Bank is the apex bank of the banking system of the country. It issues currency notes and acts a banker's bank. Economic stability is the principle function of this bank. In short, it regulates and controls the banking system of the country. RBI is the Central Bank of India.

1.6 Privatization of Indian Banking

There are two areas of competitions which banking industry is facing internationally and nationally. In the pre-liberalization era, Indian banks could grow in a closed economy but the banking sector opened up for private competition. It is possible that private banks could become dominant players even within India. It has been recorded a rapid rise of the new private sector banks and ithas tracked the transformation of the public sector banks as they grapple with the changes of financial deregulation.

Use of ATM cards, Internet Banking, Phone Banking, Mobile Banking are the newinnovative channels of banking which are being widely used as they result insaving both time and money which are two essential things that every one is short of and is running to catch hold of them. Moreover private sector banks are aligningits infrastructures, marketing quality and technology to build deep commitment in building consumer and retail banking. The main focus of these banks is on innovative range of services or products.

1.7 Structure of Banking System

Different countries of the world have different types of banking systems. However,commercial banking had grown under all these banking systems. To understand thestructure of banking system, let us take up various types of banking systems one byone. These types are:

1. **<u>Unit Banking</u>**

Unit Banking originated in the United State of America. It grew in the United States of America. As a counter part of independent or industrial units.

"An independent unit bank is a corporation that operates one office and that is not related to other banks through either ownership or control". *(*Shaper, Solomon and White).

Thus under unit banking, a single bank is a complete organization in itself having its own management. The scale of operation is small and the area is restricted to a locality only. Unit banking is localized banking and is much more responsive to the needs of the locality. It has better understanding of the local problems and conditions, which helps it to cater to the needs of the area in a better way. The failure of the unit bank will not endanger the banking system and economy. It is free from the difficulties and diseconomies of large scale operations.

2. Branch Banking

Economic and Managerial problems faced by the unit banks let to the emergenceof banking system. Now, This the most popular and important banking system. In branch banking, a bank has a large network of branches scattered all over the country. Branch banking developed in England. Subsequently most of the countries of the world adopted the system. In terms of branches, the State Bank of India has emerged as one of the largest banks in the world.

Branch Banking tends to bring homogeneity in the prevailing Interest Rates as it increases the mobility of resources from one place to another. It is easier for the Central Bank to exercise Control. In this system there more safety and liquidity of funds.

3. Chain Banking

Shaper, Solomon and White have defined Chain Banking as

“An arrangement by which two or more banks –each of which retains its identity, capital and personnel –are brought under common control by any device other thana Holding Company.”

Chain banking overcomes certain limitations of unit banking. But the system suffers from certain limitations of its own. There may be a lack of co-ordination, proper control etc. The system is inflexible.

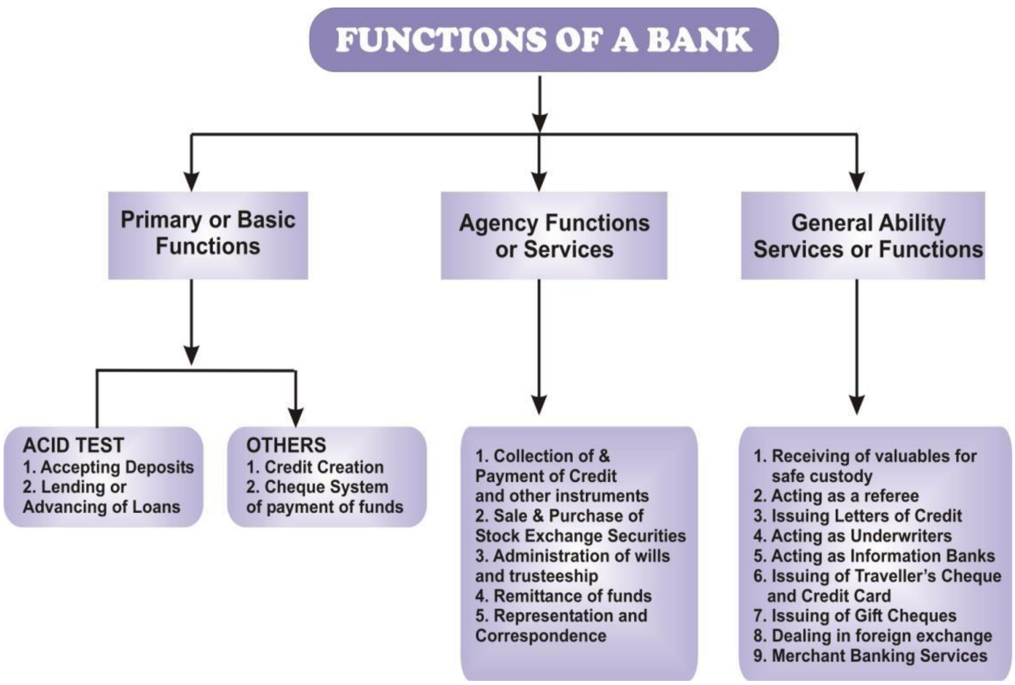
4. **Group Banking :**

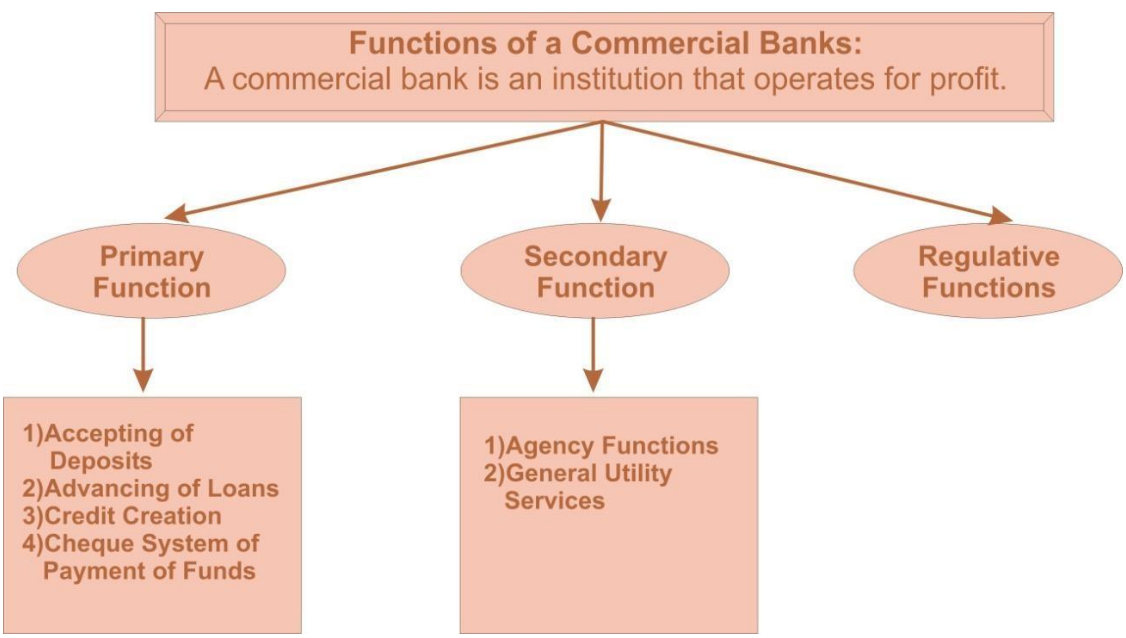
It is similar to Chain Banking, the difference being that under Group Banking two or more banks are brought under the control of the same management through a Holding Company. Both the systems aim at gaining the advantages of large scale operations. Both the systems developed in the United State of America as a resultof attempts to overcome the difficulties or limitations of unit banking.

5. **Correspondent Banking**

Under Correspondent banking, small banks serving local communities hold deposits with joint banks serving in big cities. This kind of banking is prevalent in
U.S.A. The correspondent banks perform two important services of outstation cheque clearing and loan participation for the respondent banks while they benefit for the deposit funds of respondent banks.

1.8 Functions of Banks





1.8.1 Primary Functions :

1) **Accepting of Deposits** : A bank accepts deposits from the public. People candeposit their cash balances in either of the following accounts to their convenience:-

   a. Fixed or Time Deposit Account *:* Cash is deposited in this account fora fixed period. The depositor gets receipts for the amount deposited. It is called Fixed Deposit Receipt. The receipt indicates the name of the depositor, amount of deposit, rate of interest and the period of deposit. If the depositor stands in need of the amount before the expiry of fixed period, he can withdraw the same after paying the discount to the bank.

   b. Savings Account *:* This type of deposit suits to those who just want to keep their small savings in a bank and might need to withdraw them occasionally. Banks provide a certain rate of interest on the minimum balance kept by the depositor during the month.

   c. Current Account *:* This type of account is kept by the businessman who are required to withdraw money every new and then. Banks donot pay any interest on this account.

2) **Advancing of Loans** : The bank advances money in any one of the following ways.

   a. Overdraft Facilities *:* Customers of good trading are allowed to overdraw from their current account. But they have to pay interest on extra amount they have withdrawn. Overdrafts are allowed to provide temporary accommodation since the extra amount withdrawn is payable within a short period.

b. Money at Call *:* It is the money lent for a very short period varying from

1 to 14 days. Such advances are usually made to other banks and financial institutions only.

c. Loans *:* Loans are granted by the banks on securities which can be easily disposed off in the market. When the bank has satisfied itself regarding the soundness of the party, a loan is advanced.

d. Cash Credit *:* The Debtor is allowed to withdraw a certain amount on a given security. The debtor withdraws the amount within this limit, interest is charged by the bank on the amount actually withdrawn.

e. Discounting Bill of Exchange *:* It is another method of making advances by the banks. Under this method, bank give advance to their clients on the basis of their bills of exchange before the maturity of such bills.

f. Investment in Government Securities *:* Purchasing of government securities by the banks tantamount to advancing loans by them to the Government. Banks prefer to buy government securities as these are considered to be the safest investment. For example : Indira Vikas Patra

3) **Credit Creation** : One of the main functions of banks these days is to create credit. Banks create credit by giving more loans than their cash reserves. Banks are able to create credit because the demand deposits i.e. a claim

against the bank is accepted by the public in settlement of their debts. In thisprocess the bank creates money

4) **<u>Cheque system of Payment of Funds</u>** :A cheque, a negotiable instrument, which in fact is a bill of exchange, drawn upon a banker, is the most popular credit instrument used by the client to make payments. Cheque system is the main credit instrument in the banking world.

Because of “clearing houses” and “clearing” operations of the banks, cheques canbe and are used for transferring funds from one centre to another. In the modern days they can also be used for transferring funds from one country to another.

1.8.2 Secondary Functions

Besides the above primary functions, banks also perform may secondary functions such as agency functions, general utility and social functions.

A) <u>Agency Functions</u>

Banks act as agents to their customers in different ways :-

<u>i) Collection and Payment of Credit and Other Instruments</u>*:* The Commercial banks collect and pay cheques, bills of exchange, promissory notes, hundies, rent, interest etc. On behalf of their customers and also make payments of income tax, fees, insurance premium etc. on behalf of the customers.

ii) Purchase and Sale of Securities *:* The modern commercial banks also undertake the purchase and sale of various securities like shares, stocks, bonds units and debentures etc. On behalf of the customers, banks do not give any advice regarding the suitability or otherwise of a security but simply perform the functions of a broker.

iii) Trustee and Executor *:* Banks also acts as trustees and executors of the property of their customers on their advice. Sometimes banks also undertake income tax services on behalf of the customers.

iv) Remittance of Funds *:* The Commercial banks remit funds on behalf of clients from one place to another through cheques, drafts, mail transfers etc.

v) Representation and Correspondence : Sometimes commercial banks acts as representatives or correspondents of the clients especially in handling various applications. For instance, passports and travel tickets, etc.

vi) Billion Trading : In many countries, the commercial banks trade is billions like gold and silver. In Oct 1997, 8 banks including SBI, IOB, Canara Bank and Allahabad Bank have been allowed import of gold which has been put under open general licensed category.

vii) Purchase and Sale of Foreign Exchange : Banks buy and sell foreign exchange, promoting international trade. This function is mainly discharged by foreign Exchange Banks.

viii) Letter of References : Banks also give information about economic position of their customers to domestic and foreign traders and vice versa.

