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A Comparative Analysis Of Retail Banking Services Of Public Sector Banks (Allahabad Bank) Vis-A-Vis Private Sector (HDFC) Banks In India

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Abstract

Retail Banking in which banking institutions execute transactions directly with customers. Retail Banking offered Services to individuals and Joint individuals as opposed to wholesale banking which focuses on industry and institution clients only. Services offered Include savings and transactional accounts, mortgages, personal loans, debit cards and cards, insurance, ATMs, and Mobile Banking. As there are immense opportunities of retail banking in India. This paper attempt to make deep probe into the cluster of the various retailing services offered by both the public and private sector banks with reference to Allahabad Bank and HDFC Bank at National level during 2003-04 to 2007-08. The parameters which have been categorically looked into include inter-alia the Retail advances, Advances, No. of branch offices, No. of employees, business per employees. The study reveals that both banks play a significant role but public sector Banks / (Allahabad Bank) grew at a faster rate than Private sector Banks (HDFC).

Keywords- Wholesale, IOPs, Bulletin, Mutual Funds

Retail Banking is now being viewed as on attractive market segment, which offers opportunities for growth with profits. It includes a comprehensive range of financial product viz deposit product, residential, mortgage loans credit cards, auto finance, personal loans, loans against equity share, loans for subscribing to initial product offers (IOPs) debit cards, bill payment services,, mutual funds, investment advisory services.

Objective & Methodology

An attempt has been made to compare the performance of retail banking Services offered by Public Sector Banks (Allahabad Banks) vis-à-vis Private Sector Banks (HDFC) at National level. In order to achieve the objective of study secondary data has been collected from most

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reliable sources which include Economic Survey, RBI Bulletin, IBA Bulletin www.rbi.org.in. A comparison of Retail advances of both sector is shown by Table.1

Table.1

Retail Advance of Allahabad Bank and HDFC Bank during the year (2004-05-to 2008-09)
(In Rs. crore)

Year	Retail Advances	
	Allahabad Bank	HDFC Bank
2004-05	1551.64	9918
2005-06	2115.93	21231
2006-07	2737.19	28327
2007-08	1292.69	39316
2008-09	1795.60	61153.5

Source : Annual Reports of Allahabad Bank and HDFC Bank (Adapted)

A comparative analysis of retail advances of Allahabad Bank and HDFC Bank in India indicates that HDFC Bank observed unprecedented growth in the era of retail advances whereas Allahabad Bank saw a mixed trend (ups and downs) in the same era during the period 2004-05 to 2008-09.

Allahabad Bank advanced Rs. 1551.64 crore as retail advances into each year 2004-05 it increased up to Rs. 2115.93 crore in 2005-06 and Rs. 2737.19 crore in 2006-07 indicating significant surge in retail disbursements. Thereafter, it fell down to Rs. 1292.69 crore in 2007-08 However it started increasing from the succeeding year as is evident from the table 1 that a sum of Rs. 1795.60 crore was advanced as retail loan in the year 2008-09. Contrary to this HDFC retail advance stood at Rs. 9918 crore in the year 2004-05 (6 times greater to Allahabad Bank retail advances) which soared up to Rs. 61153.5 crore in the year 2008-09 posting the growth of 617 percent. HDFC retail advances amounted to Rs. 9918 crore Rs. 21231 crore, Rs. 28327 crore, Rs.39316 crore and Rs. 61153.5 crore in the year 2004-05, 2005-06, 2006-07, 2007-08 and 2008-09 respectively registering soaring trend.

TABLE.2

Advances of Allahabad Bank and HDFC Bank during the period 2003-04 to 2007-08 (At National Level)

(In Rs.crore)

Year	Advance	
	Allahabad Bank	HDFC Bank
2003-04	15342	17745

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2004-05	21151	25566
2005-06	29148	35061
2006-07	41290	46945
2007-08	49720	63427
Total	156651	188744

Source : Annual Report of Allahabad Bank and HDFC Bank (Adapted)

It is evident from the table.2 that advances disbursed by Allahabad Bank, an old aged Banking Institution in the country, amounted to Rs. 15342 crore, Rs. 21151 crore, Rs. 29148 crore Rs. 41290 crore and Rs. 79720 crore during the year 2003-04, 2004-05, 2005-06, and 2007-08 respectively. The total advances of Allahabad stood at Rs. 15566 crore during the reference period Rs. 17745 crore, Rs. 25566 crore Rs. 35061 crore Rs. 46945 crore and Rs. 63427 crore were advanced by HDFC Bank is the year 2003-2004, 2004-05, 2005-06, 2006-07 and 2007-08 respectively. The total amount of Rs. 188744 crore were advanced by HDFC Bank during the period 2003-04 to 2007-08 at national level. The advances made by HDFC Bank (a private sector bank) exceeded over the advances made by Allahabad Bank (a public sector banks) by Rs. 32093 crore during the reference period at national level. It can be pointed out that the performance of Public Sector Banks in terms of total advances is better than that of Private Sector banks at country level where as Allahabad Bank, a public sector Bank, having much larger number of branches and employees, lagged behind and HDFC Bank, a private sector bank led a head in respect of advances disbursed by them at country level.

