



A study on the Environmental Factors Responsible for IDBI Bank's Performance

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ABSTRACT: Banking Industry which is basically my concern industry around which my project has to be revolved is really a very complex industry. And to work for this was really a complex and hectic task and few times I felt so frustrated that I thought to left the project and go for any new industry and new project. Challenges which I faced while doing this project were following-

(i) Banking sector was quite similar in offering and products and because of that it was very difficult to discriminate between our product and products of the competitors.

(ii) Target customers and respondents were too busy persons that to get their time and view for specific questions was very difficult.

(iii) Sensitivity of the industry was also a very frequent factor which was very important to measure correctly.

(iv) Area covered for the project while doing job also was very large and it was very difficult to correlate two different customers/respondents views in a one.

(v) Every financial customer has his/her own need and according to the requirements of the customer product customization was not possible.

So above challenges some time forced me to leave the research but any how we did our project in all circumstances. Basically in this project we analyzed that-

What factors are really responsible for performance of IDBI Bank's performance in this competitive era?

I. IDBI BANK: ALL ABOUT

The economic development of any country depends on the extent to which its financial system efficiently and effectively mobilizes and allocates resources. There are a number of banks and financial institutions that perform this function; one of them is the development bank. Development banks are unique financial institutions that perform the special task of fostering the development of a nation, generally not undertaken by other banks.

Development banks are financial agencies that provide medium-and long-term financial assistance and act as catalytic agents in promoting balanced development of the country. They are engaged in promotion and development of industry, agriculture, and other key sectors. They also provide development services that can aid in the accelerated growth of an economy [1].

The objectives of development banks are:

(i) To serve as an agent of development in various sectors, viz. industry, agriculture, and international trade

(ii) To accelerate the growth of the economy

(iii) To allocate resources to high priority areas

(iv) To foster rapid industrialization, particularly in the private sector, so as to provide employment opportunities as well as higher production

(v) To develop entrepreneurial skills

(vi) To promote the development of rural areas

(vii) To finance housing, small scale industries, infrastructure, and social utilities.

In addition, they are assigned a special role in:

Planning, promoting, and developing industries to fill the gaps in industrial sector. Coordinating the working of institutions engaged in financing, promoting or developing industries, agriculture, or trade, rendering promotional services such as discovering project ideas, undertaking feasibility studies, and providing technical, financial, and managerial assistance for the implementation of projects.

II. INDUSTRIAL DEVELOPMENT BANK OF INDIA

The industrial development bank of India (IDBI) was established in 1964 by parliament as wholly owned subsidiary of reserve bank of India. In 1976, the bank's ownership was transferred to the government of India.

It was accorded the status of principal financial institution for coordinating the working of institutions at national and state levels engaged in financing, promoting, and developing industries. IDBI has provided assistance to development related projects and contributed to building up substantial capacities in all major industries in India. IDBI has directly or indirectly assisted all companies that are presently reckoned as major corporate in the country. It has played a dominant role in balanced industrial development.

IDBI set up the small industries development bank of India (SIDBI) as wholly owned subsidiary to cater to specific the needs of the small-scale sector.

IDBI has engineered the development of capital market through helping in setting up of the securities exchange board of India(SEBI), National stock exchange of India limited(NSE) [2], credit analysis and research limited(CARE), stock holding corporation of India limited(SHCIL), investor services of India limited(ISIL), national securities depository limited(NSDL), and clearing corporation of India limited(CCIL) [3].

In 1992, IDBI accessed the domestic retail debt market for the first time by issuing innovative bonds known as the deep discount bonds. These new bonds became highly popular with the Indian investor. In 1994, IDBI Act was amended to permit public ownership up to 49 per cent. In July 1995, it raised over Rs 20 billion in its first initial public (IPO) of equity, thereby reducing the government stake to 72.14 per cent. In June 2000, a part of government shareholding was converted to preference capital. This capital was redeemed in March 2001, which led to a reduction in government stake. The government stake currently is 51 per cent.