B) General Utility Services

In addition to agency services, banks render many more utility services to the public. These services are :-

i) Locker Facilities : Banks provide locker facilities to their customers.People can keep their valuables or important documents in these lockers. Their annual rent is very nominal.

ii) Acting as a referee : It desired by the customers, the bank can be a referee

i.e. who could be referred by the third parties for seeking information regarding the financial position of the customers.

iii) Issuing letters of credit : Bankers in a way by issuing letters of credit certify the credit worthiness of the customers. Letters of credit are very popular in foreign trade.

iv) Acting as Underwriters : Banks also underwrite the securities issued bythe Government and Corporate bodies for a commission. The name of bank as an underwriter encouraged investors to have faith in the security.

v) Acting as information banks : Commercial banks also acts as “information” bureau as they collect the financial, economic and statisticaldata relating to industry, trade and commerce. HDFC Bank is providing information relating to NRI Schemes and commentaries of experts on development in the areas of finance through Internet.

vi) Issuing Traveler’s cheques and credit cards : Banks have been rendering great service by issuing traveler’s cheques, which enable a person to travelwithout fear of theft or loss of money. Now, some banks have started credit card system under which a credit card holder is allowed to avail credit from the listed outlets without any additional cost or effort. Thus, credit card holder need not carry or handle cash all the time.

vii) Issuing of gift cheques: Certain banks issue gift cheques of various denominations, e.g. Some Indian banks issue gift cheques of the denominations of Rs. 21, 31, 51 and 101 etc. They are generally issued free of charge.

viii) Dealing in Foreign Exchange: Major branches of commercial banks also transact business of foreign exchange. Commercial banks are the main authorized dealers of foreign exchange in India.

ix) Merchant banking Services: Commercial banks also render merchant banking services to the customers. They help in availing loans from non- banking financial institutions.

x) Help in Transportation of Goods: Big businessmen or industrialists after consigning goods to their retailers send the Railway Receipt (Consignment Note) to the bank.

List of Public Sector Banks

- State Bank of Bikaner & Jaipur
- State Bank of Hyderabad
- State Bank of Indore
- State Bank of Mysore
- State Bank of Saurastra
- State Bank of Travancore

Other Nationalised banks are:

- Allahabad Bank
- Andhra Bank
- Bank of Baroda
- Bank of India
- Bank of Maharastra
- Canara Bank
- Central Bank of India
- Corporation Bank
- Dena Bank
- Indian Bank
- Indian Overseas Bank
- Oriental Bank of Commerce
- Punjab & Sind Bank
- Punjab National Bank
- Syndicate Bank
- UCO Bank
- Union Bank of India
- United Bank of India
- Vijaya Bank

List of Private Sector Bank

- Bank of Punjab
- Bank of Rajasthan
- Catholic Syrian Bank
- Centurion Bank
- City Union Bank
- Dhanalakshmi Bank
- Development Credit Bank
- Federal Bank
- HDFC Bank
- ICICI Bank
- IDBI Bank
- IndusInd Bank
- ING Vysya Bank
- Jammu & Kashmir Bank
- Karnataka Bank
- Karur Vysya Bank
- Laxmi Vilas Bank
- South Indian Bank
- United Western Bank
- UTI Bank

List of Foreign Banks in India

- ABN-AMRO Bank
- Abu Dhabi Commercial Bank
- Bank of Ceylon
- BNP Paribas Bank
- Citi Bank
- China Trust Commercial Bank
- Deutsche Bank
- HSBC
- JPMorgan Chase Bank
- Standard Chartered Bank
- Scotia Bank
- Taib Bank

Upcoming Foreign Banks In India

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By 2009 few more names is going to be added in the listof foreign
banks in India. This is as an aftermath of the sudden interest shown by
Reserve Bank of India paving
roadmap for foreign banks in India greater freedom in India. Among them isthe world's best private bank by Euro Money magazine, Switzerland's UBS.

The following are the list of foreign banks going to set up business inIndia

- Royal Bank of Scotland
- Switzerland's UBS
- US-based GE Capital
- Credit Suisse Group
- Industrial and Commercial Bank of China

Merrill Lynch is having a joint venture in Indian investment banking space --DSP Merrill Lynch. Goldman Sachs holds stakes in Kotak Mahindra arms.

India's GDP is seen growing at a robust pace of around 9-10% over thenext few years, throwing up opportunities for the banking sector to profitfrom

INTRODUCTION TO THE TOPIC

RATIO ANALYSIS

FINANCIAL ANALYSIS

Financial analysis is the process of identifying the financial strengths and weaknesses of the firm and establishing relationship between the items of the balance sheet and profit & loss account.
Financial ratio analysis is the calculation and comparison of ratios, which are derived from the information in a company's financial statements. The level and historical trends of these ratios can be used to make inferences about a company's financial condition, its operations and attractiveness as an investment. The information in the statements is used by

- Trade creditors, to identify the firm's ability to meet their claims i.e. liquidity position of the company.
- Investors, to know about the present and future profitability of the company and its financial structure.
- Management, in every aspect of the financial analysis. It is the responsibility of the management to maintain sound financial condition in the company.

RATIO ANALYSIS

The term "Ratio" refers to the numerical and quantitative relationship between two items or variables. This relationship can be exposed as

- Percentages
- Fractions
- Proportion of numbers

Ratio analysis is defined as the systematic use of the ratio to interpret the financial statements. So that the strengths and weaknesses of a firm, as well as its historical performance and current financial condition can be determined. Ratio reflects a quantitative relationship helps to form a quantitative judgment.

STEPS IN RATIO ANALYSIS

1. The first task of the financial analysis is to select the information relevant to the decision under consideration from the statements and calculates appropriate ratios.
2. To compare the calculated ratios with the ratios of the same firm relating to the pas6t or with the industry ratios. It facilitates in assessing success or failure of the firm.
3. Third step is to interpretation, drawing of inferences and report writing conclusions are drawn after comparison in the shape of report or recommended courses of action.

BASIS OR STANDARDS OF COMPARISON

Ratios are relative figures reflecting the relation between variables. They enable analyst to draw conclusions regarding financial operations. They use of ratios as a tool of financial analysis involves the comparison with related facts.

NATURE OF RATIO ANALYSIS

Ratio analysis is a technique of analysis and interpretation of financial statements. It is the process of establishing and interpreting various ratios for helping in making certain decisions. It is only a means of understanding of financial strengths and weaknesses of a firm. There are a number of ratios which can be calculated from the information given in the financial statements, but the analyst has to select the appropriate data and calculate only a few appropriate ratios. The following are the four steps involved in the ratio analysis.

- Selection of relevant data from the financial statements depending upon the objective of the analysis.
- Calculation of appropriate ratios from the above data.
- Comparison of the calculated ratios with the ratios of the same firm in the past, or the ratios developed from projected financial statements or the ratios of some other firms or the comparison with ratios of the industry to which the firm belongs.

INTERPRETATION OF THE RATIOS

The interpretation of ratios is an important factor. The inherent limitations of ratio analysis should be kept in mind while interpreting them.

The impact of factors such as price level changes, change in accounting policies, window dressing etc., should also be kept in mind when attempting to interpret ratios.

IMPORTANCE OF RATIO ANALYSIS

1. Aid to measure general efficiency
2. Aid to measure financial solvency
3. Aid in forecasting and planning
4. Facilitate decision making
5. Aid in corrective action
6. Aid in intra-firm comparison
7. Act as a good communication
8. Evaluation of efficiency
9. Effective tool

LIMITATIONS OF RATIO ANALYSIS

1. Differences in definitions
2. Limitations of accounting records
3. Lack of proper standards
4. No allowances for price level changes
5. Changes in accounting procedures
6. Quantitative factors are ignored
7. Limited use of single ratio
8. Background is over looked
9. Limited use
10. Personal bias

IN THE VIEW OF FUNCTIONAL CLASSIFICATION, THE RATIOS ARE

1. Liquidity ratio
2. Leverage ratio
3. Activity ratio
4. Profitability ratio

1. LIQUIDITY RATIOS

Liquidity refers to the ability of a concern to meet its current obligations as & when there becomes due. The short term obligations of a firm can be met only when there are sufficient liquid assets. The short term obligations are met by realizing amounts from current, floating (or) circulating assets The current assets should either be calculated liquid (or) near liquidity. They should be convertible into cash for paying obligations of short term nature. The sufficiency (or) insufficiency of current assets should be assessed by comparing them with short-term current liabilities. If current assets can pay off current liabilities, then liquidity position will be satisfactory.

To measure the liquidity of a firm the following ratios can be calculated

1. Current ratio
2. Quick (or) Acid-test (or) Liquid ratio
3. Absolute liquid ratio (or) Cash position ratio

(a) CURRENT RATIO:

Current ratio may be defined as the relationship between current assets and current liabilities. This ratio also known as Working capital ratio is a measure of general liquidity and is most widely used to make the analysis of a short-term financial position (or) liquidity of a firm.

Current ratio= current assets/ current liabilities

Components of current ratio:

Current Assets	Current Liabilities
Cash in hand	Outstanding expenses
Cash at bank	Bank overdraft
Bills receivable	Bill payable
Inventories	Short term advances
Work-in-progress	Sundry creditors
Marketable securities	Dividend payable
Short-term investments	Income-tax payable
Sundry debtors	
Prepaid expenses	

(b) QUICK RATIO

Quick ratio is a test of liquidity than the current ratio. The term liquidity refers to the ability of a firm to pay its short-term obligations as & when they become due. Quick ratio may be defined as the relationship

between quick or liquid assets and current liabilities. An asset is said to be liquid if it is converted into cash with in a short period without loss of value.

Quick or liquid assets

Quick Ratio= quick or liquid assets/ current liabilities

Components

Quick Assets	**Current liabilities**
Cash in hand	Outstanding or accrued expenses
Cash at bank	Bank overdraft
Bills receivable	Bills payable
Sundry debtors	Short term advances
Marketable securities	Sundry creditors
Temporary investments	Dividend payable
	Income tax payable

(c) ABSOLUTE LIQUID RATIO

Although receivable, debtors and bills receivable are generally more liquid than inventories, yet there may be doubts regarding their realization into cash immediately or in time. Hence, absolute liquid ratio should also be calculated together with current ratio and quick ratio so as to exclude even receivables from the current assets and find out the absolute liquid assets.

Absolute liquid ratio = Absolute liquid assets/Current liabilities

Absolute liquid assets include cash in hand etc. The acceptable forms for this ratio is 50% (or) 0.5:1 (or) 1:2 i.e., Rs.1 worth absolute liquid assets are considered to pay Rs.2 worth current liabilities in time as all the creditors are nor accepted to demand cash at the same time and then cash may also be realized from debtors and inventories.

Components:

Absolute liquid assets	**Current liabilities**
Cash in hand	Outstanding or accrued expenses
Cash in bank	Bank overdraft
Interest on fixed deposits	Bills payable
	Dividend payable
	Sundry creditors
	Short term advances
	Income tax payable

2. LEVERAGE RATIOS

The leverage or solvency ratio refers to the ability of a concern to meet its long term obligations. Accordingly, long term solvency ratios indicate firm's ability to meet the fixed interest and costs and repayment schedules associated with its long term borrowings.

