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A DETAILED STUDY ON THE VARIOUS FACTORS THAT MAKE THE DIFFERENTIATION IN THE SALES PROMOTION PRACTICES AND CRM ACTIVITIES AT SELECT RETAIL OUTLETS IN MYSORE CITY

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ABSTRACT

The promotion of economic activities offered by business to its clients in services marketing has become important in the recent times. Service marketing include the process of selling telecommunications, health treatments, financial, hospitality, car rental, air travel, haircut, counseling by lawyers and professional services. If we take any of the areas mentioned or otherwise, there will be services factor included in this. Some long years back, the service sales promotional factors were only found more evidently in the industrial goods than fast moving consumer goods or perishable items. A few decades back of what customer relationship management used to be for the high involvement products & that which has a low brand differentiation, has now started emerging even in the convenience goods & eatables. The growth in the competition & the technology improvisation has given rise to the demand in the sales promotional factors in more or less for every industry today. The differentiation was a part of the marketing before & also in the present context. But in the present marketing strategy, the organizations have to rely mostly in the way they offer services and sales promotional practices of their products in short & at large to the customers. As one of the popular saying goes "history repeats"- the companies have to sustain the present competition with sales promotional differentiation. The fact that the technology improvement goes hand-in-hand with service aspect is evidently seen in the recent time because of fast changing requirement of customer's expectation and awareness.

KEYWORDS

competitive advantage, customer relationship management e-service, Sales Promotion.

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INTRODUCTION

The historical perspective in the late-eighties and early-nineties, focused on creation and possession of wealth. Classical marketing executive's contended that goods were objects of value over which ownership rights could be established and exchanged the technology product and create awareness. Ownership implied tangible possession of an object that had been acquired through purchase, barter or gift from the producer or previous owner and was legally identifiable as the property of the current owner. This barter exchange very slowly started with intangible things adding to the product. Services marketing according to "American Marketing Management" is defined as the process of conceptualization of ideas goods & services which create exchange & that satisfy the individual & the organizational goals. India from the larger perspective has been fast changing & an ever growing market or economy. The features that the Indian market is concentrating more are the people, process & the physical evidence which are a very important factor for the success of the organization. The only reason being the ever changing requirement of e-services of retail outlets amongst the customer's requirement & a cut-throat competition. The business at large and more so the marketing activities start with the product, price, place & promotion. These are called the 4 P's or the marketing mix. It is evidently seen that these 4 P's are good for the tangible products but the service sector requires professionalism in terms of the kind of training given to the people (employees), process (fastness) & the physical evidence (brochure), the main reason being the intangibility characteristics in services industry in the initial stages of creating awareness and acceptance in marketing, the organization used to give advertisement & in today's world, no doubt that it is one of the major successful formula, but this might just not be sufficient to have competitive advantage but what is even more required is the. Therefore, the companies would have to concentrate on the kind of training that it imparts to the employees, the fastness in work that it has due to the research conducted and technology so as to show the people with brochure as physical evidence. But for all such requirements, the employees should be benefitted both on the basis of monetary and non-monetary benefits. The other 3 P's actually become important for the competition. As such understanding the minds of the customer is difficult because, customer's mind is a black box, cannot find out what's running in the minds of the customers as such. Therefore, it is said in services marketing especially the retail sector, that "instead of being a part of the problem, it is better to be a part of the solution". You should always make the first conversation comfortable so that half the battle is actually won in the beginning. The atmosphere in the retail outlet should be comfortable and it should create an atmosphere for the employees to work and help them motivate. Some of the examples are the hospital industry, the hotel industry, insurance sector, manufacturing sector etc., Customer's requirement mainly depends on the literacy level, either from the previous usage & looking for further improvement or from the technology itself. Services have become a part and parcel of every day's ever changing demand and challenge for the organization. Out of the three 3P's one of the angles is that the understanding of the employees towards the job and the job satisfaction is also equally important. The categories mainly depend on the brand differentiation or the involvement. It is like a high involvement product with low differentiation requires the expertise of the company's personnel sensitizing the nuances of its working. The significance of this is so much, without which many of the features in the service sector might not be utilized. Some of the points mentioned as factors are so very important that it never takes the significance due to the characteristic of intangibility. Services are intangible and the commitment of the employees is so important it can reduce the turnover the employees. Often time-based, performances bring about desired results to recipients, objects, or other assets for which purchasers have responsibility and mostly the educated customers. In exchange for money, time, and effort, service customers expect value from access to goods, labor, professional skills, facilities, networks, and systems; but they do not normally take ownership of any of the physical elements involved. This also calls for the developing of interpersonal skills and not only requires training but also re-training and post training intervention of the executives towards the employees. Even though the quality of the services cannot be defined or measured, an attempt should be made to ensure that a tracing of a good and service is provided. The inclusion of information technology in most of the retail outlets has given rise to a quick response, which is important for the customer service. At the same time, there should be a balance between how much of money is being spent on it and also the returns of investment in the current scenario is heading towards cashless transaction, either in the form of straight away the virtual money or it can also be in the form of customer loyalty. Marketing should look towards more of multiplication rather than addition. Even though addition of customers is important in the beginning, attracting the customers through service multiplies. Especially it looks to be evident in the retail industry that information flow that would help the promotional activities is an important element of e-services. That in the present context due to introduction of

the electronic and internet technology has created the awareness along with desire to an extent that the customers have started to find those technologies to be of a great advantage concerned with the time factor. The business has increased in the form of online orders which has given a thrust to the retailers in the form of preference of services which would make the service providers accessibility far easier, the form of rendering the services which is essentially the vital role of the retailers, is generally not found in unorganized retail sector, which they consider it to be a part of service providing. By taking up these kinds of activities, not only the sales promotional activities get included but also the inclusion of customer relationship management.

LITERATURE REVIEW

1. The author studies and evaluates relationship between attitudes towards monetary and non – monetary incentives with employee motivation at individual level. This study suggests the alternate methods to enhance the effectiveness of traditional incentive schemes. (Nandanwar M.V., Surnis S.V., Nandanwar (L.M. Year: 2010)
2. There are few retail sectors where the atmosphere has a major factor for the motivation of employees i.e. employees would just want friendly co-workers and helpful management team. The incentives and salary plays a slightly lower role in such places (Russia, Europe). (Author: Patricia, Huddleston, Year: 2006).
3. This paper studies the understanding of employees towards their job satisfaction. The result is said to say that interesting work and good pay are key to higher employee motivation. (Author: James R. Lindner, Year: 2000)
4. Porter, L. W., Steers, R. M., Mowday, R. T., & Boulian, P. V. (1974). Organizational commitment, job satisfaction, and turnover among psychiatric technicians. *Journal of applied psychology*, 59(5), 603.
5. Gist, M. E., Stevens, C. K., & Bavetta, A. G. (1991). Effects of self-efficacy and post-training intervention on the acquisition and maintenance of complex interpersonal skills. *Personnel psychology*, 44(4), 837-861.

NEED FOR THE STUDY

The importance of this service marketing is because, in the present context of the marketing competitions, the uniqueness of their practices and process has become more evident so that this differentiation could attract the customers to go to the retail outlets in which they would feel comfortable. As the research gap is to make sure that the present process and its working is on the basis of internet technology which is being put to test in the recent time and more than that in the present outbreak of the pandemic situation, the online ordering of the items and goods have increased multiple folds. At least previously, the display in the retail outlets used to attract the customers, but in the present situation, the display has to be done only to show as a physical evidence to the customers. Therefore, the fact that the differentiation in the situation that is prevalent should be considered for the study and hence the analysis so got should give that competitive edge to the retailers.

OBJECTIVES

1. To evaluate the quality service factor and price in organized retail sector at Mysuru city.
2. To assess the demographic factor and consumer behavior in organized retail outlets at Mysuru city.

HYPOTHESIS

There is no significant difference between quality service and the price.

RESEARCH METHODOLOGY

The focus of the research is to expand the knowledge on the current issues through the collection of data which is done on the basis of primary collection. Descriptive study describes the behavior of the sample population and therefore the data collection is done at only few select retail outlets of Mysore city. The variable that is taken for the study is the quality service and the other being the price. A structured questionnaire was prepared and with a defined sample size, it was distributed and the filled questionnaire was recorded in the excel sheet for further process and analysis.

RESULT AND DISCUSSIONS

According to the survey conducted, there can be many factors that are considered to find the satisfaction of the customers to those particular retail outlets, starting from parking of the vehicle to the quantity. Typically, two factors namely the quality service & the price in a small retail outlets located at Mysore is taken for the study & the inference is as follows:

X represents number of people acknowledging for quantity & Y represents price branded commodities in rupees. The data so collected is through questionnaire distributed to the customers in Mysore Karnataka. The same is depicted in the form of a tabular column.