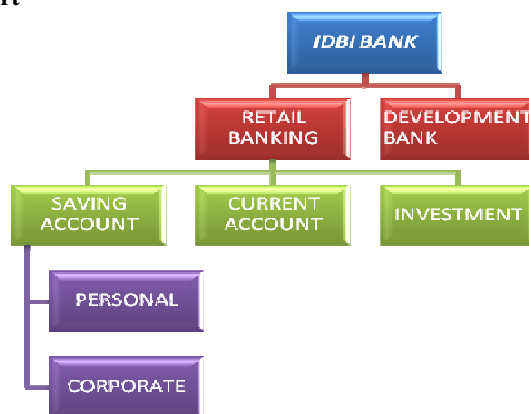
In August 2000, IDBI became the first all India financial institution to obtain ISO 9002: 1994 certification for its treasury operations. It also became the first organization in the Indian financial sector to obtain ISO 9001:2000 certification for its forex services [10].

MILESTONES

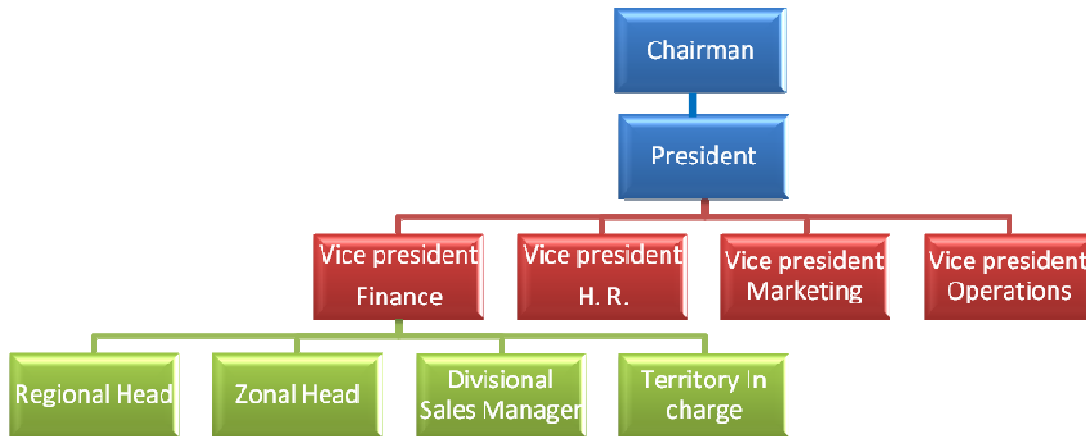
- **July 1964:** Set up under an Act of Parliament as a wholly-owned subsidiary of Reserve Bank of India.
- **February 1976:** Ownership transferred to Government of India. Designated Principal Financial Institution for co-coordinating the working of institutions at national and State levels engaged in financing, promoting and developing industry.
- **March 1982:** International Finance Division of IDBI transferred to Export-Import Bank of India, established as a wholly-owned corporation of Government of India, under an Act of Parliament [7].
- **April 1990:** Set up Small Industries Development Bank of India (SIDBI) under SIDBI Act as a wholly-owned subsidiary to cater to specific needs of small-scale sector. In terms of an amendment to SIDBI Act in September 2000, IDBI divested 51% of its shareholding in SIDBI in favour of banks and other institutions in the first phase. IDBI has subsequently divested 79.13% of its stake in its erstwhile subsidiary to date.
- **January 1992:** Accessed domestic retail debt market for the first time with innovative Deep Discount Bonds; registered path-breaking success.
- **December 1993:** Set up IDBI Capital Market Services Ltd. as a wholly-owned subsidiary to offer a broad range of financial services, including Bond Trading, Equity Broking, Client Asset Management and Depository Services. IDBI Capital is currently a leading Primary Dealer in the country[8].
- **September 1994:** Set up IDBI Bank Ltd. in association with SIDBI as a private sector commercial bank subsidiary, a sequel to RBI's policy of opening up domestic banking sector to private participation as part of overall financial sector reforms.
- **October 1994:** IDBI Act amended to permit public ownership upto 49%.
- **July 1995:** Made Initial Public Offer of Equity and raised over Rs.2000 crore, thereby reducing Government stake to 72.14%.
- **March 2000:** Entered into a JV agreement with Principal Financial Group, USA for participation in equity and management of IDBI Investment Management Company Ltd., erstwhile a 100% subsidiary. IDBI divested its entire shareholding in its asset management venture in March 2003 as part of overall corporate strategy [4].
- **March 2000:** Set up IDBI Intech Ltd. as a wholly-owned subsidiary to undertake IT-related activities.
- **June 2000:** A part of Government shareholding converted to preference capital, since redeemed in March 2001; Government stake currently 58.47%.
- **August 2000:** Became the first All-India Financial Institution to obtain ISO 9002:1994 Certification for its treasury operations. Also became the first organisation in Indian financial sector to obtain ISO 9001:2000 Certification for its forex services.