The following ratio serves the purpose of determining the solvency of the concern.

· Proprietary ratio

(a) PROPRIETORY RATIO

A variant to the debt-equity ratio is the proprietary ratio which is also known as equity ratio. This ratio establishes relationship between share holders funds to total assets of the firm.

Proprietory ratio = Shareholders funds/ Total assets

Shareholder fund	**Total Assets**
Share capital	Fixed assets
Reserve& surplus	**Current assets**
	Cash in hand
	Cash at bank
	Bills receivable
	Inventories
	Marketable securities
	Short term investment
	Sundry debtors
	Prepaid expenses

3. ACTIVITY RATIOS

Funds are invested in various assets in business to make sales and earn profits. The efficiency with which assets are managed directly effect the volume of sales. Activity ratios measure the efficiency (or) effectiveness with which a firm manages its resources (or) assets. These ratios are also called "Turn over ratios" because they indicate the speed with which assets are converted or turned over into sales.

1. Working capital turnover ratio
2. Fixed assets turnover ratio
3. Capital turnover ratio
4. Current assets to fixed assets ratio

(a) WORKING CAPITAL TURNOVER RATIO

Working capital of a concern is directly related to sales.

Working capital= current assets – current liabilities

It indicates the velocity of the utilization of net working capital.

This indicates the no. of times the working capital is turned over in the course of a year. A higher ratio indicates efficient utilization of working capital and a lower ratio indicates inefficient utilization.

Working capital turnover ratio=cost of goods sold/workingcapital.

Components of working capital:

Current assets	Current liabilities
Cash in hand	Outstanding or accrued expenses
Cash at bank	Bank overdraft
Bills receivable	Bills payable
Prepaid expenses	Short term advances

Short term investments	Sundry creditors
Inventories	Dividend payable
Work in progress	Income tax payable
Marketable securities	
Sundry debtors	

(b) FIXED ASSETS TURNOVER RATIO

It is also known as sales to fixed assets ratio. This ratio measures the efficiency and profit earning capacity of the firm. Higher the ratio, greater is the intensive utilization of fixed assets. Lower ratio means under-utilization of fixed assets.

Fixed assets turnover ratio = Cost of Sales/ Net fixed assets
Cost of Sales = Income from Services
Net Fixed Assets = Fixed Assets - Depreciation

(c) CAPITAL TURNOVER RATIOS

Sometimes the efficiency and effectiveness of the operations are judged by comparing the cost of sales or sales with amount of capital invested in the business and not with assets held in the business, though in both cases the same result is expected. Capital invested in the business may be classified as long-term and short-term capital or as fixed capital and working capital or Owned Capital and Loaned Capital. All Capital Turnovers are calculated to study the uses of various types of capital.

Capital turnover ratio= cost of goods sold/capital employed
Capital employed = capital+ reserves& surplus
Cost of goods sold = income from services

(d) CURRENT ASSETS TO FIXED ASSETS RATIO

This ratio differs from industry to industry. The increase in the ratio means that trading is slack or mechanization has been used. A decline in the ratio means that debtors and stocks are increased too much or fixed assets are more intensively used. If current assets increase with the corresponding increase in profit, it will show that the business is expanding.

Current assets to fixed assets ratio= current assets/ fixed assets

Current assets	Fixed assets
Cash in hand	Plant
Cash at bank	Machinery
Bills receivables	Land
Short term investment	Building
Inventories	Vehicles
Sundry debtors	
Work in progress	
Marketable securities	

4. PROFITABILITY RATIOS

The primary objectives of business undertaking are to earn profits. Because profit is the engine, that drives the business enterprise.

- Net profit ratio
- Return on total assets
- Reserves and surplus to capital ratio
- Earnings per share
- Operating profit ratio
- Price – earnings ratio
- Return on investments

(a) NET PROFIT RATIO

Net profit ratio establishes a relationship between net profit (after tax) and sales and indicates the efficiency of the management in manufacturing, selling administrative and other activities of the firm.

Net profit after tax = net profit-(depreciation+ interest+ income tax)
Net sales = income from services
Net profit ratio = net profit after tax/ net sales

It also indicates the firm’s capacity to face adverse economic conditions such as price competitors, low demand etc. Obviously higher the ratio, the better is the profitability.

(b) RETURN ON TOTAL ASSETS

Profitability can be measured in terms of relationship between net profit and assets. This ratio is also known as profit-to-assets ratio. It measures the profitability of investments. The overall profitability can be known.

Returns on assets = net profit / total assets

Net profit = earnings before interest and tax

Total assets = current assets+ fixed assets

(c) RESERVES AND SURPLUS TO CAPITAL RATIO

It reveals the policy pursued by the company with regard to growth shares. A very high ratio indicates a conservative dividend policy and increased ploughing back to profit. Higher the ratio better will be the position.

Reserves& surplus to capital ratio = reserves& surplus/capital

(d) EARNINGS PER SHARE

Earnings per share is a small verification of return of equity and
is calculated by dividing the net profits earned by the company and those
profits after taxes and preference dividend by total no. of equity shares.

Earning per share = net profit after tax/ no. of equity shares

The Earnings per share is a good measure of profitability when
compared with EPS of similar other components (or) companies, it gives a
view of the comparative earnings of a firm.

(e) OPERATING PROFIT RATIO

Operating ratio establishes the relationship between cost of goods sold and other operating expenses on the one hand and the sales on
the other.

Operating ratio = operating cost / net sales

However, 75 to 85% may be considered to be a good ratio in case of a manufacturing under taking.
Operating profit ratio is calculated by dividing operating profit
by sales.

Operating profit = net sales – operating cost

Operating profit ratio = operating profit / sales

(f) PRICE - EARNING RATIO

Price earning ratio is the ratio between market price per equity
share and earnings per share. The ratio is calculated to make an estimate of appreciation in the value of

a share of a company and is widely used by
investors to decide whether (or) not to buy shares in a particular company.
Generally, higher the price-earning ratio, the better it is. If the
price earning ratio falls, the management should look into the causes that
have resulted into the fall of the ratio.

Price earning ratio = market price per share/ earning per share

Market price per share = capital + reserves& surplus / no. of equity shares

Earning per share = earnings before interest and tax / no. of equity shares

(g) RETURN ON INVESTMENTS

Return on share holder's investment, popularly known as Return on investments (or) return on share holders or proprietor's funds is
the relationship between net profit (after interest and tax) and the
proprietor's funds.

Return on shareholder's investment = net profit after interest and tax / shareholder's fund

The ratio is generally calculated as percentages by multiplying
the above with 100.

RATIO ANALYSIS

CURRENT RATIO:

An indication of a company's ability to meet short-term debt obligations; the higher the ratio, the more liquid the company is. Current ratio is equal to current assets divided by current liabilities. If the current assets of a company are more than twice the current liabilities, then that company is generally considered to have good short-term financial strength. If current liabilities exceed current assets, then the company may have problems meeting its short-term obligations.

CURRENT RATIO = CURRENT ASSETS / CURRENT LIABILITY

LIQUID RATIO:

Liquid ratio is also known as **'Quick' or 'Acid Test 'Ratio**. Liquid assets refer to assets which are quickly convertible into cash. Current Assets other stock and prepaid expenses are considered as quick assets.

$$\textbf{Quick Ratio} = \frac{\textbf{Total Quick Assets}}{\textbf{Total Current Liabilities}}$$

Quick Assets = Total Current Assets – Inventory

EARNING PER SHARE:

In order to avoid confusion on account of the varied meanings of the term capital employed, the overall profitability can also be judged by calculating earning per share with the help of the following formula:

$$\textbf{Earning Per Equity Share} = \frac{\textbf{Net Profit after Tax – Preference Dividend}}{\textbf{No. of Equity shares}}$$

The earning per share of the company helps in determining the market price of the equity shares of the company. A comparison of earning per share of the company with another will also help in deciding whether the equity share capital is being effectively used or not. It also helps in estimating the company's capacity to pay dividend to its equity sharehol

DIVIDEND PER SHARE :

It is expressed by dividing dividend paid to equity shareholders by no. of equity shares.
this shows the per share dividend given to equity shareholders. It is very helpful for potential investors to know the dividend paying capacity of the company. It affects the market value of the company.

$$\textbf{Dividend Per Share} = \frac{\textbf{Dividend Paid To Equity Shareholders}}{\textbf{No. Of Equity Shares}}$$

NET PROFIT RATIO:

This ratio indicates the Net margin on a sale of Rs.100. It is calculated as follows:

$$\textbf{Net Profit Ratio} = \frac{\textbf{Net Profit}}{\textbf{Net Sales}} \times 100$$

This ratio helps in determining the efficiency with which affairs of the business are being managed. An increase in the ratio over the previous period indicates improvement in the operational efficiency of the business. The ratio is thus on effective measure to check the profitability of business.

RETURN ON NET WORTH:

It measures the profitability of the business in view of the shareholders. It judges the earning capacity of the company and the adequacy of return on proprietor's funds. Shareholders and potential investors are interested in this ratio. It is calculated as below:

Return On Net Worth = Net Profit After Interest And Tax x 100
Shareholder's Funds

DEBT- EQUITY RATIO:

The Debt-Equity ratio is calculated to find out the long-term financial position of the firm. This ratio indicates the relationship between long-term debts and shareholder's funds. The soundness of long-term financial policies of a firm can be determined with the help of this ratio. It helps to assess the soundness of long-term financial policies of a business. It also helps to determine the relative stakes of outsiders and shareholders. Long-term creditors can assess the security of their funds in a business. It indicates to what extent a firm depends upon lenders to meet its long-term financial requirements. A low Debt-Equity ratio is considered better from the point of view of creditors.

FIXED ASSETS TURNOVER RATIO:

It is also called as Sales to Fixed Assets Ratio. It measures the efficient use of fixed assets. This ratio is a measure of efficient use of fixed assets. it is calculated as:

Fixed Assets Turnover Ratio = Cost of goods sold or Sales
Net Fixed Assets

It measures the efficiency and profit earning capacity of the business. Higher the ratio, greater is the intensive utilization of fixed assets and a lower ratio shows under utilization of the fixed assets. This ratio has a special importance for manufacturing concerns where investment in fixed assets, is very high and the profitability is significantly dependent on the utilization of these assets.

CREDIT-DEPOSIT RATIO:

This ratio is very important to assess the credit performance of the bank. The ratio shows the relationship between the amount of deposit generated by the bank as well as their deployment towards disbursement of loan and advances. Higher credit deposit ratio shows overall good efficiency and performance of any banking institution.

$$Credit\ Deposit\ Ratio = \frac{Credits}{Deposits} \times 100$$

Credit means disbursement of advances

Deposit means sum of fixed deposit,

CHAPTER 2

OBJECTIVES OF THE STUDY

This study has been conducted with a variety of important objectives in mind. Thefollowing provides us with the chief objectives that have tried to achieve through the study. The extent to which these objectives have been met could judged from the conclusions and suggestions, which appear in the later of this study.

To find the bank sector that is largely availed by the customer.

1. To study the factors the factors influencing the choice of a bank for availingservices.
2. To find and compare the satisfaction level of customers in public sector aswell as in private sectors bank.
3. To study the problem faced by customer.
4. To get suggestions for improvement or change in the services of public andprivate sector banks.
5. To study what do people expect in the new era of banking.

CHAPTER 3

RESEARCH METHODOLOGY

Research is an art of scientific investigation. In other word research is a scientific and systematic search for pertinent information on a specific topic. The logic behind taking research methodology into consideration is that one can have knowledge about the method and procedure adopted for achievement of objectives of the project. With the adoption of this others can evaluate the results also. Its main aim is to keep the researchers on the right track.

