# Comparative Analysis of Private Sector Banks on Basis of Different Types of Account

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**Abstract:** *This study has been carried out to find out "comparative study of private sector banks regarding current a\c, saving a\c & fixed deposit". For this market research of some areas of Twin Cities ie. Ambala City and Ambala Cantt. has been surveyed. The scheme comprises of finding out the market share/sales trend of different financial products of Kotak Mahindra bank in comparison to some other private banks like ICICI Bank, HDFC Bank etc. Sample size of 150 is taken. For the objectives of this whole study hypothesis have been designed for testing with the use of statistical tools like chi-square and software like SPSS.*

## 1.0 Introduction

Banks are the most significant players in the Indian financial market. They are the biggest purveyors of credit, and they also attract most of the savings from the population. Dominated by public sector, the banking industry has so far acted as an efficient partner in the growth and the development of the country. Driven by the socialist ideologies and the welfare state concept, public sector banks have long been the supporters of agriculture and other priority sectors. They act as crucial channels of the government in its efforts to ensure equitable economic development.

The Indian banking can be broadly categorized into nationalized (government owned), private banks and specialized banking institutions. The Reserve Bank of India acts a centralized body monitoring any discrepancies and shortcoming in the system. Since the nationalization of banks in 1969, the public sector banks or the nationalized banks have acquired a place of prominence and has since then seen tremendous progress. The need to become highly customer focused has forced the slow-moving public sector banks to adopt a fast track approach. The unleashing of products and services through the net has galvanized players at all levels of the banking and financial institutions market grid to look anew at their existing portfolio offering. Conservative banking practices allowed Indian banks to be insulated partially from the Asian currency crisis. Indian banks are now quoting al higher valuation when compared to banks in other Asian countries (viz. Hong Kong, Singapore, Philippines etc.) that have major problems linked to huge Non Performing Assets (NPAs) and payment defaults. Co-operative banks are nimble footed in approach and armed with efficient branch networks focus primarily on the 'high revenue' niche retail segments.

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The Indian banking has finally worked up to the competitive dynamics of the 'new' Indian market and is addressing the relevant issues to take on the multifarious challenges of globalization. Banks that employ IT solutions are perceived to be 'futuristic' and proactive players capable of meeting the multifarious requirements of the large customer's base. Private Banks have

been fast on the uptake and are reorienting their strategies using the internet as a medium The Internet has emerged as the new and challenging frontier of marketing with the conventional physical world tenets being just as applicable like in any other marketing medium.

The Indian banking has come from a long way from being a sleepy business institution to a highly proactive and dynamic entity. This transformation has been largely brought about by the large dose of liberalization and economic reforms that allowed banks to explore new business opportunities rather than generating revenues from conventional streams (i.e. borrowing and lending). The banking in India is highly fragmented with 30 banking units contributing to almost 50% of deposits and 60% of advances. Indian nationalized banks (banks owned by the government) continue to be the major lenders in the economy due to their sheer size and penetrative networks which assures them high deposit mobilization. The Indian banking can be broadly categorized into nationalized, private banks and specialized banking institutions.

Banking is the backbone of a modern economy. Health of banking industry is one of the most important pre-conditions for sustained economic progress of any country. The world of banking has assumed a new dimension at the 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 requirements of individual customers and encourage their savings, includes payment of utility bills, consumer loans, credit cards, checking account balances, ATMs, transferring funds between accounts and the like. Corporate banking, on the other hand, caters to the needs of corporate customers like bills discounting, opening letters of credit and managing cash. The Indian banking scene has changed drastically with the private sector making inroads in an area hitherto dominated by large public sector banks. Growing disinvestment is likely to impact the banking industry as well.

## 2.0 Research Methodology

This study is carried out to find sales trend/potential of Kotak Mahindra Bank and its financial Products in Ambala City & Ambala Cantt. For this primary data has been collected by conducting market survey.

**2.1 Research Design:** A descriptive research design is adopted for this study. Survey has been conducted with the help of questionnaire to collect primary data. The data has been collected from customers of banks and retailers from different areas of Ambala City & Ambala Cantt. Regarding to this study some of the objectives were framed to find out the sales trend of Financial Product and Market share of Kotak Mahindra Bank in comparison with different other private sector banks. For fulfillment of objectives some hypotheses have been designed. Hypotheses for these studies are given below;

## 2.2 Hypothesis of Study

For these objectives some of the hypothesizes have been framed which are given below;

Hypothesis 1;

H0: There is significant relation between customer preference and bank's financial products.
H1: There is no significant relation between customer preference and bank's financial products.