- **March 2001:** Set up IDBI Trusteeship Services Ltd. to provide technology-driven information and professional services to subscribers and issuers of debentures.
 - Strategic management of non-performing and stressed assets of Financial Institutions and Banks.
 - **September 2003:** IDBI acquired the entire shareholding of Tata Finance Limited in Tata Home finance Ltd, signalling IDBI's foray into the retail finance sector. The housing finance subsidiary has since been renamed 'IDBI Home finance Limited'.
 - **December 2003:** On December 16, 2003, the Parliament approved The Industrial Development Bank (Transfer of Undertaking and Repeal Bill) 2002 to repeal IDBI Act 1964. The President's assent for the same was obtained on December 30, 2003. The Repeal Act is aimed at bringing IDBI under the Companies Act for investing it with the requisite operational flexibility to undertake commercial banking business under the Banking Regulation Act 1949 in addition to the business carried on and transacted by it under the IDBI Act, 1964.
 - **July 2004:** The Industrial Development Bank (Transfer of Undertaking and Repeal) Act 2003 came into force from July 2, 2004.
 - **July 2004:** The Boards of IDBI and IDBI Bank Ltd. take in-principle decision regarding merger of IDBI Bank Ltd. with proposed Industrial Development Bank of India Ltd. in their respective meetings on July 29, 2004.
 - **September 2004:** The Trust Deed for Stressed Assets Stabilisation Fund (SASF) executed by its Trustees on September 24, 2004 and the first meeting of the Trustees was held on September 27, 2004.
 - **September 2004:** The new entity "Industrial Development Bank of India" was incorporated on September 27, 2004 and Certificate of commencement of business was issued by the Registrar of Companies on September 28, 2004.
 - **September 2004:** Notification issued by Ministry of Finance specifying SASF as a financial institution under Section 2(h)(ii) of Recovery of Debts due to Banks & Financial Institutions Act, 1993.
 - **September 2004:** Notification issued by Ministry of Finance on September 29, 2004 for issue of non-interest bearing GoI IDBI Special Security, 2024, aggregating Rs.9000 crore, of 20-year tenure.
 - **September 2004:** Notification for appointed day as October 1, 2004, issued by Ministry of Finance on September 29, 2004.
 - **September 2004:** RBI issues notification for inclusion of Industrial Development Bank of India Ltd. in Schedule II of RBI Act, 1934 on September 30, 2004.
- October 2004:** Appointed day - October 01, 2004 - Transfer of undertaking of IDBI to IDBI Ltd. IDBI Ltd. commences operations as a banking company. IDBI Act, 1964 stands repealed[5].
- January 2005:** The Board of Directors of IDBI Ltd., at its meeting held on January 20, 2005, approved the Scheme of Amalgamation, envisaging merging of IDBI Bank Ltd. with IDBI Ltd. Pursuant to the scheme approved by the Boards of both the banks, IDBI Ltd. will issue 100 equity shares for 142 equity shares held by shareholders in IDBI Bank Ltd. EGM has been convened on February 23, 2005 for seeking shareholder approval for the scheme.