The methodology adopted for studying the objectives was surveying the saving account holders of District Jaipur. So keeping in view the nature of requirements of the study to collect all the relevant information, direct personal inerview method with structured questionnaire was adopted for the collection of primary data.

Secondary data has been collected through the various magazines and newspapers and by surfing on Internet. And the guide in the organization was consulted at many times.

1.9 Sample Design

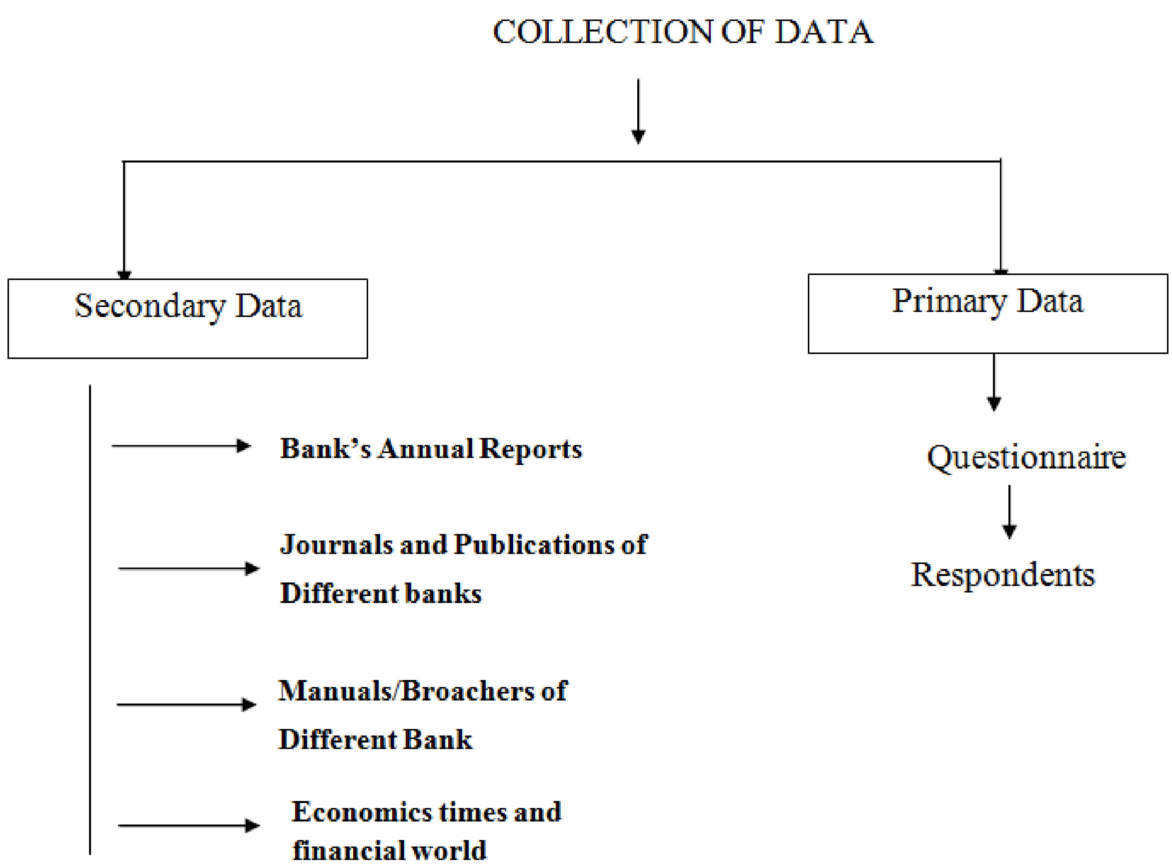
A sample design is a definite plan for obtaining a sample from a given population. It refers to the techniques or the procedure the researcher would adopt in selecting items for the sample. Sample design may as well lay down the number of items to be included in the sample i.e. the size of the sample. Sample design is determined before data are collected. Here we select the population as sample in our sample design. The selected respondents should be as representatives of the total population.

Population

The persons holding saving account related to business class of District Jaipur were taken into consideration.

Data Collection

Data was collected by using main two methods i.e primary data and secondary data.



Primary Data

Primary data is the data which is used or collected for first time and it is not used by anyone in the past. There are number of sources of primary data from which the information can be collected.

I choose the following resources for our research:

QUESTIONNAIRE:-This method of data collection is quite popular, particular in case of big enquiries. Here in our research we set 15 simple questions and request the respondents to answer these questions with correct information.

RESPONDENTS:-Respondents helps in creation of more accurate idea about our research. I personally meet the respondents inside and outside the banks.

3.3.1 Secondary Data

Secondary data is the data which is available in readymade form and which is already used by people for some purposes. There may be various sources of secondary data such as-newspapers, magazines, journals, books, reports, documents and other published information.

BANKS ANNUAL REPORTS:- Banks issues there annual reports to get the people informed with the profitability and growth of the bank. These annual reports helps us a lot to get the latest data and other related information for our research. It tells us about the increase or decrease in profits and other facilities.

JOURNALS AND PUBLICATIONS OF DIFFERENT BANKS :- I also take

into consideration the journals and publications issued by the bank at different times. I comes to know about the Branches, ATM, locations and other useful information.

MANUALS AND BROACHERS OF DIFFERENT BANKS:-I take the help of

bank staff and other people who gives me deep information and data which may not be available at anywhere. They gives their full co-operation.

INTERNET:-I also take into consideration the internet facility with which i collect lot of latest information.

1.10 Sample Plan :

- **SAMPLE SIZE:** Keeping in mind all the constraints the size of the sample of the study was selected as 50.
- **SAMPLING UNIT:-**

  Punjab National bank Branch in Jaipur city. Due to nature of study, I also visited various different banks ICICI, HDFC, SBI etc. of Jaipur District.

- **SAMPLING TECHNIQUE:-** Stratified convenient sampling.

  All the saving account holders were taken into consideration. Research was conducted on clear assumptions that the respondents would give frank and fair answers in a pragmatic way and without any bias.

- **SAMPLING DESCRIPTION:-** In order to understand the nature and characteristics of various respondents in this study, the information was collected and analyzed according to their socio economic background which included the characteristic of their respondents like education, age marital status and monthly income. This description shows that respondents included in this survey belong to different backgrounds and this turn increase the scope of the study.

LIMITATION OF THE STUDY

Due to constraints of time and resources, the study is likely to suffer from certain limitations. Some of these are mentioned here under so that the findings of the study may be understood in a proper perspective.

The limitations of the study are:

- Some of the respondents of the survey were unwilling to share information.
- The research was carried out in a short period . Therefore the sample size and other parameters were selected accordingly so as to finish the work within the given time frame.
- The information given by the respondents might be biased because some of them might not be interested to give correct information.

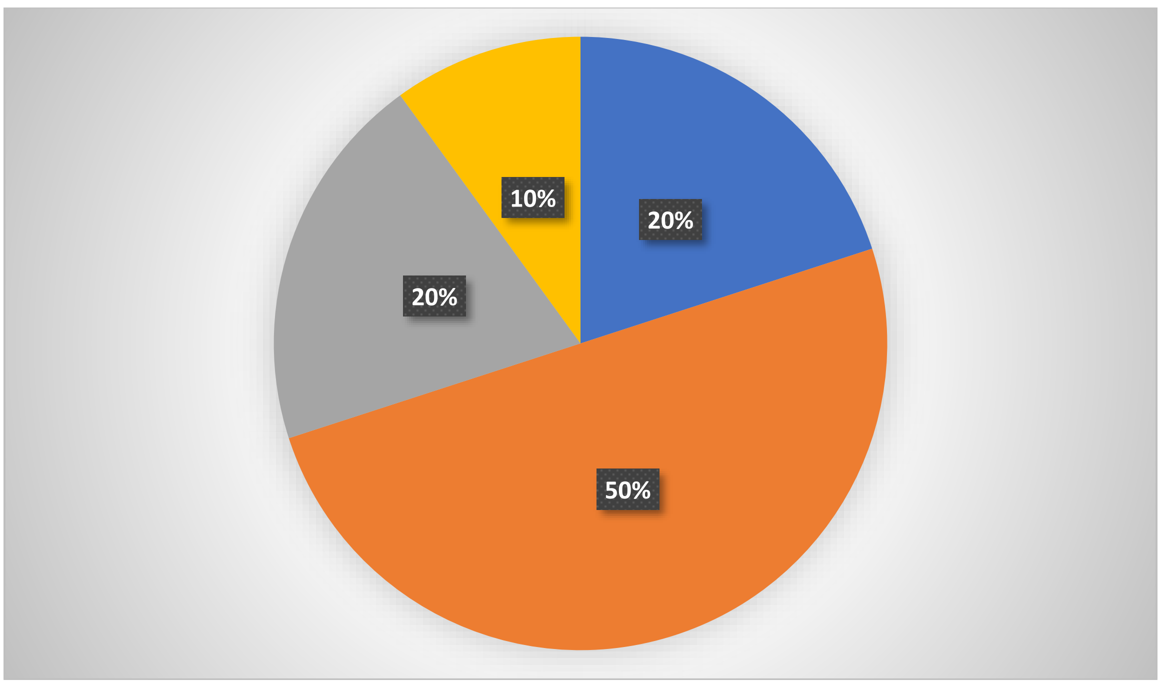
The officials of the bank supported me a lot, but did not have sufficient time to make the points more clear

CHAPTER 4

DATA ANALYSIS & INTERPRETATION

AGE

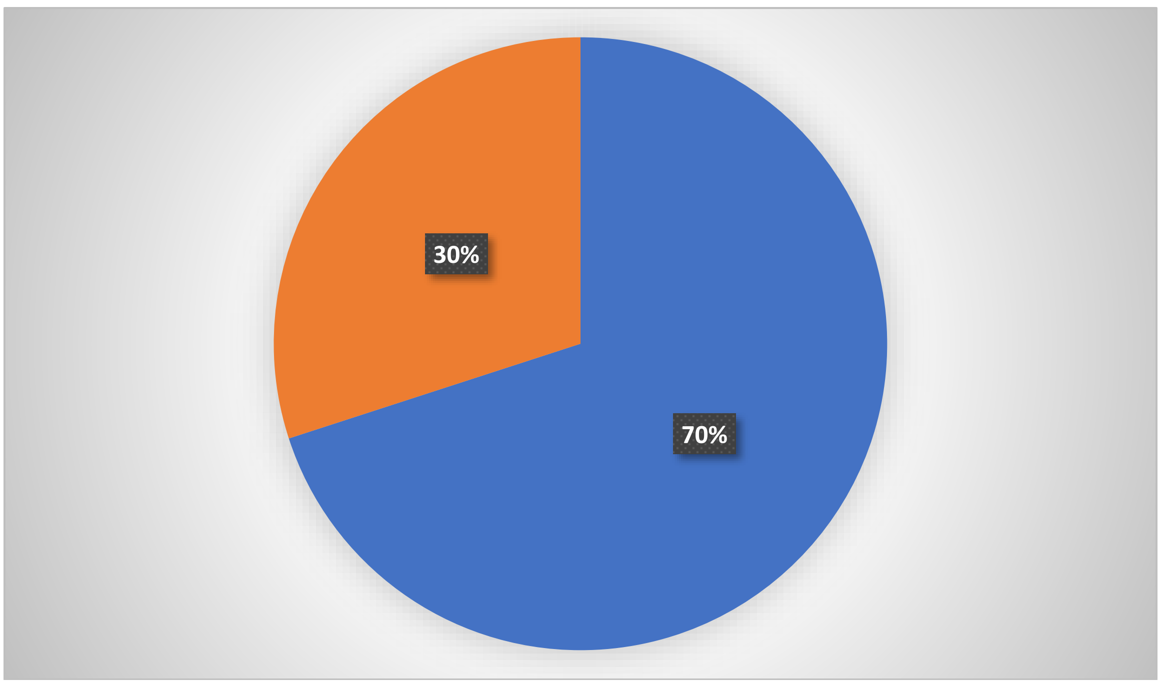
Particulars	%age of Respondent
20-30 years	20%
30-40 years	50%
40-50 years	20%
50-60 years	10%



Analysis & Interpretation: From the above study i find that nobody is below 20 age and 20% respondents are between 20-30 age group, 50% respondents are between 30-40 age group, 20% respondents is between 40-50 age group and 10% respondents are between 50-60 age group.