TABLE 1

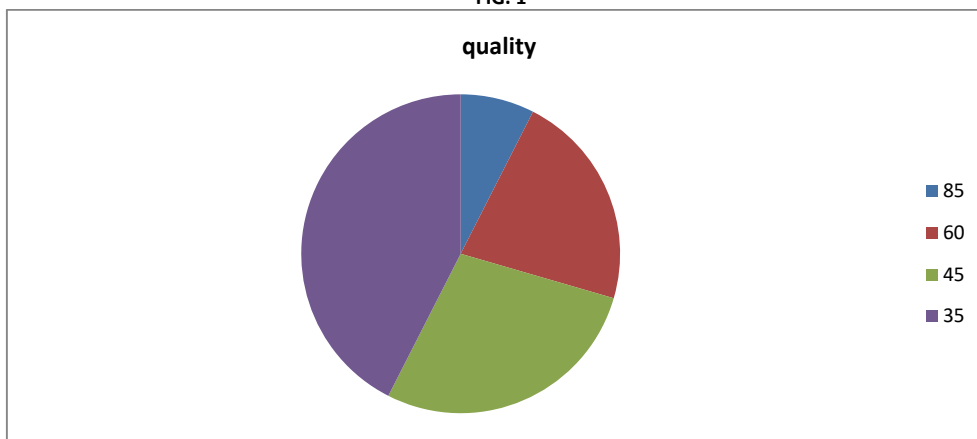
X Value	Y Value	X*Y	X*X	Y*Y
15	85	1275	225	7225
44	60	2640	936	3600
56	45	2520	3136	2025
85	35	2975	7225	1225
200	225	9410	12522	84075

Now, Substitute in the above formula given.

$$\begin{aligned} \text{Correlation}(r) &= \frac{N\sum XY - (\sum X)(\sum Y)}{\sqrt{[N\sum X^2 - (\sum X)^2][N\sum Y^2 - (\sum Y)^2]}} \\ &= \frac{(4)(9410) - (200)(225)}{\sqrt{[(4)(12522) - (200)^2][(4)(84075) - (225)^2]}} \\ &= \frac{(37640 - 45000)}{\sqrt{[50088 - 40000][336300 - 50625]}} \\ &= \frac{-7360}{\sqrt{10088 * 285675}} \\ &= -0.134 \end{aligned}$$

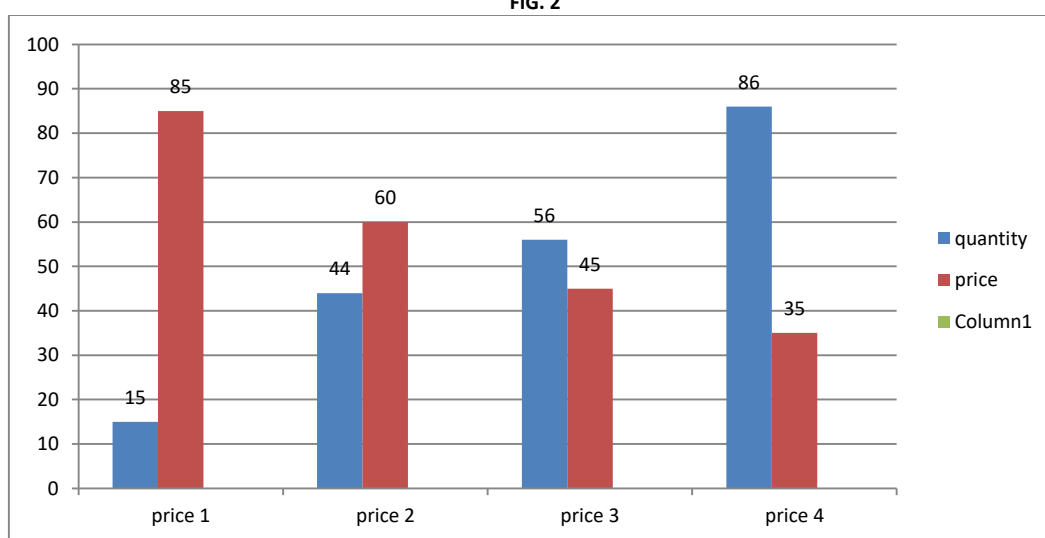
The number above signifies that the quality & price does not have a strong correlation. Further it is that the permutations & combinations of quantity & price would take a deeper study, in the sense that few of the possibilities are one being customers in Mysore are looking at same quantity but may be at a lesser price or another possibility is that, they may be ready to pay little higher but require a much better quality. The negative correlation in the calculation is a far stronger evidence for the same.

FIG. 1



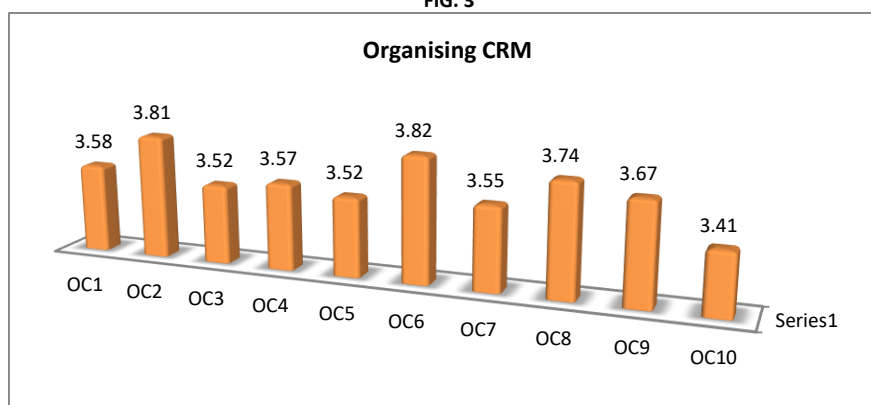
The same table is shown in the form of a pie chart. As seen in the pie chart, knowledge of the quality of commodities is known to 85% of the population as such. The survey also tells that the other extreme of 15% are not that quality conscious. This is to infer that the entry of the branded products and in particular to the retail outlets have made a difference in the buying pattern and also made an impact in the minds of the people about the brand conscious.

FIG. 2



According to the above Fig., the demographical characteristics are no different from that of the normal consumer behavior. As the price of the commodity increases, immaterial of the quality of goods, the number of customers & the retail outlet preference is definitely selective. If we look at the last histogram, as the price reduced, the number of customer's increase. But as all ways, the quality of the retailers is always questionable even though. As such, in any goods related industry, it is very difficult to measure the justification of the quality of services & for the kind of price that is being paid. If we go little deeper into the subject of retailing, the quality of goods is measured in terms of profitability that is available made through the use of technology. But it is difficult to measure the sales volume. One other factor is that the price of perishable items fluctuates every day which the retailers also depend on the demand in the current scenario & the same cannot be changed in the items of display, so frequently. All that may differ mostly likely is that of the quantity of the food but even that also cannot be changed to such an extent, that it is noticeable. Having an understanding of its inventory, because vegetables being the perishable item, maintaining the consistency is far more a challenging task and many questions turned unanswered. That may be the reason for the graph showing its concentration of quantity and quality at the middle giving indications that, it is value for money. At the same time the correlation analysis shows that a negative relationship between quantity of food to price, meaning the two extremities of price being too high or price being low are not acceptable by the local customers. Elsewhere, the market responses might be different with the graphical structure and behavior also. Therefore, customers here are not looking at quantity & price as a factor for their responses. In any case the service industry as such is quite lucrative and customers might probably be looking for some other factors. These are the indication of the change in the preference of the customers & the industry or the individual's business houses should react, so does the likes and preferences. Few more cases for support the sales promotional activities and their Customer relationship management activities taken are depending on the local factors and little degree of freedom for adaptability.

FIG. 3



The above Fig. represents Organising CRM as one among the performance dimension of CRM. From the Fig. it is found that the variables like Chats and e-mail to keep customers record on real time, integration is social medias like Facebook, Instagram, regular updates on Marketing campaign activities, easy access of executives on system upgrades determine managing knowledge among the retailers. This graph is the output of the customer relationship management showing the mean of the population who have knowledge about the sales promotional activities taken up by the retailers, though it does not reflect straight on the customer relationship management, it definitely has a direction showing the development towards CRM. As such sales promotion is done keeping in mind the coming back of the customers to the same retail outlets. Ultimately every organization looks at making sales volume as their priority and thereby the profitability.

FINDINGS

1. It is found that customers are becoming more conscious than before on the basis of the quality and the price they are paying for the services, though it is slightly higher for the quality services
2. Presently, customers are looking for better and more variety of product and product lines with the retailers and their preference on these variety products have increased substantially.
3. It is still found that the customers are cautious about the price factor and they don't like to spend much on the premium products, it might be because of the tier-II city socio-cultural background.
4. The promotional activities and the point of purchase display though not significant in a place like Mysore, an attempt is made by the retailers to keep the articles which would look attractive.