IDBI Bank Business Chart



IDBI Bank Organizational Chart



III. RESEARCH METHODOLOGY

Objective of the Study

The objectives have been classified by us in this research from personal to professional, but here we are not disclosing our personal objective which have been achieved by us while doing the research project. Only professional objectives which are being covered by us are as following-

- ❖ To know about environmental factors affecting IDBI Bank's performance.
- ❖ To analyze the role of advertisement for bank performance.
- ❖ To know the perception and conception of customers towards banking products and specially focused for IDBI Bank's product.
- ❖ To explore the potential areas for the new bank branches which will provide both price and people to the bank with constant promotion and placing strategy.

Scope of the Study

Each and every project study along with its certain objectives also has scope for future. And this scope in future gives to new researches a new need to research a new project with a new scope. Scope of the study not only consist one or two future business plan but sometime it also gives idea about a new business which becomes much more profitable for the researches then the older one.

Scope of the study could give the projected scenario for a new successful strategy with a proper implementation plan. Whatever scope we observed in our research are not exactly having all the features of the scope which we described above but also not lacking all the features.

- ❖ Research study could give an idea of network expansion for capturing more market and customer with better services and lower cost, with out compromising with quality.

- ❖ In future customer requirements could be added with the product and services for getting an edge over competitors.
- ❖ Consumer behavior could also be used for the purpose of launching a new product with extra benefits which are required by customers for their account (saving or current) and/or for their investments.
- ❖ Factors which are responsible for the performance for bank can also be used for the modification of the strategy and product for being more profitable.
- ❖ Factors which I observed while doing project study are following-
 - Competitors
 - Customer Behaviour
 - Advertisement/promotional activities
 - Attitude of manpower and
 - Economic conditions

These all could also be interchanged with each other for each other in banks strategies for making a final business plan to effect the market with a positive way without disturbing a lot to market, customers and competitors with disturbance in market shares.

Tools and Techniques

As no study could be successfully completed without proper tools and techniques, same with our research. For the better presentation and right explanation we used tools of statistics and computer very frequently. Basic tools which we used for project from statistics are Bar Charts, Pie charts, Tables bar charts and pie charts are really useful tools for every research to show the result in a well clear, ease and simple way. Because we used bar charts and pie charts in research for showing data in a systematic way, so it need not necessary for any observer to read all the theoretical detail, simple on seeing the charts any body could know that what is being said.

Mathematical Averages, Standard Deviation, Correlation, Ms- Excel, Ms-Access and Ms-Word application software of Microsoft helped us a lot in making project more interactive and productive. And second thing is that having only tools and techniques for the purpose of research is not relevant until unless we have the principals for which we have to use those tools and techniques.

Sources of Primary and Secondary data:

For the purpose of research data is very much required which works as a food for process which will ultimately give output in the form of information. So before mentioning the source of data for the project we would like to mention that what type of data we have collected for the purpose of research and what it is exactly.

1. **Primary Data:** Primary data is basically the live data which we collected on field while doing cold calls with the customers and we shown them list of

question for which we had required their responses. In some cases we got no response form their side and than on the basis of my previous experiences we filled those fields.

Source: Main source for the primary data for the project was questionnaires which I got filled by the customers or sometimes filled by us on the basis of discussion with the customers.

2. **Secondary Data:** Secondary data for the base of the research we collected from intranet of the Bank and from internet, RBI Bulletin.

Statistical Analysis

In this segment we will show our findings in the form of graphs and charts. All the data which we got from the market will not be disclosed over here but extract of that in the form of information will definitely be here.

<i>Size of Data</i>	<i>250</i>
<i>Area</i>	<i>Bhopal</i>
<i>Type of Data</i>	<i>Primary and Secondary</i>
<i>Industry</i>	<i>Banking</i>
<i>Respondent</i>	<i>Customers</i>

Table 1: Correlation between awareness of customers about IDBI bank & their Age.