Table.3

Number of branch officers of Allahabad Bank and HDFC bank during the year (2003-04 to 2007-08)

Year	No. of Branches offices	
2003-04	2012	295
2004-05	2027	446
2005-06	2047	515
2006-07	2140	666
2007-08	2233	743

Source: Annual Report of Allahabad Bank and HDFC Bank (Adapted)

The number of branches of Allahabad Bank has been increasing gradually whereas the number of HDFC Bank has been increasing rapidly during the period 2003-04 to 2007-08 in the country as is evident from the table 3 that the number of branches established by Allahabad Bank stood at 2012 in 2003-04, 2027 in 2004-05, 2047 in 2005-06, 2140 in 2006-07 and 2233 in 2007-08 and the number of branches opened up by HDFC Bank had been 295, 446, 515, 666, and 743 during the period 2003-04, 2004-05, 2005-06, 2006-07 and 2007-08

respectively. It can be concluded that the rate of growth in the number of branches established by both Allahabad Bank and HDFC Bank has been 11 percent and 152 percent respectively leading to rapid increase in the advances of HDFC Bank in the country.

Table. 4
No. of employees of Allahabad Bank and HDFC Bank during the year
(2003-04 to 2007-08)

Year	No. of Employee	
	Allahabad Bank	HDFC Bank
2003-04	19284	5673
2004-05	18917	9030
2006-07	20379	21477
2007-08	20079	37836

Source : Annual Reports of Allahabad Bank and HDFC Bank (Adapted)

It is clear from the table 4 that the number of employee working in the branches of Allahabad Bank grew from 19284 in 2003-04 to 20079 in the year 2007-08 whereas the number of employees rose sharply from 5673 in 2003-04 to 37836 in the year 2007-08 in India in relation to HDFC Bank.

It has also been observed that during 2003-04 to 2005-06 the number of employees working in Allahabad Bank is more than that of HDFC Bank. But this trend has been reversed in the last two years of referred period e.g. 2006-07 and 08 in HDFC Bank. The introduction of core Banking solutions (CBS) system in almost all branches of Allahabad bank has also led to very insignificant and slowly increase in the number of employees in Allahabad Bank. The Branch expansion policy adopted by HDFC Bank has resulted in sharp increase in the number of employees.

Table.5

Business per employee of Allahabad Bank and HDFC Bank during the year (2003-04 to 2007-08)

Year	Business per Employee	
	Allahabad Bank	HDFC Bank
2003-04	215.00	866.00
2004-05	282.00	806.00
2005-06	336.00	758.00
2006-07	495.00	607.00
2007-08	604.00	506.00

Source: Annual Reports of Allahabad Bank and HDFC Bank (Adapted)

The Comparison of business generated by each and every employee of both Allahabad bank and HDFC reveals an increasing trend in case of former and a declining trend in relation to latter during the period 2003-04 to 2007-08 as it clear from the table.5 that Business per employee recorded at Rs. 215 lakh in the year 2003-04 in relation to Allahabad rose up to Rs. 604 lakh in 2007-08 but in HDFC Bank it has fallen from Rs. 866 lakh to Rs. 506 lakh, during the period 2003-04 to 2007-08 Moreover Business per employee of HDFC Bank has always been greater to that of Allahabad Bank except in one year 2007-08 where business per employee of Allahabad Bank exceeded over the per employee business of HDFC Bank.

Thus the study observes that contrary to common belief, the HDFC Bank (being a private sector bank) is witness in falling per employee business, in comparison to the Allahabad bank which is blessed with rising trend in the same reference.

Finding of the Study

- Retail advances of Allahabad Bank and HDFC Bank in India indicates that HDFC Bank observed unprecedented growth in the era of retail advances where as Allahabad Bank saw a mixed trend (ups and down) in the same era during the period 2004-05 to 2008-09.
- The advances made by HDFC Bank (a private sector bank) exceeded over the advances made by Allahabad Bank (a Public sector banks) by Rs. 32093 crore during the period 2003-04 to 2007-08 at the national level.
- The rate of growth in the number of branches established by both Allahabad Bank and HDFC has been 11 percent and 152 percent respectively leading to rapid increase in the advances of HDFC Bank in the country as is clear from table 3.
- The introduction of core banking solutions (CBS) system in almost all branches of Allahabad Bank has also led to very insignificant and slowly increase in the number of employees in Allahabad bank and branch expansion policy adopted by HDFC Bank has resulted in sharp increase in the number of employees as is clear from Table.4.
- The Table 5 enunciate that the HDFC bank (a private sector banks) is witness in falling per employees business, in compression to the Allahabad bank which is blessed with rising trend in the same reference.

Suggestions

- Only mantra of Success of Retail Banking is to remember the retail in retail banking Banks must think of their branches, as Retail stores, rather than a secure and convenient place for carrying out financial transactions Bank should learn from successful Retailers for depending their understanding of customers and for building lasting relationships with them.

- Bank should steer the Customer to next purchases (i.e. from savings Bank Account to Retail loan and Retirement Plans insurance etc. They should explicitly reward loyalty to procure all the business of the customer and not a part of it.
- Banks should organize information for a reliable customer database, so that it is easily accessible by using technology for pro-action.

Conclusions

Banking is undergoing rapid changes world-wide and India is no exception. The Financial Sector Reforms aimed at deregulation liberalization and globalization of India Banking has changed the entire scenario of Indian Banking. Complacency banking has given way to innovative banking. Customers are being turned into clients. Retail Banking, Banks are evolving new strategies to tap this emerging banking market. They are innovating new products and Services, adding new delivery channels like ATMs, Tele-banking and Internal banking through strategic use of new technology to woo the customers.

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