Hypothesis 2;

H0: There is significant relation between bank's financial products and business development.
H1: There is no significant relation between bank's financial products and business development.

**2.3 Sample Design:** Customers of banks and retailers of Ambala City & Ambala Cantt. are taken for the study. On the basis of pilot study a sample size of 150 respondents have been taken.

**2.4 Data Collection:** Data is both of primary as well as secondary type. Many previous research papers, journals, business reviews forms the basis for secondary data. For the purpose of primary data collection, a set of closed ended questions is designed whereby in depth interviews of the respondents are done.

| Name of Banks | No of Respondents |
|---|---|
| Kotak Mahindra | 50 |
| HDFC | 35 |
| ICICI | 30 |
| Others | 35 |

| Financial products | No of Respondents |
|---|---|
| Saving | 75 |
| Current | 45 |
| Fixed Deposits | 30 |

**3.0 Data processing and analysis:** After data collection the data analysis is done by implementing statistical tool named Chi-square test. Chi-square test is used for the hypothesis testing which were framed for fulfillment of objectives of this research problem. The level of significance is 5% for hypothesis testing. Degree of freedom varies regarding to the table format in other words depends on no of column and rows. Apart from manual calculation, statistical software named SPSS is also used for the calculation part.

**4.0 Limitations:** Some of the limitations of this project are given below;

- The research is limited to 150 people in some of the areas of Ambala Twin Cities.
- It is not accurate data because it is collected from only few people from some of the areas of Ambala Twin Cities.
- The people owe to their work were very busy and due to lack of time they have not

given ample time for this study. Some of them did not entertain us for this job.

- Some people shown non-cooperative behavior at the time of data collection for this study.

- Indian Banking System is the vast explanation
- So we feel difficult to collect the data's, which is related to our topics.
- Shortage of time is yet another limitation of the study.

## Comparative Analysis of Current Account Features and Benefits of Private Banks

| Banks | Kotak Mahindra | ICICI | HDFC | IDBI | AXIS | YES BANK |
|---|---|---|---|---|---|---|
| **Monthly Average Balance** | Rs.25,000 | Rs.50,000 | Rs.10,000 | Rs.50,000 | Rs.10,000 | Rs.25,000 |
| **Cash Deposits** | No limit | 3 Lacs per month | Free upto Rs 3 lacs per month or 40 transaction which ever is lower | Rs 5 lacs per month | Rs 3 Lacs per month | No limit |
| **Demand Drafts** | Free , Unlimited | Free upto Rs 6 lacs | 30 Free per Month | Free upto Rs 5 lacs | Free upto Rs 3 lacs | Free upto 2 per day |
| **Cash Delivery** | Yes , Free | Rs 130\ day | Rs 500\ day | Rs 825\day | NA | Rs 100 |
| **Beat Service** | Yes | NA | NA | NA | NA | Daily Rs 1000\|month |
| **Cheque Pick up** | Yes | Rs 30 | Rs 500\ day | Rs 825\day | NA | Rs 100 |

## 5.0 Data AnalysisHypothesis Testing

Hypothesis testing is done by Chi-square test;

$$\chi^2 = \sum_{i=1}^{k} \frac{(O_i - E_i)^2}{E_i}$$

$\chi^2$ = Chi-square, $O_i$ = Observed Frequency, $E_i$ = Expected Frequency, k = number of categories

Degree of freedom = 3, Tabulated value at 5% level of significance = 7.815

| Banks | Observed ( O ) | Expected ( E ) | (O – E) | (O – E)² | (O – E)²\E |
|-------|-----------------|-----------------|---------|-----------|-------------|
| Kotak | 50 | 37.5 | 12.5 | 156.25 | 4.17 |
| HDFC | 35 | 37.5 | - 2.5 | 6.25 | 0.17 |
| ICICI | 30 | 37.5 | -7.5 | 56.25 | 1.5 |
| Others | 35 | 37.5 | -2.5 | 6.25 | 0.17 |

Calculated Chi-square value($\chi^2$) = 6.01

**Inference**

The calculated Chi-square value is 6.01 which is less than the tabulated value 7.815 thus the calculated value holds good for null hypothesis and there is significant relation between customer preference and bank's financial products.