AGE	NO. OF RESPONSE
20-25	25
25-30	46
30-35	34
35-40	23
40-45	21
45-50	22
50-60	24
60-ABOVE	55

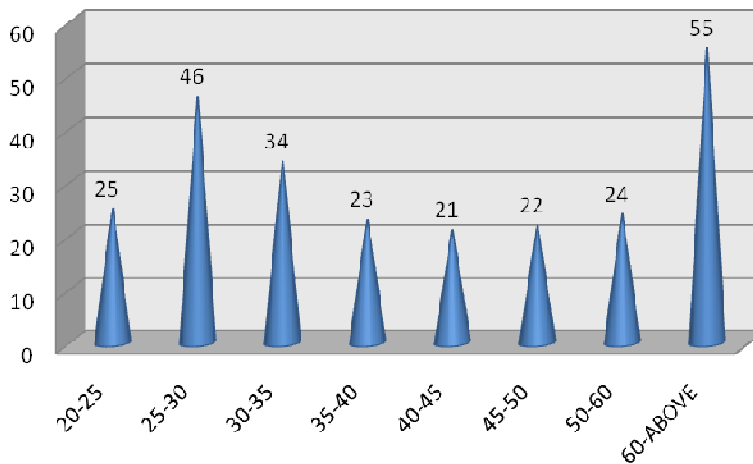


Table 2: Perception of IDBI as a Bank.

TYPE OF BANK	RESPONSES
PRIVATE	50
PUBLIC	45
PRIVATE/PUBLIC	100
DON'T KNOW	55

PERCEPTION OF IDBI AS A BANK

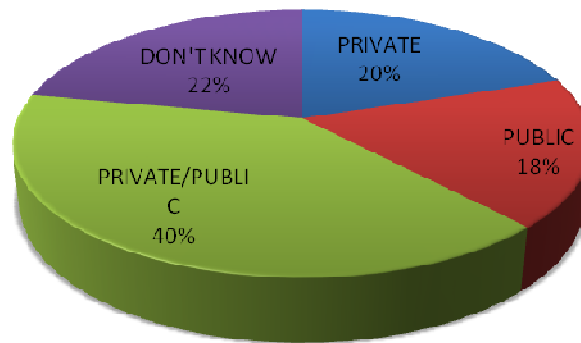


Table 3 : Rating of Customers for IDBI Bank as a Good Bank.

PARAMETER	RESPONSES
EFFICIENCY	75%
INTERNET BANKING/ATMs	25%
PRODUCT RANGE	95%
NETWORK	33%
PHONE BANKING	22%

RATING OF CUSTOMERS FOR IDBI BANK AS A GOOD BANK

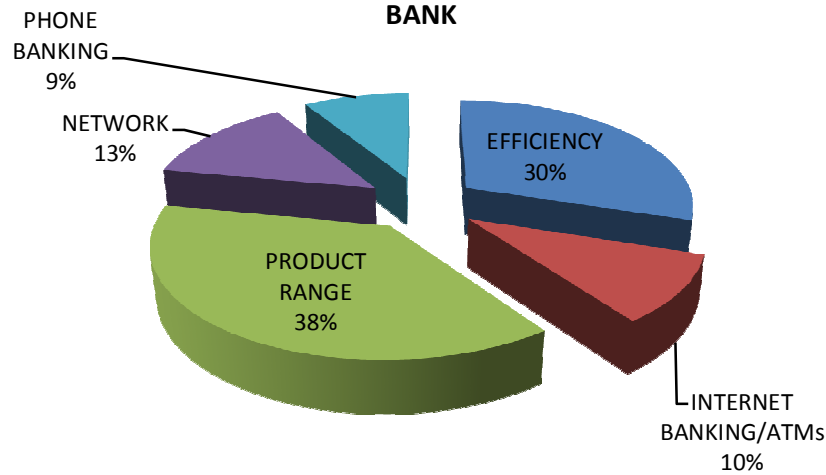


Table 4: Market Shares in Bhopal in Comparison to Competitors [8].