RECOMMENDATIONS/ SUGGESTIONS

1. The differentiation that is made in the sales promotion can be enhanced to a much better and newer methods that suits the present generations preference like a sudden announcement of discount sales in a particular duration of time
2. The significance of the cultural/ festival projections at the entrance of the retail outlets and their promotional activities for that particular festive, will ensure the sales of certain goods in those seasons.
3. More of online-line promotional activities should be taken for both the display of the products and also the order processing's, so that customers who are unable to visit the retail outlets are also aware of the availability of those variety of products
4. The frequency of these redeemable coupons can be increased in its promotions so that the customers visit to the outlets will also be frequent and thereby will enhance the sales of the products which would instill the impulsive buying behavior also.

CONCLUSION

The increase in the professionalism and a good education in almost every sector & especially the service sector has become so competitive, that unless otherwise, these features are added to the core working pattern, the success of the company will be at stake. The pattern of service emerging from this industry is in transition phase & will take some concrete shape in the days to come. Some of the organizations like the café coffee day has trained employees to treat the customers with salutation in the beginning because the punch line of CCD itself is "lot can happen over a cup of coffee", this is one such instance where, the important meeting of business people takes place & thereby the channelizing of the same customers coming back to the shop also increases. In turn this helps in developing customer relationship management (CRM). In today's perspective, the companies are fighting hard to develop the loyalty of customers. At this point in time, it becomes even more important for the organizations to make the customers feel that "they are the king". By doing so, not only the loyalty increases but also the brand image of the organization also builds up. The indications at least now seem more clear that the service factor simply cannot be neglected but somewhere a thin line has to be draw to ensure that marketing activities & operational factors have balance that is presently required. May be in the initial stages of marketing of what we call it to be the primitive age, the service factors such as installation, maintenance etc. were given less importance. But as and when the times passed, it started becoming clearer that the service factors surfaced more quickly than anticipated. Presently, the services factors have become evident and some of these factors on which the survey conducted showed that pricing as a factor could increase, but a quick serving of food with the right quantity and quality is taking the prime position. All these indications are clearer that the services factors in the near future will give the organization, the required competitive advantage. A faster adoption of these factors will help the companies to sustain for the short defined objectives and never the less the organizations can define the objectives for a long term. At the same time the companies should continue doings its core business with little modifications on the service factor, which is the call for the day.

LIMITATIONS

The prior studies regarding the sales promotion and the customer relationship management in Mysore city has not been conducted and therefore, not much of the literature reviews were available, and that's the reason, generic reviews related to sales promotion and customer relationship management is considered for the study.

SCOPE FOR FURTHER RESEARCH

The study extents to the marketing area and as such it explores the study to specific parameters like quality service and price. Again between these two parameters, one of the other areas that get covered is the differentiation. When the competition becomes high, there should be differentiation in every step the organization thinks and that is how the customers distinguish the retailers and in turn makes the business possible so that the retailers are benefitted.

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A CASE STUDY OF PERFORMANCE APPRAISAL SYSTEM IN PUBLIC SECTOR AND PRIVATE SECTOR BANKS AT UTTARAKHAND

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ABSTRACT

An extension of banks' functions has also extended the obligations on employees' in the banking sector. Long working hours and overburden of work on an employee are resulting in the inefficiency of employees. All this truly results in failure of achieving organizational goals and rise in the issue of unjustified remuneration. Performance Appraisal System seems to a solution for all these issues in all public sector and private sector banks. The current study focuses on how most of the banks are following the latest objective oriented KRAs based appraisal system. The procedure and other important aspects of the study are covered through the collection of primary data by structured schedules with in-depth interviews. All Regional HR Officers and Chief Managers of the three public sectors and three private sector banks were considered as a sample. The research design is an effort to capture the real outlook of the current appraisal system in the public sector and private sector banks through case study survey method in area district Udham Singh Nagar of Uttarakhand state.

KEYWORDS

KRAs, performance appraisal system, public sector banks, private sector banks.

JEL CODES

G20, G21.

INTRODUCTION

The present spectacular banking system in India is not devised overnight; it took numerous decades for evolution. The Indian banking system is not as simple in a way as it reflects, it has manifold stratum. Now the banking system is not limited up to the financial transactions, credits, and financial facilities. Apparently, it increases more obligations of HR practices again to judge the temperament of these challenges and define the functions and responsibilities to counteract these challenges and grab different prospects.

Changing the banking environment and stiff competition is bringing a lot of unwanted pressure on its employees. Banks are facing two major challenges: risk management and workforce management. Long sitting hours, additional field work with the workload and fast pace developing digital banking without any perky growth is bringing dissatisfaction among employees or increase in attrition rate. A competent workforce is becoming scarce in both terms quantity as well as eminence. In case any of resource is getting deficit or requires compromises in quality. It should be properly maintained for the benefit of the public at large. Currently, scholars contradict that employee's perception, emotion and attitude play a vital role in determining the efficacy of a performance appraisal system. Indeed, appraisal reactions i.e. satisfaction, acceptability and motivation to utilize feedback, are cited as a trend in appraisal research during the past ten years in a recent review of the literature (Levy and William, 2004).

REVIEW OF LITERATURE

Performance appraisal activity in an organization is a mandatory and unavoidable task and it advocates that organizations with a higher aspiration for its standard aims must consider its human resource as higher valuable component (Abasilim, Ugochukwu David 2013). There will more chances of employee's better performance if employees will be aware of the consequences of performance appraisal positive & negative impacts. They may put more effort into the enhanced performance as better incentives and promotions depend upon their quality performance (De Nisi & Pritchard 2006)

Both public & private sector and accentuated the methods followed by both sectors in containing the talent with the organization for achieving organizational goals (Begum et al. 2015). Allahabad Bank has introduced a system that aims in assisting officers to make them aware of their strength and weaknesses and encourage the job improvement of performance. Employees' perceives greater fairness of performance appraisal system in private sector banks as compared to public sector banks (Shrivastava and Purang 2011). According to (Rao and Rani 2014) the fundamental aspects of performance appraisal errors and rating errors are foundation for analyzing the effects of rating errors on employee satisfaction and the interrelationship between them. Private Banks implemented modern techniques of performance appraisal far earlier.

PROBLEM STATEMENT

Banks are service-oriented organizations and the way staff members behave and conduct themselves in the public defines the growth of the bank and increase in the number of customers. It creates a need for banks to think and reinstate to monitor those competitive skills. Often public and private both banks were failed to decide the annual increment based on appraisal ratings on a regular basis consequently banks are left with no appropriate mechanism to recognize and compensate top-performing employees and poor performers. Though the goals are set at the beginning of the financial year, yet they end up with surprising results. The performance appraisal mechanism fails to attain many expectations. The fairness of performance appraisal and performance-based payment practices emerged as significant predictors of the commitment of banks' employees. Thus, the proposed study will strive to identify the variables contributing to performance appraisal practices.

RESEARCH OBJECTIVES

1. To study the current performance appraisal system of public sector banks and private sector banks.
2. To compare the performance appraisal system of public sector banks and private sector banks.

RESEARCH METHODOLOGY

The research design opted is a case study method, the current research design strives to accumulate greater insight into study matter. In current study district Udham Singh Nagar of Uttarakhand was considered as the universe for the study, in which all Public Sector & Private Sector banks were included. Primary and

secondary data both data sources were considered. The primary data was collected top three public sector banks and top three private sector banks were taken as a sample on judgmental sampling– Public Sector Banks: State Bank of India, Bank of Baroda, and in Private Sector Banks: HDFC Bank, Axis Bank, ICICI Bank. Whereas, the Regional HR Manager, Branch Heads and Chief Managers of public, private sector banks' employees' data was collected through without replacement sampling method. The primary data is collected through structured schedules with unstructured in-depth interviews.

RESULTS & DISCUSSION

Public Sector Banks Performance Appraisal System

The Performance Appraisal System in public sector banks is regulated as per the RBI guidelines, which is open for all to access. These guidelines define all norms and regulations apropos all aspect in the banking sector from HR policies to financial issues. Due to prominent human resource management related issues, these banks consider performance appraisal system one of the most crucial parts of human resource management in banks. It also helps to allocate a suitable person in the required place. The design of performance appraisal system comprises various sub-factors that need to be well thought-out while designing the Performance Appraisal System (PAS) components like format, responsibilities, and employees' participation are some prominently discussed issues. Most of the public sector banks follow *Key Resulting Areas (KRAs)* for the Performance Appraisal System (PAS) is used for measuring the individual performance. The PAS is based on appropriate KRAs for each employee. These KRAs are customized for each individual need to ensure the success of the performance appraisal process. These KRAs are properly synchronized among KRAs, employee's duties and employee's designation. Allocation of inappropriate KRAs can turn an efficient employee into inefficient. The headquarters design KRAs for almost every department separately. The headquarters are supposed to designs these KRAs at very outsized scale.