SEX

Particulars	**No of Respondent**	**%age**
Male	35	70%
Female	15	30%
Total	50	100%



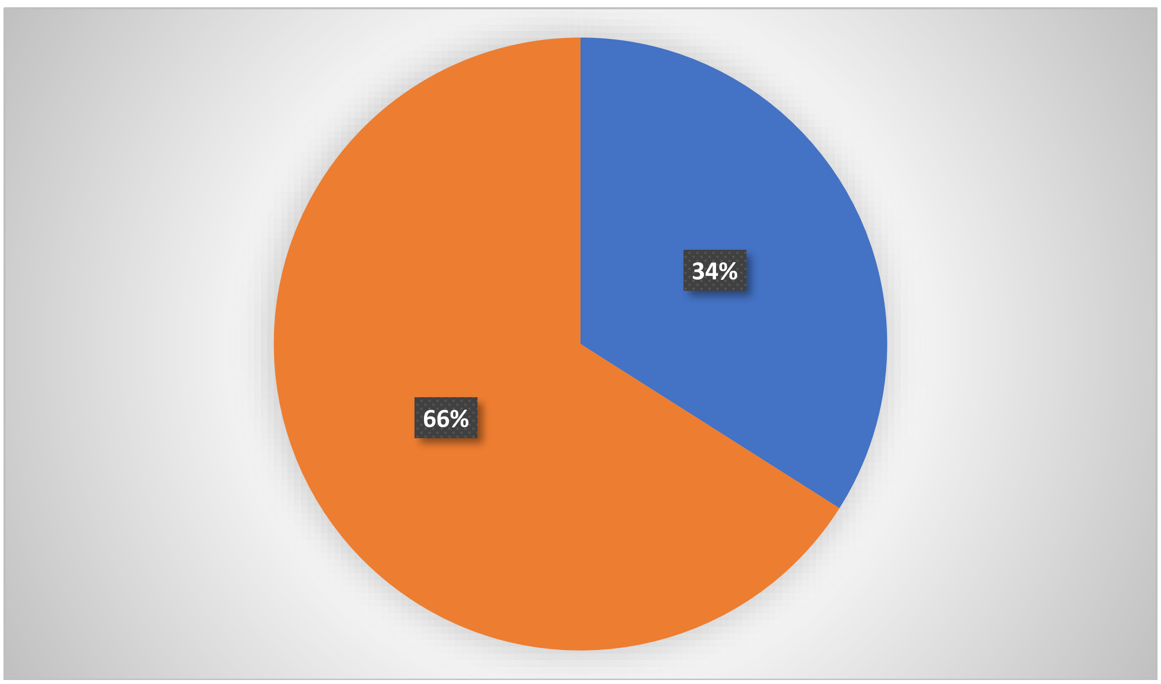
Analysis:

From the above result i come to know that out of 50, 35 respondents are male and15 are female which is 70% and 30% are respectively.

Interpretation: From the above data I conclude that most of our respondents aremale.

MARITAL STATUS

Particulars	No of Respondent	%age
Married	17	34%
Unmarried	33	66%



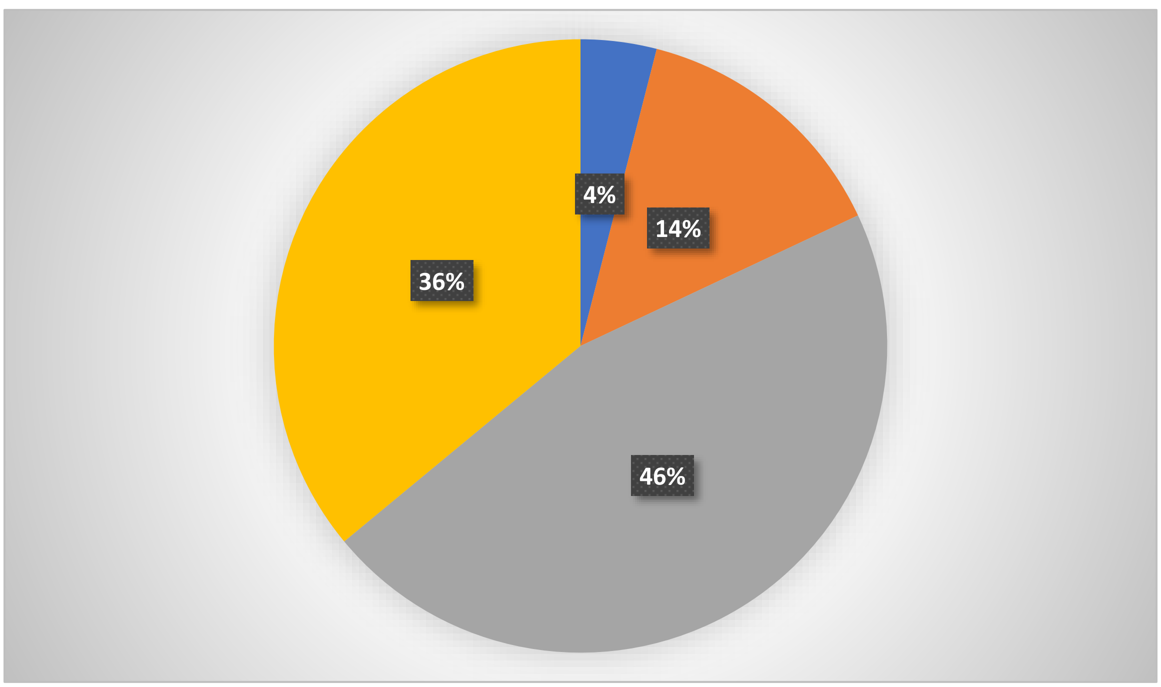
Analysis:

From the above study i find that out of 100%, 33% respondents are married and67% respondents are unmarried.

Interpretation: Most of the respondents of our survey are Unmarried

HIGHEST EDUCATIONAL QUALIFICATION:-

Particulars	**No of Respondent**	**% age**
Matric	**2**	**4%**
Senior Secondary	**7**	**14%**
Graduate &professional	**23**	**46%**
Post graduate	**18**	**36%**
Total	**50**	**100%**

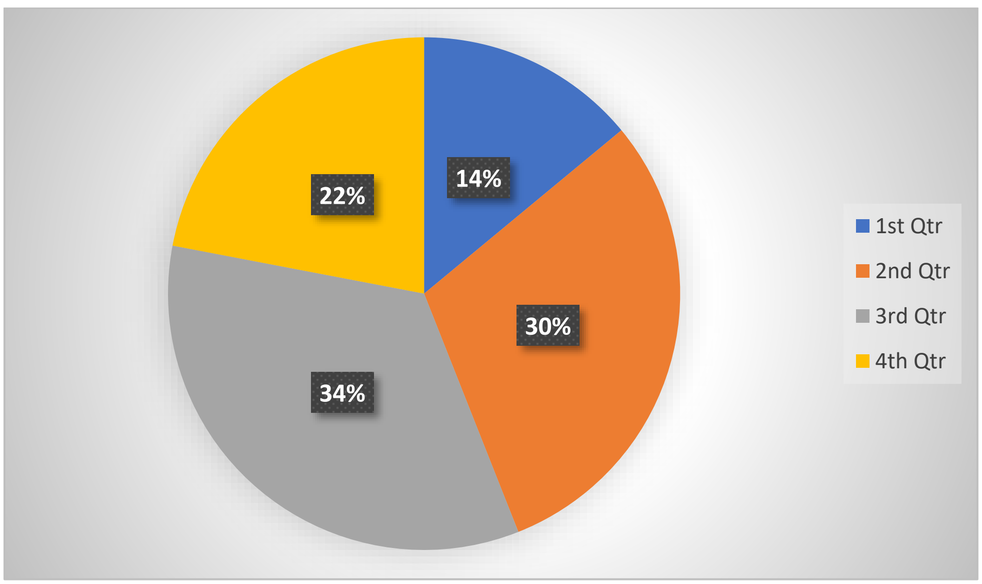


Analysis: This analysis shows that out of 50 respondent, 46% respondents are graduate & professional, 36% respondents are post graduate, 14% respondents are senior secondary and 2% respondents are of Matric category. All the respondentsof our survey are qualified.

Interpretation: From the above data I conclude that most of our respondents are Graduates & professional degree holder

OCCUPATION OF THE RESPONDENTS

1	Professional	14
2	Business	30
3	Employee	34
4	Student	22
	Total	100



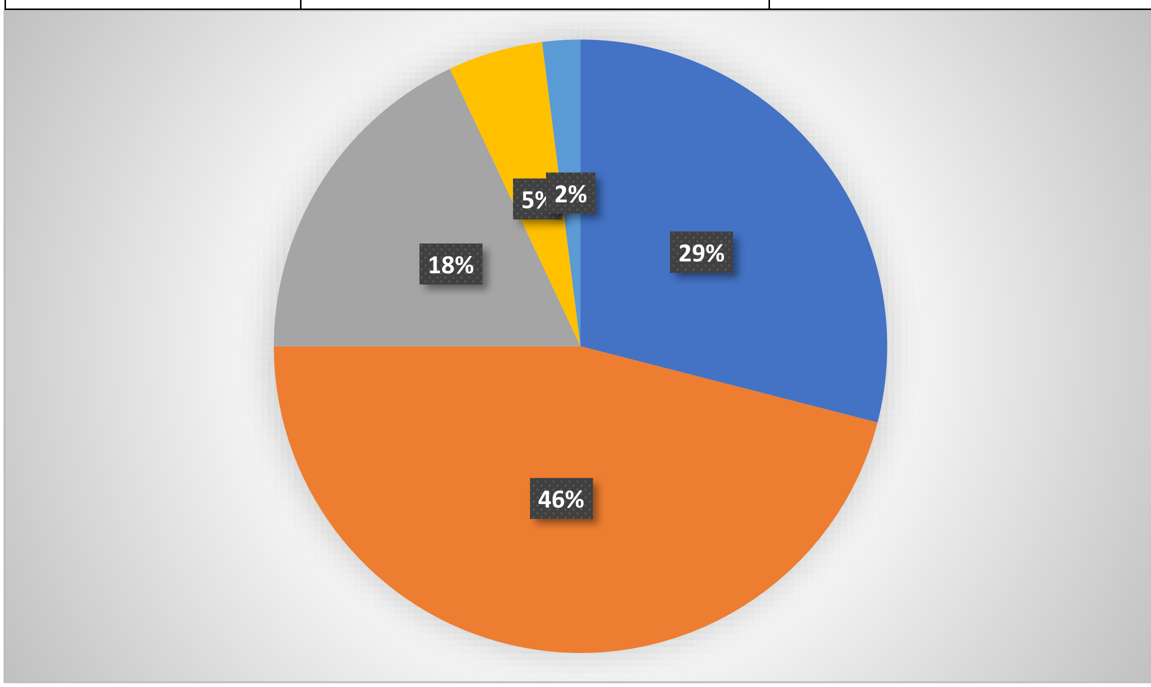
INTREPRETATION

From the above table, it shows that, 34% of the respondents were employee, 30% of the respondents were Business People, 22% of the respondents were students and 14% of the respondents were professional.It inferred that Majority (34%) of the respondents were employees.