BANK NAME	% OF SHARE
SBI	30%
IDBI	15%
ICICI	25%
PNB	10%
HDFC	5%
HSBC	5%
OTHERS	10%

MARKET SHARES IN BHOPAL IN COMPARISION TO COMPETITORS

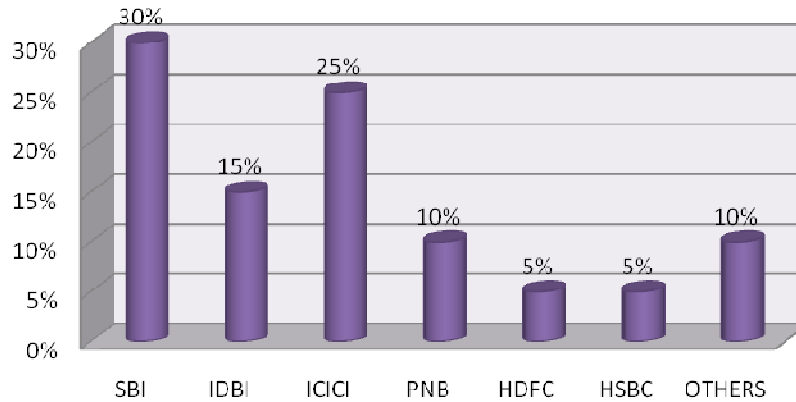


Table 5: Factors Responsible for Performance of IDBI Bank in Bhopal [10].

PARAMETERS	% OF SHARE
PRODUCT	50%
ADVERTISMENT	5%
MANPOWER	25%
NET-BANKING	2%
PHONE BANKING	5%
INVESTMENT SCHEME	10%
NETWORK	3%

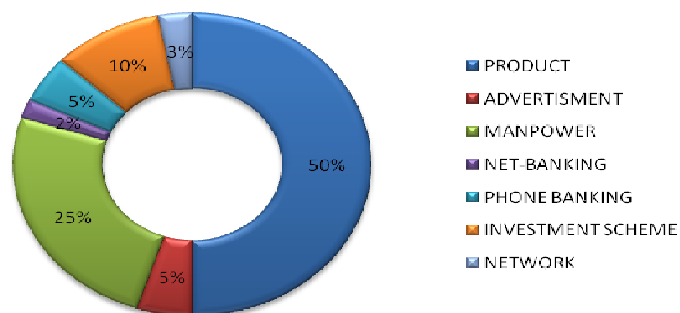


Table 6 : Comparative Study with Major Competitors on Basic Parameters [8].

PARAMETERS/BANKS	IDBI	ICICI	SBI	PNB	HSBC	CANARA BANK
PRODUCT	20%	15%	30%	15%	10%	10%
ADVERTISEMENT	3%	45%	15%	20%	7%	10%
MANPOWER	10%	50%	2%	3%	25%	10%
NET-BANKING	3%	50%	10%	12%	8%	17%
PHONE BANKING	10%	40%	5%	5%	30%	10%
INVESTMENT SCHEME	5%	25%	50%	10%	5%	5%
NETWORK	2%	40%	40%	5%	3%	10%
CREDIBILITY	20%	10%	40%	20%	5%	5%