Evaluation Standards& Performance Criteria

All three public sector banks' were evaluating employees' outcomes on the basis of pre-defined standards. Each bank has already categorized the performance standards and each time an employee performs; he /she fall into a certain category. Most of the performance criteria are based on KRA's, which put objectives into three major outcomes: Performance related Quantitative criteria, Qualitative criteria, and budgetary criteria. The quantitative and budgetary can be put into the same category, but the only difference is budgetary is target based while quantitative is business based. Here qualitative is consist of the third part that cannot be counted or calculated in a numerical term like customer satisfaction, relationship building, and attitude with colleagues, etc. Automatic system or head offices enter the budgetary criteria.

Appraisal Purposes, Communication Frequencies and Procedures

All public sector banks were evaluating employees' for the promotion purpose, but even this purpose is limited for senior employees'. Another purpose is preparing a report of the employees that can be used on the later career stages of employees for various decisions. All banks are primarily promoting open door policies and direct communication among superior and subordinates. The performance appraisal system is conducted in all three public sector banks understudy annually. KRAs are decided at the beginning of every financial year after reviewing past ratings. The KRAs sustains until the end of the corresponding financial year. According to Regional HR officers the order for a procedure starts in two phases: The objective settings with rating distribution and employee's participation with post appraisal behavioral survey.

- Under the entire process, the KRAs are designed and decided at the headquarters level and then sent to the regional office, without any alteration in it.
- Regional Offices sent it to offices without any further changes.
- Only regional offices have the authority to rectify the headquarter decisions.
- After regional offices branch offices are the next stoppage for KRAs where branch manager distributes it among all the respective employees.
- Employees passively accept the performance appraisal targets, if he/ she found any hassle in it than he/she can send a request through proper channel for reconsideration.

The performance ratings are distributed generally in the first quarter of every financial year, where system ratings are automatically allocated to the individual based on their performance against KRA's, although division for distribution of KRA has been done at the head office level. A proper meeting is held for discussion regarding each individual KRA's & ratings. At this stage discussion also takes place about the shortcoming of performance and characteristics of KRA.

Employees' Participation and Post Appraisal Treatment

In the regular course of action, the subordinate can meet the superior whenever he/she feels any hassle in work. But, there is no procedure for formal face to face interaction in all three sample public banks during the process. There are proper appeal systems for the employees to appeal if they feel any injustice in the performance appraisal system. Thus, to overcome this limitation there is a proper system of appeal exists. Through the proper channel, any individual may appeal to regional offices regarding incorrect KRA's. Even Post Appraisal Attitude Survey system subsists to address the employee's satisfaction issues if it is related to the appraisal system. Superior and subordinate both plays an equally prominent role in performance appraisal system, all responsibilities are bear up by employee since the insertion of KRA's till the end actually. All public sector banks understudy provides proper training of evaluation regarding rating to raters for reduction of biasness in the rating process.

Performance Appraisal System in Private Sector Banks

Though private sector banks also come under RBI mandates, they must adhere all guidelines issued by the RBI, still, due to their ownership, they contain some autonomy in their hands to carry out the functions for maintaining profitability. All private sector banks are putting outstanding efforts in designing and opting the best performance appraisal system for the timely accomplishment of goals and objectives by linking them to the individual's goals. All private sector banks are exercising KRAs like public sector bank, their design has large variations in themselves. All three private sector banks understudy has well-defined and articulated performance appraisal system based on KRA. In which there are two broad categories of KRA's: quantifiable & non-quantified.

Evaluation Standards& Performance Criteria

The evaluation system of PAS in private sector banks understudy contains variations even though they all belong to the same fraternity. KRAs are categorized on the basis of score or marks in all banks (including banks understudy). All private banks have categorized the score on the basis of their own convenience in some categories, in some banks it is in quantitative calculated in terms of marks while other it is being calculated on the basis of non-quantitative category. All banks have distinct the criteria for performance as per their policies and procedures, i.e. In the first sample bank performance is directly linked with revenue and operational. This directly categorized into the financial and non-financial category. Quantitative parameters explain targets and activities in numerical form on the other hand non-quantitative is a concern with additional activities that are related to behavioral terms specifically.

Appraisal Purposes, Communication Frequencies and Procedures

Incentives and promotion are being directly linked to the performance appraisal system in all private sector banks understudy. The primary purposes of performance appraisal in private sector banks are promotion & increment (whereas the degree of relatedness varies from bank to bank). The banks, have an open communication system, a separate meeting for discussion of performance objectives is called and handled by the manager or branch manager. In which all subordinates participate actively. But, the rating and evaluation of the appraisal system are discussed in a closed system. The input of all performance related data takes place throughout the year but ratings of evaluation process occur once in the year. At the beginning of the financial year branch manager and HR collectively sets the performance objectives for all employees. In all three sample bank, there was no legal issue is involved. KRA's (objective sets) is bases along with all behavioral outcomes for employees rating. Discussion regarding performance rating may vary from person to person.

Employees' Participation and Post Appraisal Treatment

If the individual feels keen desire to interact than the individual can go through proper channel & get connected to authorities through video conference. On time of outcome discussion meeting, the individual may get equal opportunity to defend oneself. Self-appraisal concept has adhered in the other two private banks understudy. The employee needs to input some of the dates at rating phase but it cannot be considered as a self-appraisal. When an employee feels unsatisfied with results and feels that do not feel fair, there is a system to inform to appeal about injustice or some ambiguity in KRA's outcomes. There is only one private bank that handles their post-appraisal queries and issues actively.

It is observed that employee does not get an opportunity to attend the post-appraisal meetings or there is no meetings takes place in all sample private banks understudy. They do not get an opportunity in the appraisal system to share their any opinion or influence their decision. All banks handle the deployment of employees' responsibility differently. In all three private sector banks, superior takes no responsibilities in the performance appraisal system. In all three banks reductions of biasness is being actively handled. But, in the first sample private sector banks a moderation committee exists. The moderation committee checks the rating and if they find something unsatisfactory the superior may be called for discussion. Whereas in the other two sample private banks, there is no such type of committee.

FINDINGS

The cross-bank analysis—a summary of the key findings of the multiple comparisons of performance appraisal system in public sector & private sector banks.

Research Objective	Performance Appraisal System Features	Public sector banks	Private sector banks
Design of the appraisal system	Appraisal format	i. Performance is KRA based: Well-defined and specifically customized as per each individual job profile, department & section. ii. Fully Online & Fully automated	i. Performance is KRA based: Well-defined and specifically customized as per each individual job profile, department & section. ii. Fully Online & Fully automated
	Evaluation benchmark	i. Grade "AAA" or "Excellent" to "E" or "Poor" ii. based on marks out of 100	i. Ratings are provided on like 1 to 5. ii. On the basis of percentage iii. Out of 500 marks
	Performance criteria	Quantitative, Qualitative and Budgetary	Financial & Non-Financial
	Appraisal purpose	i. Achieving organizational goal ii. Promotion (limited only for seniors) iii. No link with incentives, bonus, and T&D	i. Achieving organizational goal ii. Promotion & incentives (completely linked for all) iii. No link with Training & Development
	Communication	i. Open System ii. Depends on employee	Open System for KRAs but for ratings it's closed
	Frequency	Annually	Annually (break in monthly parts)
The procedure of the appraisal system	Performance objective setting process	At the beginning of the financial year i. Head Quarters sets objectives sent it to Regional Offices than Head Offices to Branch Offices, where employee accept it passively ii. None of the employees takes part	At the beginning of the financial year i. Head Quarters HR and Branch Head collectively set ii. Employees are not involved at this stage
	Distribution of performance rating & explanation	At the end of the financial year i. Allocated from Head Quarter or System generated so no explanation required ii. In one bank manager sends it secretly so no explanations iii. In one bank understudy employees also do self-appraise KRAs	At the end of the financial year i. Allocated from Head Quarter or System generated so no explanation required ii. In one bank manager sends it & no explanations
	Employee's participation & Feedback	If feels he/she can discuss KRAs i. Equal opportunity for employees ii. Feedback is also expected	Employees equally participate in the evaluation meeting
	Appeal system	Employees can appeal if they feel unsatisfied	Proper grievance redressal committee is formulated
	Post appraisal attitude survey	It occurs once in a year	No there is no post-appraisal meeting
	Manager & employee responsibilities	Manager responsibilities	Equally responsibilities from the insertion of KRAs
Employee responsibilities		Passively accepts the KRAs, they have to achieve it accordingly	All responsibilities after once KRAs allocated
Reducing manager biasness		Proper training is provided to raters for reduction of biasness	Moderation committee exists or explanations call could be done by HR for unjustified ratings

RECOMMENDATIONS/SUGGESTIONS

All banks either its public sector or private sector cases following objective based on KRAs based. Despite banks are pursuing the latest performance appraisal systems as reflected by the above table. Still, there are many gaps in the expected outcome and actual outcomes. To bridge the gaps following are the suggestions:

- ✓ **Modification in Procedure of Setting Objectives:** All sample banks understudy, either its public sector or private sector sets objectives on PAN India basis. That leads to the absence of employee-centric KRA's. A very minuscule modification that employees' portal should be open for a bit longer after the complete evaluation process. So they can also put suggestions in their new KRA for avoiding complications at later stages.
- ✓ **Feedback Frequency & One on One interaction:** The feedback for the whole process occurs once in a year, which escorts piling-up all issues together. Due to several issues together, it is difficult for an employee to narrate as well manager for handling them. Regular meetings related to visiting KRAs can resolve this by one issue at a time. On the other hand, face to face interaction may reduce discrepancies in thought related to KRAs bring & more cohesiveness in employee and manager.
- ✓ **Biasness & Injustice reduction:** Formulation of biasness reduction committee like in one sample bank is a good initiative that should be followed by all banks. On the other, a standing committee should also be there to handle employee's issues at random.