GRAPHICAL REPRESENTATION OF INCOME AMONG RESPONDENTS

Classification on the basis of income

Description	Frequency	Percentage
< 10,000	128	29%
10,000-25,999	201	46%
26,000-49,999	80	18%
50,000-1,00,000	24	5%
>1,00,000	8	2%



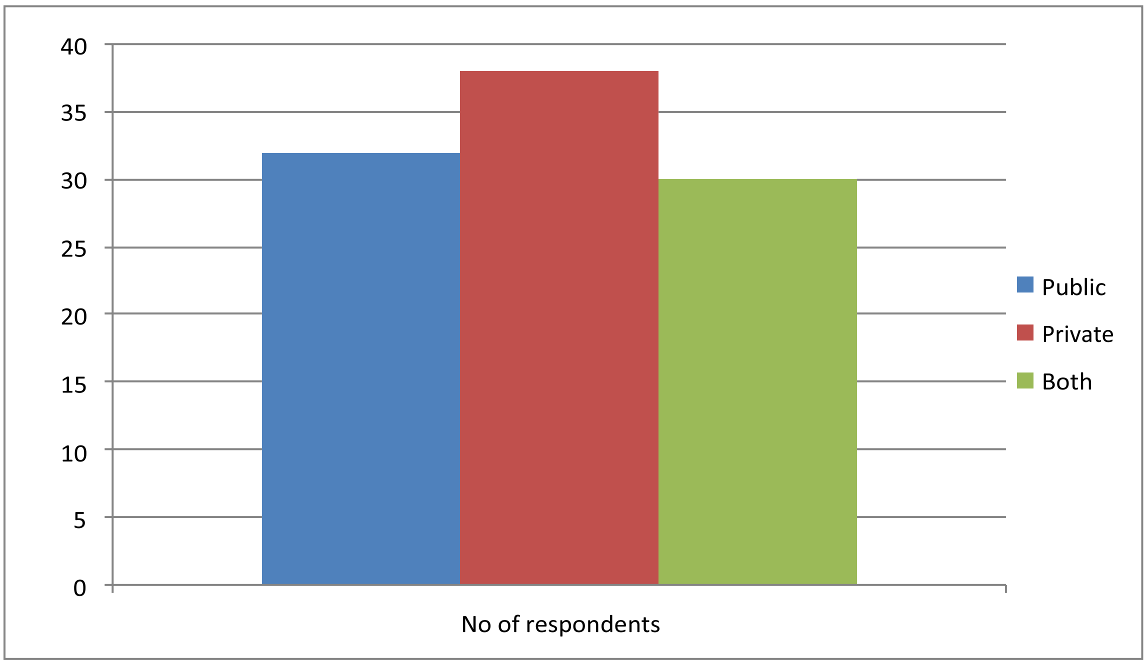
INTREPRETATION

Pie diagram shows 29% of the respondent have income less than Rs.10,000 per month while46% of the respondents have income in between Rs. 10,000-25,999, 18% of the respondentshave income in between Rs. 26,000 - 49,999 which is followed by 5% of the respondents have income in between Rs. 50,000-1,00,000 and only 2% of the respondent have income more than Rs.1,0

The respondents were asked about which banking sector's services do theiravail.

Banking sector's services which the respondents avail.

Banking sector	Number of respondents
Public	32
Private	38
Both	30



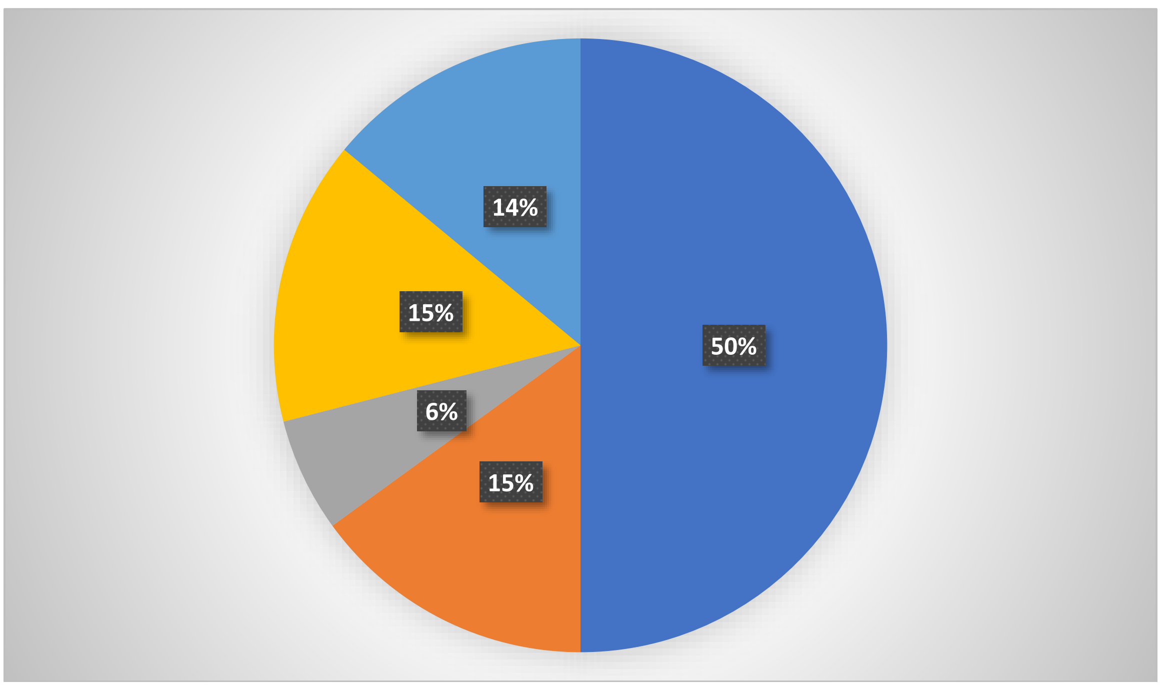
<u>INTERTRETATION</u>:-It was found that most of the respondents were availing services of private sectors banks while those of the public sector banks were less ascompare to public sector.

The respondents were Asked about the type of account they have in the public sector aswell as Private sector banks

Number of type of account held in Public sectors banks

Type of Accounts

Name of Account	**Savings**	**Current**	**Demat**	**Fixed deposits**	**Salary**
Total no of respondents	**50**	**15**	**6**	**15**	**14**



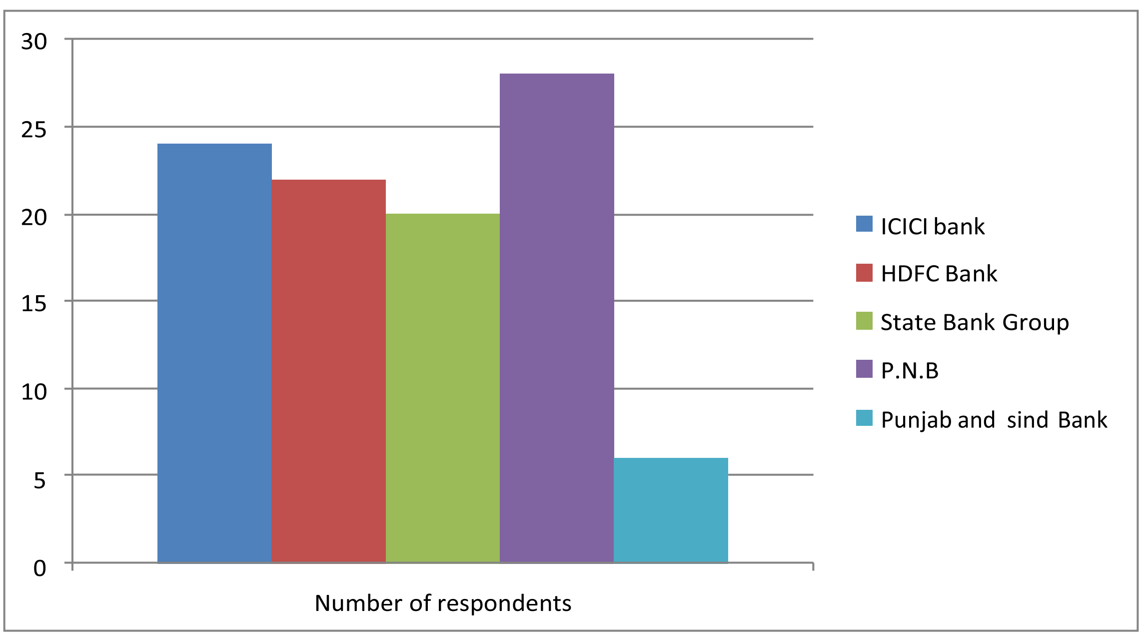
Analysis: 50% people own Saving Account, 15% own Current account, 6%demat,15% fixed deposits account and 14% salary Account

<u>Interpretation:</u> It was found that in case of public sector banks, maximum number of account holders owns Saving Account. After Saving account most prefer account is salary account prefer by people and the next priority goes tofixed deposits Accounts**.**

The basic purpose of this question was to know the most preferred bank.

Number of respondents preferring different banks

Names of Banks	**Number of respondents**
ICICI Bank	**24**
HDFC Bank	**22**
State Bank Group	**20**
Punjab National Bank	**28**
Punjab And Sind Bank	**6**



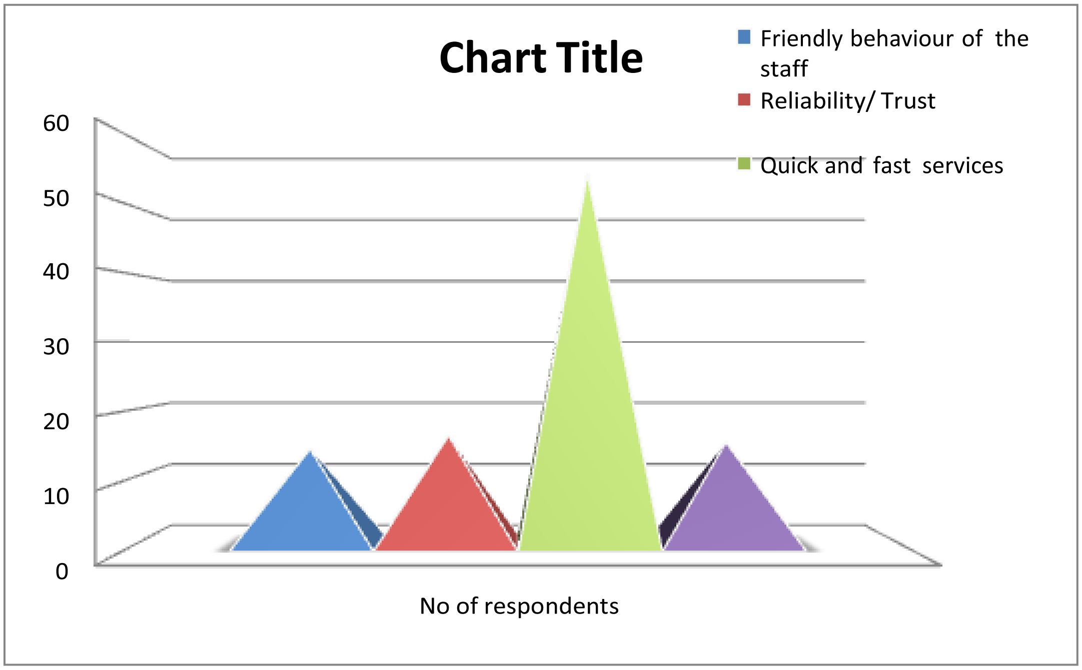
Analysis: From above graph, it is seen that 28% stake of the respondents followsto Punjab National bank followed byICICI bank. It is the bank which provide 12-hour banking.also the ATM machine is more as compared to the other private sector banks.