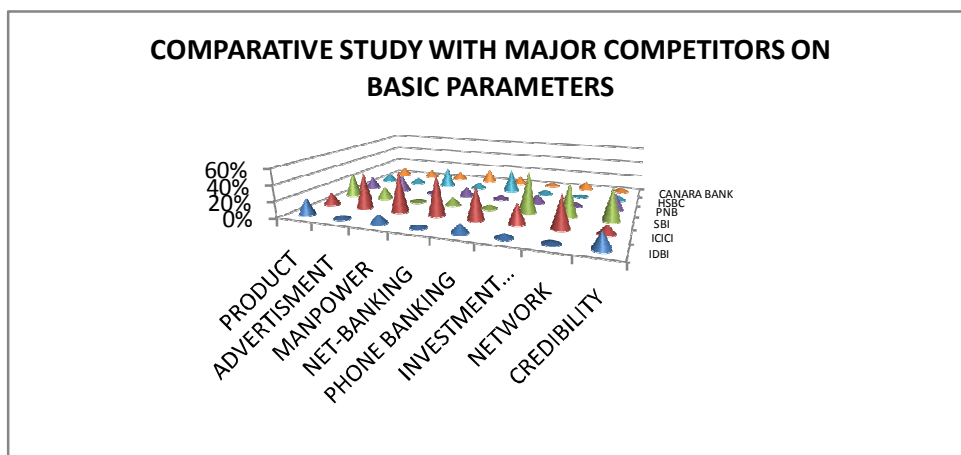
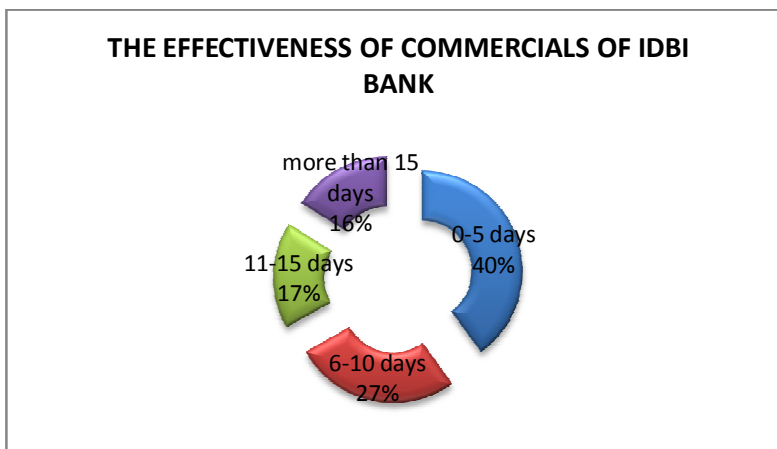


Table 7: The Effectiveness of Commercials of IDBI Bank[6].

DAYS AFTER THE AD IS SEEN	POSITIVE RESPONSE
0-5 days	100
6-10 days	67
11-15 days	43
more than 15 days	40



FINDINGS

- (i) The credibility of IDBI bank is good in comparison to its competitors as GOI (Government of India) is a major share holder in the company.
- (ii) IDBI bank has potential a tapped market in Mumbai in region and hence has opportunities for growth.
- (iii) The products of IDBI bank have good credibility in the region compare to its competitors.
- (iv) The advertisement of the bank was very effective from the first day of its airing till the fifth day and there after it starts declining.
- (v) The initial balance for A/C opening is Rs, 5000/- and that's why people are reluctant in opening the same.

CONCLUSIONS

- (i) Consumers of Bhopal have good awareness level about IDBI bank as well as about its services and products.
- (ii) The advertising campaign has successfully been able to increase the market share of IDBI in Bhopal.
- (iii) The modern day's technology like internet banking, phone banking, used by IDBI bank for providing banking services has sent positive signals in the mind of consumes.
- (iv) The network of IDBI in Bhopal is lagging behind a little than its competitors like ICICI bank and HDFC bank.
- (v) It can be distilled from data that IDBI bank has good market share as compared to its competitors considering the amount of resources deployed by them in the market.

RECOMMENDATIONS

- (i) Since there is only two branch of IDBI bank and only three atms in Bhopal, so it is necessary for IDBI bank to open more branches and install more atms to serve the vast market of Bhopal especially.
- (ii) More resources should be allocated in the market of Bhopal as there is big untapped market in Bhopal,

so it becomes necessary for IDBI bank for taking an edge over the competitors.

- (iii) A short advertising campaign in Bhopal has produced good results in a short span of times, so to gain long term benefits is very necessary for IDBI bank to carry on this campaign with more intensity.
- (iv) Besides opening more branches it should also look for opening some extension counter.
- (v) As Government is the majority share holder in the shares of IDBI bank, which makes this bank more reliable than other private banks, this thing can be used in the favour of IDBI bank by making people aware about this fact and winning their faith.

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