CONCLUSION

Despite some minor loopholes, the current performance appraisal system followed by banks is suitable for all. Only after reconsidering the minor issues like Changes in procedure of objective setting, increase in feedback frequency, eliminate the lack of any feedback, defined authorities of managers for employees in appraisal responsibility and healthy discussions for further improvement in performances. These are some alteration that can make the current appraisal system more efficient. The current demand of banking sector ought to revisit all the deprived areas for allocation of suitable ratings to each individual. To boost employee morale and it can contribute to the organizational goal.

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IMPACT OF COVID-19 ON RETURNS OF LARGE, MID AND SMALL CAP STOCK INDICES OF NATIONAL STOCK EXCHANGE

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ABSTRACT

The world had noticed that pandemic and the coexisting economy is very practically identical to the distinguish among wellbeing and abundance at large. India had witnessed the lockdown since 25 March 2020 due to which stock market was badly affected because of Covid-19. This paper has analysed the movement of Indian stock market with large, mid and small cap stocks during Covid-19 pandemic. This study has come across time series analysis using multiple regression analysis and E-garch using data from Jan 30, 2020 to Nov 27, 2020. This study uses the data of Covid-19 related daily confirmed cases, death cases and closing prices of nifty 50 for large cap, midcap 150 for mid cap stocks and small cap 250 for small cap, used lockdown dummy variable and 20 lakh crore also used as other dummy variable for better analysis of the study. The results of the research suggested that Covid-19 confirmed cases are manipulating index performance of the stock. We can witness that the increasing pace of the confirmed cases, the economy caused significant damage, reflected by the Indian economy being decreased due to which the stock exchange experienced fall in nature.

KEYWORDS

E-Garch, Covid 19, lockdown dummy variable, confirmed covid cases.

JEL CODE

I15

INTRODUCTION

The contagious of Novel Coronavirus (2019-nCoV) or COVID-19 initially arose in December 2019 in Wuhan City, Hubei Province of China (WHO, 2020). It immediately stood out enough to be noticed of the world because of its huge spread in January 2020 because of its speedy spread contrasted with different sorts of Covids. The reaction of Chinese government towards the new infection was the finished lockdown of the focal point of the sicknesses, the Wuhan city which later demonstrated as a compelling proportion of controlling the pandemic everywhere in different nations of the world.

Many countries like U.S, London, Russia and India were badly affected by the spread of coronavirus and affected their stock market. Globally lockdown was implemented in the countries so that people should not be affected and spread of virus should be decreased which resulted in decrease in number of sales and affected the stock market. Only essential commodities were allowed and people should maintain physical distance. As of now 84.1 Million cases were registered globally due to which most of the countries were affected during the coronavirus spread and more than 170 countries were affected as a result of this disease declared by WHO.

This pandemic not only affected the stock market but also to the other industries in the country. This impacted to the stocks which were high during the pre covid-19 era, came down to lower prices due of pandemic attack to the stock market.

Sustainability factor lies in every research analysis for the study. In this sustainability factor plays a major role with the covid-19 as well as stock market. Sustainability is related to the stock market and Covid-19. Here this factor was coming in to light because market was down due to sales and operations of the company and Covid-19 affected the people all over the world which affected the stock market. It was an unexpected slowdown to the market which was affected by the coronavirus. Due to which interest rates came down and most of the government gave stimulus packages to the people, In India the central government gave 20 lakh crore packages for the benefit of MSME's and to the people and made tax lay off during the period. FDI inflows were decreased due to fall of market in which company shares went down except few companies like Reliance Industries, Pharma sector and other sectors like IT and FMCG because these were not affected due to Covid. Inflation increased and interest rates went down which created panic for the investors that created not to invest in the market which result in downfall of the large, mid and small cap stocks in the National stock exchange. With above mentioned factors sustainability was going down during the lockdown period. Within few weeks when, stock market was showed uptrend market and other economic factors were recovered with in the pre-covid era then sustainability was showed some good performance in the stock market where investors did their investor activities through online platforms during the pandemic period and increased the sales and revenue in the industry.

For this study I had considered the Nifty 50 for large cap index as it consists of diversified 50 stock index for 13 sectors of the economy. Nifty Next 50 had been considered for 50 companies from nifty 100. For midcap I had consider midcap 150 companies for the performance of mid cap stocks similarly small cap I had considered 250 for the performance of small cap stocks. Daily confirmed cases, daily death cases are considered for the study. The objective of the study is to determine the response of National stock exchange against the Covid-19 pandemic in which the performance of the market was affected. It has been studied that the daily confirmed cases hypothesized the performance of the stock market.

STATEMENT OF THE PROBLEM

As we were aware that the pandemic situation created huge loss to the stock market and living conditions of the people living in this country. This created the negative impact on the stock market during the covid-19 pandemic. The stock market went down during the covid-19. This pandemic not only affected the stock market but also to the other industry in the country. This impacted to the stocks which were high during the pre covid-19 era, due to which came down to lower prices because of pandemic attack to the stock market.

REVIEW OF LITERATURE

Cristian and Stefan (2020) investigated the Effect of COVID-19 On the Stock Market and Potential Investing Strategies has dismembered the effect of Covid 19 on monetary trade by researching different industry, for instance, development, travel related industry, gold. The examination has been exact in nature and assumed that the pandemic had affected in short run anyway. Liu and Manzoor (2020) examined the COVID-19 Flare-up and Affected Countries Stock Markets Response has had focus on impact of crown erupt in 21 impacted assistants. They have contemplated that the scene has immense negative impact on monetary trade of affected country and can cause fast fall in stock expenses and return. The examination has used event study procedure and future board fixed effect backslide system and both of these methodologies supports the end. Sansa (2020) had examined that "The Impact of the COVID - 19 on the Financial Markets: Evidence from China and USA" have applied basic regression model to discover the impact. Scott.et.al. (2020) in their paper depicted that the Phenomenal Stock Market Impact of COVID-19 has utilized the content based strategy to portray the extraordinary impact of crown episode on the US financial exchange. The exploration proposes that administration limitations on business movement and purposive social removing, working with incredible impacts in an administration arranged economy, are the principle reasons that the U.S. stock market is confronting extraordinary impacts than the past pandemics in 1930, 1958 and 1968. Ding and Xie (2020) stated in their investigation that corporate insusceptibility during the COVID-19 pandemic. During the principal quarter of 2020, they utilize the information

of more than 6, 000 firms from 56 nations. The discoveries of the investigation propose that the organizations with more grounded pre-2020 accounts, less openness to the pandemic, less settled in chiefs and higher social obligation exercises confronted a mellow pandemic instigated drop in the stock cost. Alfaro and Schott (2020) presented constant investigation of firm-level stock and total returns during the COVID-19 pandemic. They endeavour to clarify the unforeseen changes that are happening in the COVID-19 direction contaminations are anticipating the profits of the US financial exchange. In view of an example of 4, 070 firms recorded in the United States and taking information from Yahoo Finance and Bloomberg. Daniele and Quarato (2020) in their examination dissect the family proprietorship during the COVID-19 pandemic. They test how the consideration of families in administration and proprietorship influences the monetary execution of the organizations. Corbet and Lucey (2020) they looked at the infection impact of the COVID-19. They suggest that the Chinese monetary business sectors since the start of the COVID-19 pandemic served the job of the focal point of both monetary and actual disease. During the time of the colossal monetary emergency, the connection among Bitcoin and Chinese securities exchanges have in the long run evolved. Schoenfeld (2020) examined that to evaluate the factor of danger with regards to monetary business sectors and pandemics. The examination utilizes COVID-19 pandemic as a characteristic trial to decide how monetary business sectors react to the enormous scope pandemics. Estrada and Lee (2020) stated that the money related and monetary impact of the COVID-19 pandemic. A wise model has been figured in this assessment which helps with understanding the instances of spatiotemporal of occasion of COVID-19 kind of disorder and its recommendations and significance towards the financial business areas. Ashraf.et.al (2020) they examined that the impact of Islamic Equity Investments (IEIs) affected during the COVID-19 pandemic. This also analyzed by using the S&P Down Jones which is used as case on IEI's. The disclosures give evidence that supporting preferences are given by IEIs during the market rout and the examination suggest that supporting focal points come at an additional cost. Maijamaa and Daniel (2020) they examined that the outcomes were reflected as unlucky and high uncertainty in stock returns during the COVID-19 period in Nigeria. They used Quadratic GARCH (QGARCH) and Exponential GARCH (EGARCH)models by taking dummy variable as the case, and applied to the stock returns which showed that the COVID-19 impacted the stock returns in Nigeria negatively. Noor Alam and Chavali (2020) they expressed that India has a hearty securities exchange that responds a lot well to the worldwide circumstance. current market costs not just reflect data about chronicled costs of stocks, yet in addition reflect data, which is openly accessible. Al-Awadhi.et.al (2020) they used the board information examination to test the impact of the COVID-19 infection, which is an infectious irresistible illness, on the Chinese securities exchange. The discoveries show that both the day by day development altogether affirmed cases and in absolute instances of death brought about by COVID-19 which impacted stock returns negatively. Alsaifi and Salama (2020), they stated that the corporate meeting rooms the world over, environmental change has immediately ascended to turn into a significant issue, coordinating public concern. Corporate administration has experienced partner strain to uncover more data about their carbon profile and their arrangements to improve it. Ozili.et.al (2020) they stated that the spread of the infection empowered social separating which prompted the closure of monetary business sectors, corporate workplaces, organizations and occasions. Second, the outstanding rate at which the infection was spreading We center around the period from the beginning of 2020 through March when the Covid started spreading into different nations and markets.