Interpretation : From the above graph, it is seen that Punjab national is the mostpreferred bank as compared to other Public and Private sector Banks.The reason for preference of public sector bank is the minimum amount of depositfor saving account.

The aim to ask this question was to know he reasons for their preference in different banks :-

Reason for account in different banks

Reasons	**No of respondents**
Friendly Behaviour of the Staff	**16**
Reliability/trust	**14**
Quick and fast services	**55**
Location	**15**

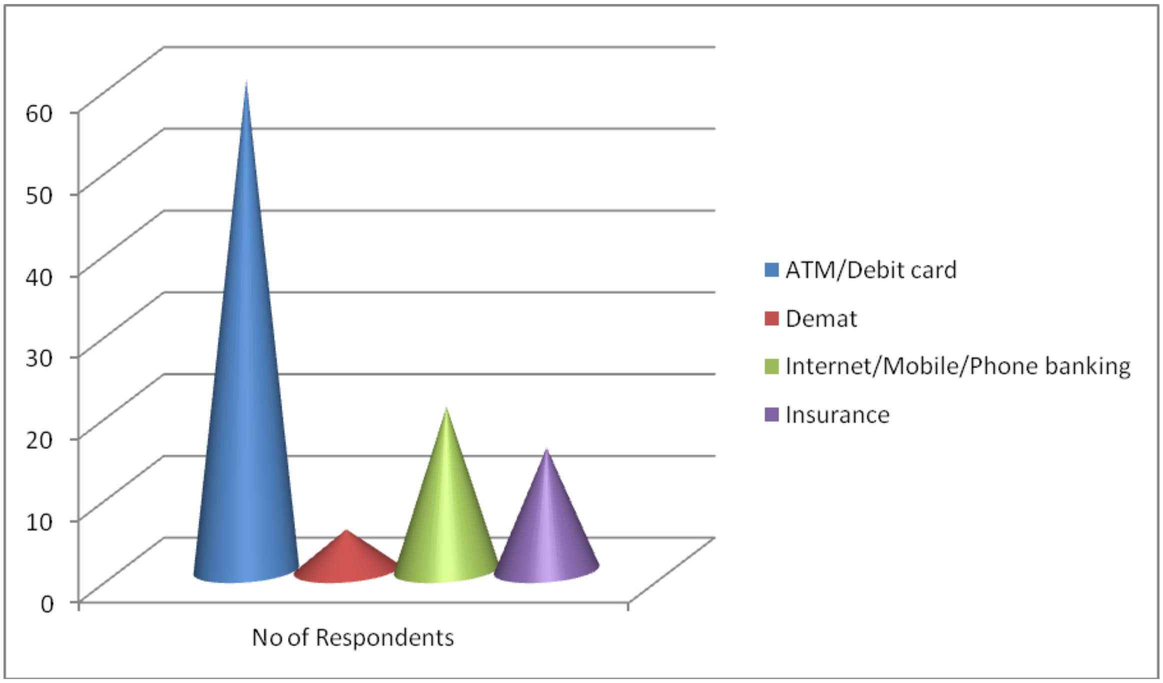


Inpretation: By analyzing this graph, we can conclude that most of the people is influenced by the quick and speedy services provided by the bank and location isgiven less preference than others.

The respondents were asked about the facilities they were availing in public as well as private sector banks :-

Number of people availing different facilities at public sector banks:

Facilities Availed	**No of respondents**
ATM/Debit card	60
Demat	5
Internet/Mobile/Phone Banking	15
Insurance	20



Number of people availing different facilities at public sector banks

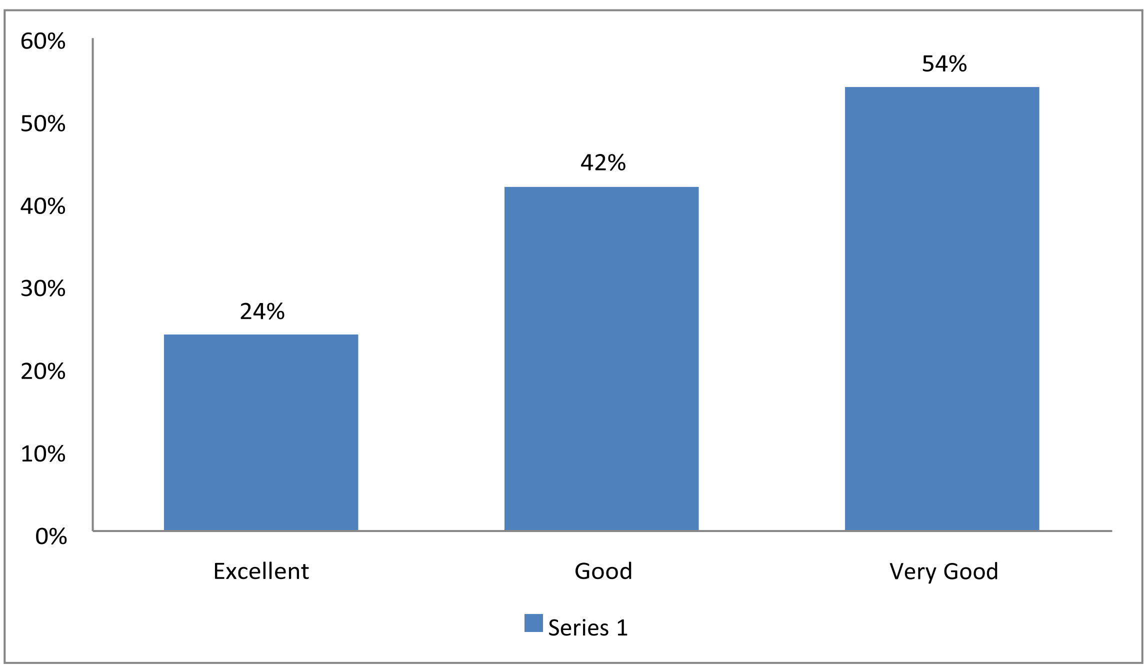
Interpretation: From the above graph, it was found that was availed by most of the people at public sector banks was that of ATM/Debit cards which hold 90% of respondents. It is clearly observed by the graph that Insurance are neck to neck holding 20% of respondent each.

The purpose of this question is to know the satisfaction level they werehaving with their banks overall performance:-

<u>Public sector banks</u>

Satisfaction level of the customers regarding the facilities availedfrom the public sector banks

Level of Satisfaction	No. of respondents	%
Excellent	12	24%
Good	21	42%
Very Good	27	54%



Comparative Study Between Public sector and Private Sector Banks

Satisfaction level of Customers regarding the facilities availed fromthe public sector banks.

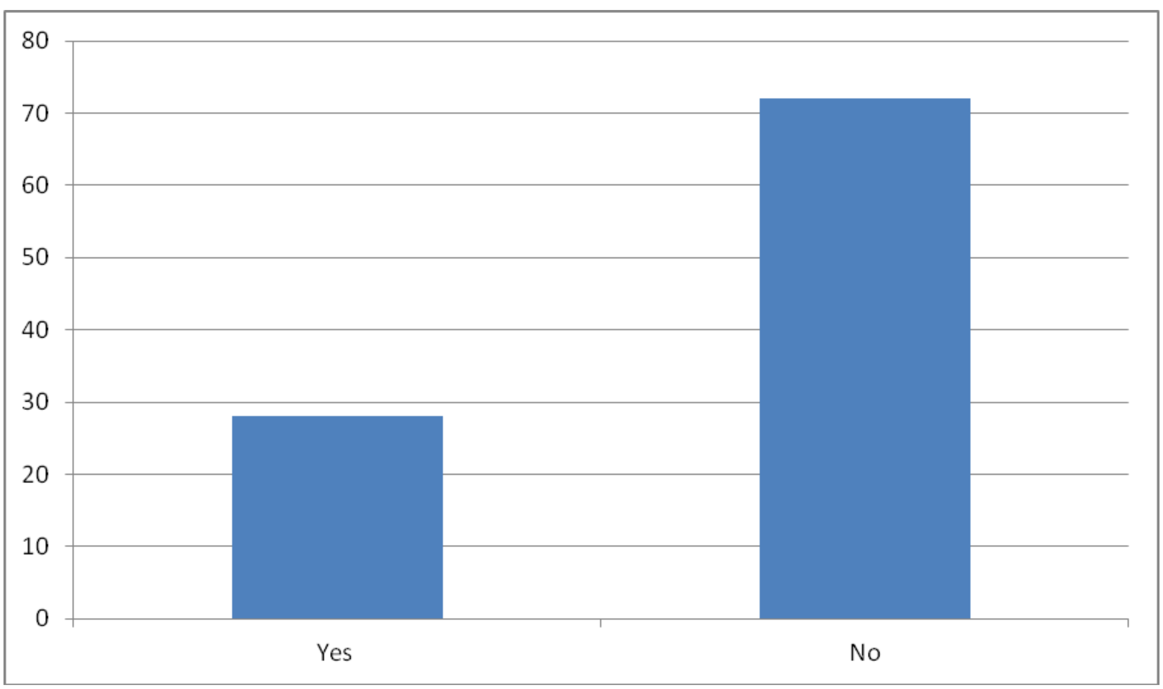
Analysis:

It was found that in case of public sectors banks, 18% of the respondents were highly satisfied ranked excellent from the products and services availed by them.44% were just satisfied given very good and 38% have moderate view.

Interpretation: People have mixed type of view regarding public sector banks.

The respondents were asked that if they have given option, would they liketo shift from the present banks:-

Number of customers ready to shift from present bank.



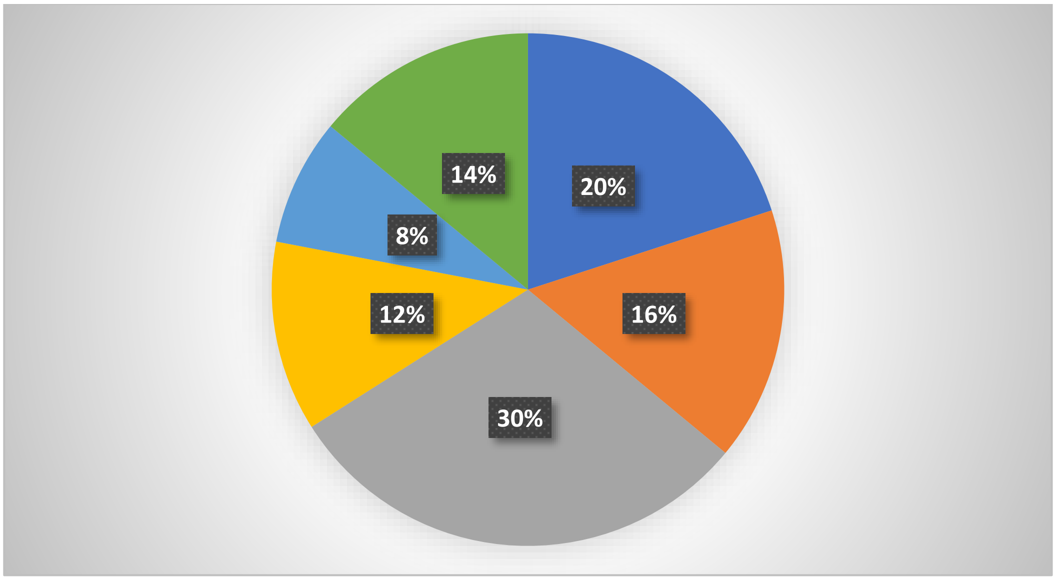
Number of customers ready to shift from their present bank or not.