**Inference**

The market share of Kotak Mahindra Bank is **34%** which is highest among other Banks.

| Financial products | No of Respondents |
|--------------------|-------------------|

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| Saving | 75 |
|--------|----|
| Current | 45 |
| Fixed Deposits | 30 |

**Hypothesis Testing**

Hypothesis testing is done by Chi-square test;

$$\chi^2 = \sum_{i=1}^{k} \frac{(O_i - E_i)^2}{E_i}$$

$\chi^2$ = Chi-square, $O_i$ = Observed Frequency, $E_i$ = Expected Frequency, k = number of categories

Degree of freedom = 2, Tabulated value at 5% level of significance = 5.991

| Banks Financial Products | Observed ( O ) | Expected ( E ) | (O – E) | (O – E)² | (O – E)²\E |
|--------------------------|----------------|----------------|---------|----------|------------|
| Saving | 75 | 50 | -25 | 625 | 12.5 |
| Current | 45 | 50 | -5 | 25 | 0.5 |
| Fixed Deposits | 30 | 50 | -20 | 400 | 8 |

Calculated Chi-square value( $\chi^2$ ) = 21
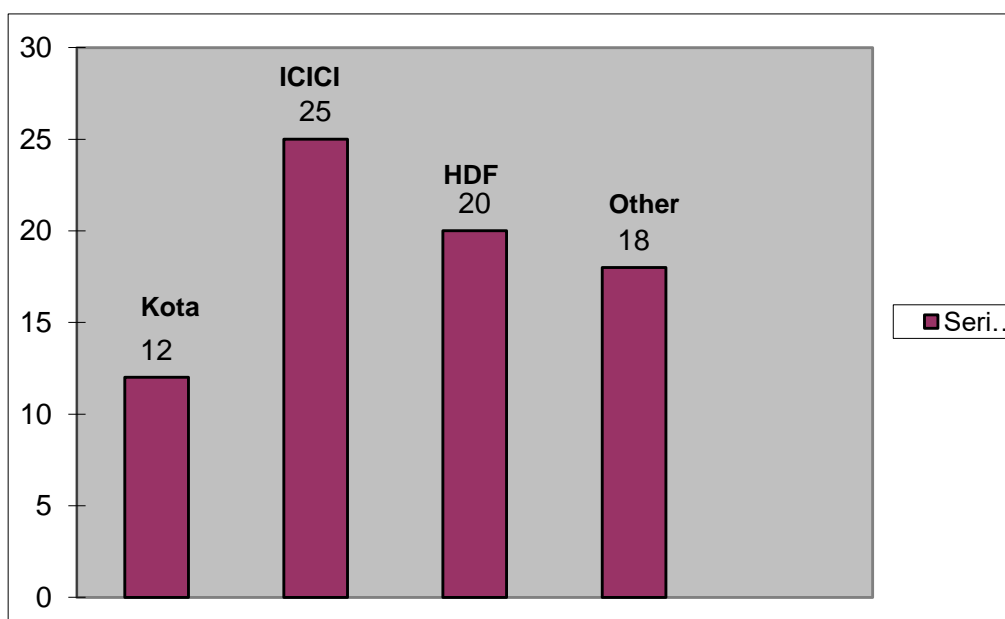
**Inference**

The calculated Chi-square value is 21 which is more than the tabulated value 7.815 thus the null hypothesis is rejected and there is no significant relation between bank's financial products and business development.

**Inference**

From the Pie chart it very clear that out of the sample size of 150 about 50% of them have Saving Account in the Bank .30% have current account and the remaining 20% have Fixed deposit in the banks.