OBJECTIVES

1. To analyse the impact of Covid-19 on returns of large, mid and small cap stock indices of National stock exchange.
2. To access the effect of volatility on large, mid and small cap stock indices during Covid-19 period.

RESEARCH HYPOTHESIS

H₁: There is significant impact of covid-19 pandemic on performance of large, mid and small cap indices of NSE.

H₂: There is effective volatility due to covid-19 pandemic on performance of large, mid and small cap indices of NSE.

METHODOLOGY

This research is an analytical research which aims to prove the impact of Covid-19 on returns of large, mid and small cap indices of National Stock Exchange of India.

SELECTION OF VARIABLES

TABLE 1: CLASSIFICATION OF VARIABLES

Name	Type	Measurement
Nifty 50	Dependent Variable	Daily closing price of the index
Nifty Next 50	Dependent Variable	Daily closing price of the index
Mid Cap 150	Dependent Variable	Daily closing price of the index
Small Cap 250	Dependent Variable	Daily closing price of the index
Daily Confirmed Cases (DCC)	Independent Variable	Frequency of daily positive cases
Daily Confirmed Death Cases (DCDC)	Independent Variable	Frequency of daily death cases.
Lock Down	Dummy Variable	1=25 th Mar- 27 th Nov 2020 (Post lockdown period) 0= 30 th Jan – 24 th March 2020 (Pre lockdown Period)
20 lakh cr package	Dummy Variable	1= Announced date for the package on 12 th May 2020. 0 = Assigned for other dates.

For this research study, Nifty 50 daily returns are considered as Large cap

Mid Cap 150 daily returns are considered as Mid Cap

Small Cap 250 daily returns are considered as Small Cap.

DATA COLLECTION METHODS

Nature of Data- The Data for the purpose of this Research is considered to be Time Series.

Data Period-Data were collected on a monthly frequency from 30th January2020 to 27th November 2020.

Source of Data- Data was collected from these sources. Daily closing prices of these indices which are Large, Mid and Small Cap stock indices are collected from NSE site. Nifty next 50 data also collected from NSE. Daily Covid-19 confirmed and death cases were collected from worldometers.info.

CONCEPTUAL FRAMEWORK OF THE STUDY

Multiple Regression Analysis:

The objective of the study is to determine the impact of Covid-19 on the performance of large, mid and small cap. The research model of this study has been presented as follows.

$$Nifty_r = \beta_1 + \beta_2 \text{ Lockdown dummy} + \beta_3 \text{ 20 lakh cr package} + \beta_4 \text{ daily confirmed cases} + \beta_5 \text{ daily death cases} + \epsilon_r$$

$$Nifty-Next 50_r = \beta_1 + \beta_2 \text{ Lockdown dummy} + \beta_3 \text{ 20 lakh cr package} + \beta_4 \text{ daily confirmed cases} + \beta_5 \text{ daily death cases} + \epsilon_r$$

$$Midcap 150_r = \beta_1 + \beta_2 \text{ Lockdown dummy} + \beta_3 \text{ 20 lakh cr package} + \beta_4 \text{ daily confirmed cases} + \beta_5 \text{ daily death cases} + \epsilon_r$$

$$Small\ cap\ 250_r = \beta_1 + \beta_2 \text{ Lockdown dummy} + \beta_3 \text{ 20 lakh cr package} + \beta_4 \text{ daily confirmed cases} + \beta_5 \text{ daily death cases} + \epsilon_r$$

In the above presented research model, Price return indicates that the daily closing prices of the stock exchange. For this model where

E-Garch: This models are appropriate when positive and negative shocks of equal magnitude but it might not contribute equally to volatility. EGARCH models provide an explanation for the so called leverage effect. It refers unexpected price drop increases volatility more than a Comparable unexpected price increase.

$$E\text{-Garch- } \ln(\sigma^2_t) = \alpha_0 + \beta \ln(\sigma^2_{t-1}) + \gamma \frac{u_{t-1}}{\sqrt{\sigma^2_{t-1}}} + \alpha \left[\frac{|u_{t-1}|}{\sigma^2_{t-1}} - \sqrt{\frac{2}{\pi}} \right]$$

Explanation of the variables used in the EGarch Model:

α_0 is the intercept for the variance and β is the coefficient for the logged GARCH term. $\ln(\sigma^2_t)$ is the logged GARCH term, γ is the scale of the asymmetric volatility,

$v \frac{u_{t-1}}{\sqrt{\sigma^2_{t-1}}}$ is the

is the last period's shock which is standardized?

$\left[\frac{|u_{t-1}|}{\sigma^2_{t-1}} - \sqrt{\frac{2}{\pi}} \right]$ is the parameter that takes into account the absolute value of last period's volatility shock. It replaces the regular ARCH term.

The EGARCH Model captures the asymmetric volatility through the variable gamma (γ). The sign of the gamma determines the size of the asymmetric volatility and if the asymmetric volatility is positive or negative $\gamma = 0$, i.e. no asymmetric volatility and $\gamma < 0$ negative shocks will increase the volatility more than positive shocks. $\gamma > 0$ positive shocks increase the volatility more than negative shocks.

DATA ANALYSIS AND RESULTS

The research is empirical in nature and the samples were collected on daily basis. The corona virus new cases and daily death cases were collected on daily basis. The daily prices observations of the samples viz. Nifty 50, Nifty Next 50, Midcap 150, Small Cap 250 were collected. The study period is fixed based which has major impact on stock. The above mentioned closing prices on prescribed date from were obtained from NSE India. The daily new cases and daily death cases were collected from worldometers.info

Initially, the log returns of the sampled data was computed in Microsoft excel by using the following formula.

$$R = \ln(P1/P0) * 100$$

In the above equation R denotes return, P1 denotes current day's price and P0 denotes previous day closing price of the stock. Ln represents the returns are log normally distributed. In order to test the data, we use measures like Multiple Regression and E-Garch are used for collected data sample.

Descriptive Statistics:

Table below exhibits the descriptive statistics regarding the time series data of daily confirmed cases, daily death cases, nifty return, nifty next 50 return, Mid cap return and small cap return during covid period on its daily returns, standard deviation, skewness, Kurtosis, Jarque- Bera test results with its significance.

TABLE 2: DESCRIPTIVE STATISTICS

Descriptive Statistics	DCC	DCDC	NIFTY_R	NIFTY_NEXT_R	MIDCAP_R	SMALLCAP_R
Mean	32365.9602	477.9055	0.0006	0.0005	0.0007	0.0006
Median	25571	479	0.0020	0.0024	0.0034	0.0025
Maximum	97859	2006	0.1131	0.0744	0.0942	0.1115
Minimum	1	0	-0.1298	-0.1164	-0.1303	-0.1241
Std. Dev.	31175.8198	417.7577	0.0229	0.0192	0.0199	0.0207
Skewness	0.4723	0.4509	-0.5314	-1.3285	-1.5066	-1.0467
Kurtosis	1.8642	2.3954	12.4292	12.6882	15.1273	14.4041
Jarque-Bera	18.2767	9.8723	750.3302	841.0093	1301.2634	1120.3084
Probability	0.0001	0.0072	1.17E-163	2.38E-183	2.72E-283	5.35E-244
Sum	6505558	96059	0.1274	0.0987	0.1484	0.1175
Sum Sq. Dev.	1.94386E+11	34904297.2	0.1044	0.0736	0.0786	0.0854
Observations	200	200	200	200	200	200

In this table DCC means daily confirmed cases and DCDC means daily confirmed death cases.