Interpretation:

From this above Graph, we can conclude that the number of respondents ready to shift from their present bank is 28% while 70% customers seems to be satisfied from their bank and hence willing to shift from their present bank to other. The aim to ask this question was to know whether the respondents faces anyproblem regarding the services provided them by their preferred bank :-

Problem faced by customers.

Types of problem	No of respondents
Time consuming	10
Introduction	8
Reference	15
Too many formalities	6
No facility of photograph instantly	4
No problem	57



Interpretation:

It was found that most of the respondents are facing problem of reference. Respondents also find that the time and too much formalities also cause problem in banks.

CHAPTER 5

FINDINGS, SUGGESTIONS

&

CONCLUSION

Findings of the Study

- More number of people have account with private banks.
- Majority of the respondents whether in public sectors or in private sector banks have savings account with banks.
- Number of problem faced by the people is more in public sector banks.
- People want a change in the behavior of the staff of the public sector banks.
- People are more satisfied form the private sector banks due to their better services provided by them in terms of speedy transactions, fully computerized facilities, more working hours (in case of ICICI bank, the number of working hour are 12), good investment Advisory services, efficient and co-operative staff, better approach to Customer Relationship Management.
- In private sector banks proper promotional activities should be taken up so as to make the population aware of the services provided by the banks even in rural areas.
- The facility that was availed by most of the people at public sector banks was that of ATM/Debit cards. The least availed facility was that of Demat account and foreign transfer of funds.
- The facility that was availed by most of the people at private sector banks was that of Internet/Phone banking by ATM/Debit card.
- Majority of respondents do not want to shift from their present bank.

- From the above study it is clear that private banks are providing better services than nationalized banks. 95% respondents favored that private banks are providing better services than nationalized banks while 5% respondents are not agree with it.

- From the above study it is clear that majority of the respondents said that the average balance requirement for operating their saving account is between 5000-10000. 20% said it is between 10000-20000 and remaining 5% said it is between 20000-50000 in private sector banks which as compared to Public sector bank is very high.

- 40% respondents said that the bank employees never pay any attention to them and 10% respondents said that their problems are not solved by bank executives. The remaining 50% respondents give a positive reaction in the favour of bank. 30% respondents favoured that their problems are solved by bank executives and 20% respondents said they are received with smile by bank executives. So there is a mix response.

- Majority of the respondents said that the average time taken for transactions is between 25 to 50 minutes in their bank. 30% respondents said the average time taken for transaction is between 20-25 minutes, 20% said it is between 10 to 25 min. and remaining 10% said that the average time taken for transaction by their bank is 5 to 10 minutes.

- From the above study it is clear that majority of the respondents are ready to pay nominal charges for better services provided by private banks while 40% respondents are not ready to pay any nominal charges.

- From the above study is clear that the banks do not organize any customer meets. All the 100% respondents said that their bank does not organize any customer's meets to resolve their problems. Customer satisfaction is the demand of time, so the banks should organize customer meets to resolve the problems of their customers.

- The above study depicts that 60% respondent said that their bank updates them time to time about the latest facilities and remaining 40% said that their bank doesn't update them.

SUGGESTIONS

Based on the study conducted, there are some of the suggestions given by the customers of how the modern banking should be. These are the comment given by them about the improvement of the banking sector in India.

- Banks should obey the RBI norms and provide facilities as per the norms, which are not being followed by the banks. While the customer must be given prompt services and the bank officer should not have any fear on mindto provide the facilities as per RBI norms to the units going sick.
- Banks should increase the rate of saving account
- Banks should provide loan at the lower interest rate and education loans should be given with ease without much documentation. All the banks must provide loans against shares.
- Fair dealing with the customers. More contribution from the employee of the bank. The staff Should be co-operative, friendly and must be capable of understanding the problems of customers
- Internet banking facility must be made available in all the banks.
- Prompt dealing with permanent customers and speedy transaction without harassing the customers

- Each section of every bank should be computerized even in rural areas also.
- Real time gross settlement can play a very important role.
- More ATM coverage should be provided for the convenience of the customers.
- No limit on cash withdrawls on ATM cards.
- The bank should bring out new schemes at time-to-time so that more people can be attracted. Even some gifts and prizes may be offered to the customers for their retention.
- 24 hours banking should be induced so as to facilitate the customers who may not have a free time in the daytime. It will help in facing the competition more effectively.
- The charges for saving account opening are high, so they should also be reduced.
- Customers generally complain that full knowledge is not granted to them. Thus the bank should properly disclose the features of the product and services to the customers. Moreover door to door services can also be introduced by bank.
- The need of the customer should properly be understood so that customer feels satisfied. The relationship value should be maintained.
- The branch should promote cooperation and coordination among employees which help them in efficient working.

- Maintenance of proper hierarchy should be done. A good hierarchy set up can ensure better results with in the bank.

Banking sector is improving by leaps but still it needs to be improved. Proper and efficient relationship staffs having knowledge for one stop banking, customer friendly atmosphere, and better rate of interest are need of the hour.the concept of privatization has overall improved the services in all the banks. Home banking will be order of the day.

Recommendations

For Public Sector Banks

- Bank staff should be customer friendly and highly motivated to serve the normal customer.
- As far as possible, banks should reduce its documentation process while providing loans.
- Computerization should be done in banks at all level and the operators should de properly trained.
- Token system should be induced so as to minimize the waiting lines in the banks.
- Proper ambience in the banks can develop a healthy working culture.
- Quick services should be provided.

For Private Sector Banks

- 24 hours banking should be induced so as to facilitate the customers who may not have free time in the day time. It will help in facing the competition more effectively.
- More ATM coverage should be provided for the convenience of the customers.
- Customer care services should be provided by banks.

Conclusion

The customers now days are not only exposed of what type of service is being provided by banks in India but in the world as a whole. They expect much more than what is actually being provided. So the new coming banking sector has to provide and cater to all the needs of the customers otherwise it is difficult tosurvive in the competition coming up.

They not only expect the safety of money but also best ways to invest that money which need needs to be fulfilled. Banks need to have a better outlook towards to actually what customers are requiring. Entries of the private sector banks have made the competition tougher. If a bank is not functioning properly it is being closed. So it is difficult to face these types of conditions. Here a simple philosophy can work that customers are God and we need to follow this to survive and serve better.

The banking sector is poised for explosive growth. In this, scenario, it is imperative that banks adopt technology at an aggressive Pace, if they wish to remain competitive. Mani Mamallan makes a case for banks to outsource their technology infrastructure requirement, thus enabling early adoption and increased efficiencies.

In the prevailing scenario, a number of banks have adopt a new deploymentstrategy of infrastructure outsourcing, to lower the cost of service channels. As a result, other banks too will need to align their reinvented business models. The required changes at both the business and technology levels are enormous. In a highly competitive banking markets, early adopters are profiting from increased efficiencies.

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<u>Questionnaire</u>

"Comparative Study on public and private sector banks"

Q1. Which Sector bank do you have your account?

Public ☐ Private ☐ Both ☐

Q2. In which bank do you have your Account?

1. ______________________________
2. ______________________________
3. ______________________________
4. ______________________________

Q3. Which type of account do you have in the bank?

Saving ☐ Current ☐

Demat ☐ F.D ☐

Salary ☐

Q4 In Case you have yours Account in more than one a Bank which one is your most preferred bank (Give only one bank)

____

Q5. Rank the selection criteria for opening account with bank?

Brand Image ☐ Services ☐

Location ☐ Charges ☐

Q6. Kindly rank the reasons for yours preference in this particular bank?

Quick and fast services ☐ Location ☐

Friendly Behavior ☐ Reliability ☐

Q7. Which facilities are you availing at your bank?

Atm/Debit card ☐ Credit card ☐

Insurance ☐ Mobile Banking ☐

Q8.How often do you use debit card to shop?

Occasionally ☐ Never ☐

Q9. How much Satisfied are you with your bank's overall performance ?

Excellent ☐ Very Good ☐

Good ☐

Q10. Any Specific services you expect from your bank ?

____

Q11.If an option is given to you, would you like to shift from the present

Bank?

Yes ☐ No ☐

Q12. Do you face any problem regarding the services provided by your preferred bank?

If Yes ____

Q13. Would you like to give any suggestions for the better functioning of banks in these sectors?

Public Sector ____

Private sector ____

14. Any other suggestions please specify ?

____

____

Thanks for your valuable time given to me. I assure you that the information provided by you will remain confidential. Thanks for your co-operation.

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The world of banking has assumed a new dimension at dawn of the 21st century with the advent of tech banking, thereby lending the industry a stamp of universality. In general, banking may be classified as retail and corporate banking. Retail banking, which is designed to meet the requirement of individual customers and encourage their savings, includes payment of utility bills, consumer loans, credit cards, checking account and the like. Corporate banking, on the other hand, caters to the need of corporate customers like bills discounting, opening letters of credit, managing cash, etc.

Metamorphic changes took place in the Indian financial system during the eighties and nineties consequent upon deregulation and liberalization of economic policies of the government. India began shaping up its economy and earmarked ambitious plan for economic growth. Consequently, a sea change in money and capital markets took place. Application of marketing concept in the banking sector was introduced to enhance the customer satisfaction the policy of privatization of banking services aims at encouraging the competition in banking sector and introduction of financial services. Consequently, services such as Demat, Internet banking, Portfolio Management, Venture capital, etc, came into existence to cater to the needs of public.

The introduction to the marketing concept to banking sectors can be traced back to American Banking Association Conference of 1958. Banks marketing can be defined as the part of management activity, which seems to direct the flow of banking services profitability to the customers. The marketing concept basically requires that there should be thorough understanding of customer need and to learn about market it operates in. Further the market is segmented so as to understand the requirement of the customer at a profit to the banks.

1.2 What is Bank?

According to the Oxford dictionary Bank can be defined as,

."An establishment for the custody of money, which it pays out, on a customer's order."Banking Company in India has been defined in the Banking Companies Act 1949 as,

."One which transacts the business of banking which means the accepting, for the purpose of lending or investment of the deposits of money from the public, repayable on demand, or otherwise and withdraw able be cheque, draft, order or otherwise."

The banking system is an integral subsystem of the financial system. It represents an important channel of collecting small savings form the households and lending it to the corporate sector. The Indian banking system has Reserve Bank of India (RBI) as the apex body for all matters relating to the banking system. It is the Central Bank of India. It is also known as the Banker To All Other Banks.

1.3 Indian Banking System

Banking in India has its origin as early as the Vedic period. During the Mughal period, indigenous Bankers played a very important role in lending money financing foreign trade and commerce.

During the days of East India Company, it was turn of the agency houses to carry on the business. ."The General Bank of India" was the first to join sector in the year 1786.The others that followed were the Bank of Hindustan and the Bengal bank. The bank of Hindustan is reported to have continued till 1906 while the other two failed in the mean time.

In the first half of the 19th century the East India Company established three banks: Bank of Bengal (1809).

Bank of Bombay (1840). Bank of Madras (1843).

These three banks are also known as Presidency Banks were independent units and functioned well. These three banks were amalgamated in 1920 and Imperial Bank of India was established on 27th january1921, which started as private shareholders banks, mostly Europeans shareholders, with the passing of time Imperial bank was taken over by the newly constituted State bank of India act in1955. In 1865 Allahabad Bank was established and first time exclusively by Indians, Punjab National Bank Ltd. was set up in 1894 with headquarters at Lahore. Between 1906 and 1913, Bank of India, Central Bank of India, Bank of Baroda, Canara Bank, Indian Bank, and Bank of Mysore were set up. Reserve Bank of India came in 1935. On July, 1969, 14 major banks of India were nationalized and on 15th April, 1980 six more commercial private banks were also taken over by the government.

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Paper Title: A Comparative Study Between Private Sector Banks And Public Sector Banks

Paper Status: Accepted

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