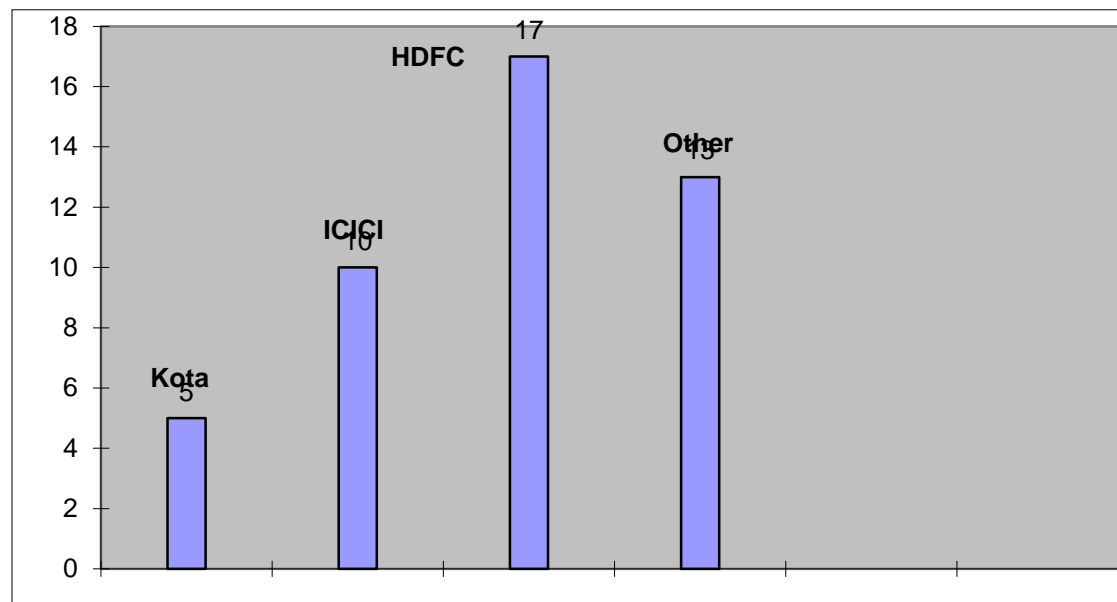| Financial Products | Kotak Mahindra | ICICI | HDFC | Others |
|---|---|---|---|---|
| Saving a\c | 12 | 25 | 20 | 18 |
| Current a\c | 5 | 10 | 17 | 13 |
| Fixed Deposits | 5 | 8 | 9 | 8 |

**Saving a\c**

**Inference**

From the Histogram it is very clear that out of the 150 respondent surveyed, when it come to opening of Saving Account more person prefer ICICI Bank in comparison to other Bank being taken in the survey.

**Current a\c**



From the Histogram it is very clear that out of the 150 respondent surveyed, when it come to opening of Current account more person prefer HDFC Bank in comparison to other Bank being taken in the survey.

**Fixed Deposits**
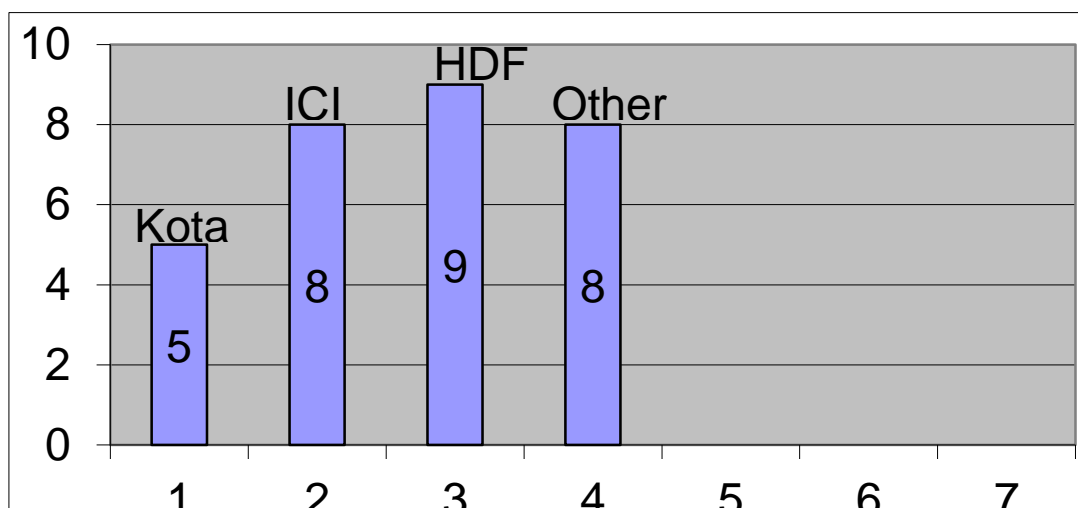
### Inference

From the Histogram it is very clear that out of the 150 respondent surveyed, when it comes to Fixed Deposits the preference of the customer for Bank taken in the survey is mixed.