The results obtained with the help of data analysis are explained in the following section by using descriptive statistics, multiple regression and E-garch analysis. Table 2 shows that the mean value of the variables are 32365.9602, 477.9055, 0.0006, 0.0005, 0.0007, 0.0006 respectively. Jarque bera test reveals that all the variables are not normally distributed. Further daily confirmed cases has higher standard deviation compared to other variables followed by daily confirmed death cases, Nifty_R, Small cap_R, Midcap_R, Nifty_Next_R.

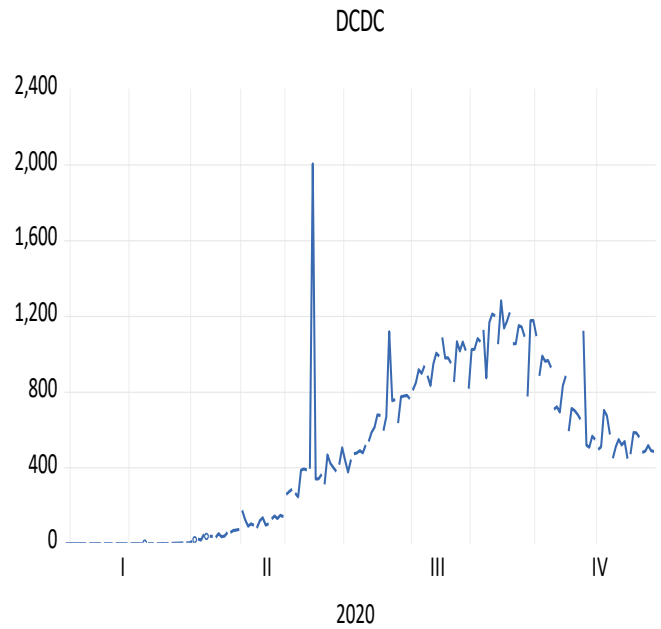
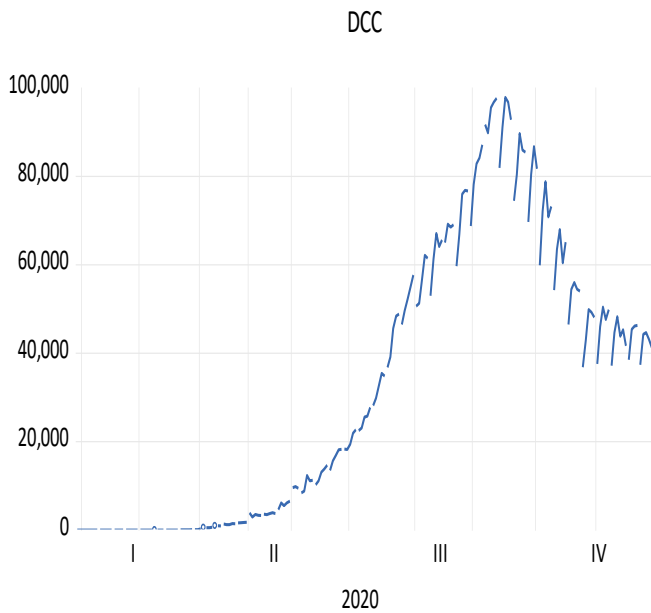
TABLE 3: ADF STATIONARITY CHECK

Variables	T-Statistic	Probability Value
Nifty_R	-16.45022	0.000
Nifty_Next_R	-14.86866	0.000
Midcap_R	-8.513444	0.000
Smallcap_R	-5.576766	0.000
Daily Confirmed Cases	-3.710743	0.000
Daily Death Cases	-19.96114	0.000

Table 3 shows that the unit root test results of the individual variable. The study used ADF test to analyses the stationarity of given time series table. The results clearly depict that all the variables are stationary at zero order difference. we see that ADF test produced t-values and probability value and it points that the time series data is stationary and shows that probability values are also less than 0.05

GRAPH 1: DAILY CONFIRMED CASES

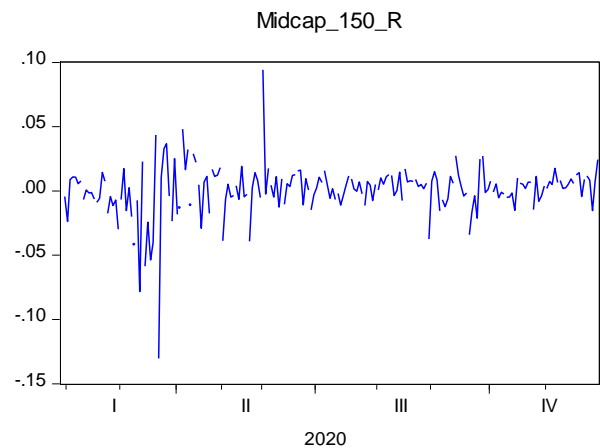
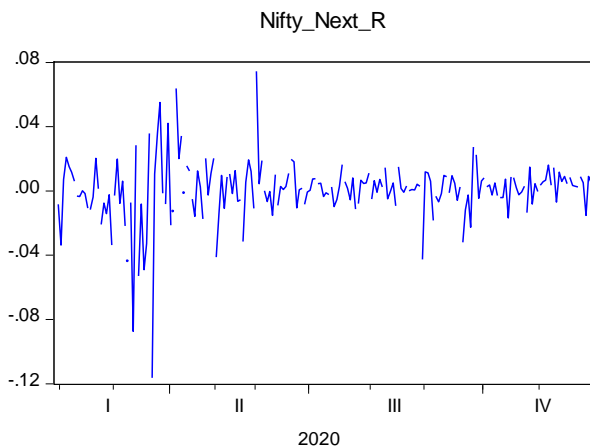
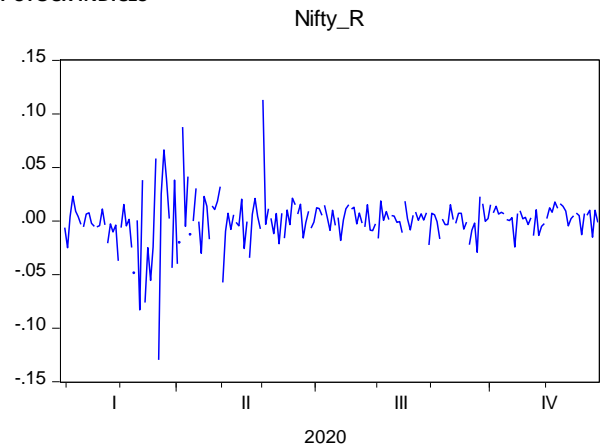
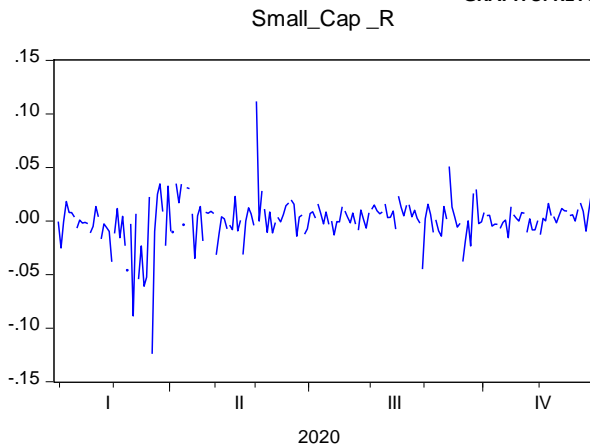
GRAPH 2: DAILY DEATH CASES



From the graph 1 & 2 it is noticed that daily confirmed cases were increasing exponentially and daily death cases were showed up trend after few days but it is increasingly rapidly because of daily cases encountered more.

UNIT ROOT TEST

GRAPH 3: RETURNS OF STOCK INDICES



The graph 3 which were showed are returns of indexes which should be less than 0.05 probability which is significant in nature. These returns graphs are generated at zero level because the probability values are less than 0.05 which is significant. For further analysis, the shown graphs index returns should be stationary in nature i.e. less than 0.05.