### 6.0 Interpretation & Findings

After data analysis and hypothesis testing it is evaluated that null hypothesis holds good. There is significant relation between customer preference and bank's financial products As, the calculated value of $\chi 2$ is less than the tabulated value, null hypothesis holds good.

After data analysis and hypothesis testing it is evaluated that null hypothesis does not hold good the null hypothesis is rejected and there is no significant relation between bank's financial products and business development. As, the calculated value of $\chi 2$ is more than the tabulated value, null hypothesis does not hold good.

As per the survey conducted, it is to be noticed a good sector of the people prefer to be customers of nationalized banks. This result can be very well explained by the fact that nationalized banks are acquainted with the Government and that ups and downs in business will not affect the existence of the bank. Also the RBI too has good control over the working of these banks and there for the customers feel a sense of security in investing in these banks. However it is also seen that a good percentage of people also opt for private banks such as ICICI, bearing in mind the amount of experience they posses in the field of banking. These private banks, even though living with nationalized banks, which have the lion's

share, appear to be huge market players and market turners.

As per the data analysis it was seen that KMBL is prioritizing the premium class and middle class and not to the needs of lower class people the reason behind doing so is, that by targeting the premium class people they can have a good float because by maintaining float they can lend in the call money market or they can utilize the money by keeping in the currency chest. As KMBL is not targeting the needs of lower end customers it is because maintaining account for low range customers will lead to increase in the operating cost of the bank and they don't have that type of income to go for this option. As banks want to increase their market share in Ambala region so they are initially targeting the higher end customers.

Where as if we talk about ICICI Bank, HDFC Bank then they are targeting to both higher and lower end customers because they do have wide accessibility of ATMS and also they have more branches then Kotak Bank. As these two banks has their operations from a long time if compared to Kotak Bank that's why customers or people have a good awareness of these two banks. The range of products of HDFC Bank, ICICI Bank is much more than that of Kotak Mahindra that's why people wants to open their account or have relation with these two banks as they can find all their financial needs under a single roof.

According to the survey conducted on which banks are people associated with it was seen that nationalized banks achieved the more or less same amount of preference ratio as seen above. In the sample size of 150, some portion of people is

associated with nationalized banks. This particular survey also shows the same results for the rest of the banks, in the order "private banks, international banks and co-operative banks" respectively.

On a global scale technological innovations have been the main reasons for International banks to become market drivers and leaders, but the same cannot be said about India. Here improvement of technology has not yet played over the minds of the people. It can be said that only the higher society of the Indian population would consider technological innovations to be very important in terms of deciding the importance of the bank. The other parts of India would hardly consider it to be reason in selecting the bank.

Keeping in mind the above analysis most of the people surveyed in this sample were not even aware of the different services provided by the bank. Mobile banking and net banking were Greek and Latin to them. Such people would keep technology in mind to select the bank. But on the other hand the people who understand the importance of technology recognized the various services that are provided and also mentioned that technology today in India has made banking easier. However a huge sector of the people surveyed knew the importance of an ATM or Credit cards, but the usage of these facilities was not found to be up to the mark.

As seen at the start of this particular analysis the type of bank people are associated with stays the same even when given the choice of considering a change of bank. People who are associated with their particular bank do not wish to change as the reasons for their selection are satisfied by the bank. The few people who were not satisfied with their particular bank, their reasons for non satisfaction range from bad customer service to lack of technology to limited schemes provided to them

## 7.0 SUGGESTIONS

[1]. First of all the changes in the attitude of the staff should be arising in the banks.

[2]. Customer care service should be implemented in the voluntary method.

[3]. New technologies must be used in every service and functions made by the bank.

[4]. Computerization system should be used in every function on the bank.

[5]. There should be transparency in all services offered by the banks.

[6]. The operations of all the banks should be for longer hours.

[7]. Online transactions and information technologies must be introduced and made in use in every bank.

[8]. They should try to avoid the credits frauds.

[9]. E-commerce and E-banking must be introduced in every bank.

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