TABLE 4: MULTIPLE REGRESSION ANALYSIS

Variable	Nifty_R		Nifty Next 50_R	
	Coefficient	Probability	Coefficient	Probability
LDCC	-0.0250	0.0030	-0.023103	0.001
LDCD	0.0045	0.4451	0.002452	0.6203
LD_Dummy	0.0074	0.0615	0.008741	0.0078
20 Lakh Cr	-0.0143	0.5327	-0.011819	0.5355
F-statistic	2.546	0.04	3.366	0.01
R- squared	0.05		0.064	
Variable	Mid Cap 150_R		Small Cap_R	
	Coefficient	Probability	Coefficient	Probability
LDCC	-0.023	0.0016	-0.021735	0.0044
LDCD	0.00384	0.4558	0.003193	0.5538
LD_Dummy	0.00685	0.0441	0.006636	0.0624
20 Lakh Cr	-0.0154	0.437	-0.016436	0.4293
F-statistic	4.95	0.00	6.634	0.00
R- squared	0.092		0.12	

For Multiple regression analysis we used all stock indexes returns i.e. nifty, nifty next 50, midcap and small cap as dependent variable. Logged daily confirmed cases and logged daily death cases confirmed as independent variables. Lockdown dummy and 20 lakh crore package as dummy variables for better interpretation of the data. This analysis is used because to see the impact of dependent variable on independent variable during the lockdown period which effected the Indian stock market. From the table 4 it is noticed that logged daily confirmed cases has significant impact on nifty returns with negative coefficient and other variables does not have significant impact on nifty50. Similarly logged daily confirmed cases has significant impact on nifty next 50 return with negative coefficient on nifty next 50 return and other variables does not have significant impact on nifty next 50. In this nifty next 50 return lockdown dummy has significant impact with positive coefficient. In case of Midcap 150 return logged daily confirmed cases has significant impact on Midcap with negative coefficient and lockdown dummy has significant impact on midcap return with positive coefficient. In small cap returns the logged daily confirmed cases has significant impact on small cap with negative coefficient. It is noticed that 5% of variation in Nifty_R is due to logged daily confirmed cases and F- statistic is significant to prove that model is fit for the interpretation. it is noticed that 6% of variation in Nifty_Next_R is due to logged daily confirmed cases and F- statistic is significant to prove that model is fit for the interpretation. it is noticed that 9.2% of variation in Midcap_R is due to logged daily confirmed cases and F- statistic is significant to prove that model is fit for the interpretation. it is noticed that 12% of variation in Smallcap_R is due to logged daily confirmed cases and F- statistic is significant to prove that model is fit for the interpretation.

E-GARCH ANALYSIS

TABLE 5: E-GARCH

Variable	Nifty_R		Nifty Next_R	
	Coefficient	Probability	Coefficient	Probability
α_0	-0.1519	0.0000	-0.1450	0.0000
α_1	-0.1021	0.0004	-0.0769	0.0224
γ	-0.2560	0.0000	-0.1988	0.0000
β	0.9716	0.0000	0.9761	0.0000
Variable	Mid Cap 150_R		Small Cap_R	
	Coefficient	Probability	Coefficient	Probability
α_0	-0.5670	0.0012	-0.5931	0.0005
α_1	0.1473	0.0259	0.1310	0.0107
γ	-0.1512	0.0003	-0.1489	0.0001
β	0.9433	0.0000	0.9365	0.0000

From above table it is noticed that α_0 tells about the constant variable. α_1 tells about the Arch and β tells about the Garch and γ tells about the Assymetry effect in the variables taken. For E-Garch we used all stock indexes returns i.e. nifty, nifty next 50, midcap and small cap as dependent variable for data analysis. From table 5 it is evident that the coefficient γ Assymetry obtained for nifty is -.2560. These coefficients are negative and significant level i.e. .0000. In the equation the obtained conditional variance (β) found to be within 1. Additionally it is observed that the obtained β is statistically significant at 5% level of significance as obtained probability values 0.000 which signals the towards the existence of Garch effect. The garch effect confirms that the daily confirmed cases had influence the nifty50 returns of the stock market. In this analysis leverage effect comes in to existence, which implies that the daily confirmed cases were increasingly rapidly. The strong negative interconnection among stock markets can also be observed in line with its leverage effect. So we may arrive at a conclusion that it has negative influence on return existing in the model. It is evident that the coefficient γ Assymetry obtained for nifty next 50 is -.1988. These coefficients are negative and significant level i.e. .0000. In the equation the obtained conditional variance (β) found to be within 1. Additionally it is observed that the obtained β is statistically significant at 5% level of significance as obtained probability values 0.000 which signals the towards the existence of Garch effect. The garch effect confirms that the daily confirmed cases had influence the nifty next 50 returns of the stock market. In this analysis leverage effect comes in to existence, which implies that the daily confirmed cases were increasingly rapidly. The strong negative interconnection among stock markets can also be observed in line with its leverage effect. So we may arrive at a conclusion that it has negative influence on return existing in the model. It is evident that the coefficient γ Assymetry obtained for Midcap is -.1512. These coefficients are negative and significant level i.e. .0003. In the equation the obtained conditional variance (β) found to be within 1. Additionally it is observed that the obtained β is statistically significant at 5% level of significance as obtained probability values 0.000 which signals the towards the existence of Garch effect. The garch effect confirms that the daily confirmed cases had influence the midcap150 returns of the stock market. In this analysis leverage effect comes in to existence, which implies that the daily confirmed cases were increasingly rapidly. The strong negative interconnection among stock markets can also be observed in line with its leverage effect. So we may arrive at a conclusion that it has negative influence on return existing in the model. It is evident that the coefficient γ Assymetry obtained for small cap is -. 9365. These coefficients are negative and significant level i.e. .0000. In the equation the obtained conditional variance (β) found to be within 1. Additionally it is observed that the obtained β is statistically significant at 5% level of significance as obtained probability values 0.000 which signals the towards the existence of Garch effect. The garch effect confirms that the daily confirmed cases had influence the small cap 250 returns of the stock market. In this analysis leverage effect comes in to existence, which implies that the daily confirmed cases were increasingly rapidly. The strong negative interconnection among stock markets can also be observed in line with its leverage effect. So we may arrive at a conclusion that it has negative influence on return existing in the model.

DISCUSSION AND CONCLUSION

Financial exchange returns decay as the quantity of affirmed cases increment in a nation. We further locate that securities exchange reaction to the growth in number of passing because of the COVID-19 is weak. Together our discoveries propose that stock markets cost in COVID-19 pandemic related chances in stock costs almost immediately when the quantity of affirmed cases increase and respond less when a portion of the affirmed cases die later on. In more definite

investigation, we likewise see that securities exchanges respond unequivocally during beginning of affirmed cases and afterward between 40 to 60 days after the day of starting affirmed cases. Generally, our investigation recommends that financial exchanges rapidly respond to COVID-19 pandemic and this response varies over the long haul contingent upon the seriousness of flare-up. In particular, stock returns are fundamentally adversely identified with both the everyday development altogether affirmed cases and the day by day development in all out instances of death brought about by COVID-19. By and large, the outcomes indicated that the expanding number of lockdown days, financial strategy choices and global travel limitations forced at the pinnacle of the Covid emergency seriously influenced the degree of general monetary exercises and the opening, most minimal and most elevated stock costs of significant securities exchange lists. The ramifications of the discoveries are that financial arrangement spending seems, by all accounts, to be more powerful in moderating the impact of the Coronavirus pandemic than money related strategy choices especially in light of the fact that the reception of accommodative money related approaches by numerous national banks can exacerbate inflationary pressing factors that could deteriorate macroeconomic dependability temporarily. This implies that investigation is that financial investors can make preparatory strides prior to exchanging stocks during the time of a lockdown. Risk opposed financial specialists can try not to exchange around the lockdown to keep away from the danger connected with instability of stocks in the lockdown time frame. The consequence of this examination will profit speculators as it might help them better comprehend and assess the effect of the lockdown on securities exchanges brought about by COVID 19. Further studies can be performed by incorporating other variables such as economic growth, interest rate and inflation rate along with covid-19 variables at a cross country level. Thus, an away from of the pandemic related factors can be learned influencing the exhibition of a financial exchange in such manner.

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A CASE STUDY ON CANARA BANK

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ABSTRACT

In a modern economy, a well-functioning financial system is crucial & banks play a vital role for a country's economy & for the society. Public Sector banks are at the frontline for generating revenues from rural areas & expanding financial services even in the most backward areas of the country. The present study focuses on analysing the performance & growth of Canara Bank over the last five years & to compare its performance with the other Public Sector Banks. Several parameters like Operating Profit, Net Profit/ Net Loss, Net NPA ratio, Capital Adequacy ratio & Advances has been chosen to analyse its performance & growth. Doctrinal Research Methodology has been employed to carry out the research with the help of secondary sources of data, especially from the annual reports of Canara Bank. The present study also discusses the recent merger of Syndicate Bank with Canara Bank & its effects. Accordingly, conclusions have been drawn and suggestion have been made.

KEYWORDS

Canara bank, financial system, public sector banks.

JEL CODES

G21, G34.

INTRODUCTION

The Indian Banking System is different from the banking system of other Asian countries because of its social, economic and diverse nature. The economic policy structure of the country blends socialist and capitalist characteristics with a clear inclination to public sector investment. Instead of the "exported growth" chosen by many countries, India has chosen the path of becoming self-dependent rather than relying on imports. All these features can be seen in the framework of India's financial & banking sector.¹

The role of a bank is to provide loans & credit facilities to the people in need of financial support. It acts as a financial intermediary between the depositor, who wants to save money in the bank and the loaner, who seeks loan from the banks. In this era, banking sector is considered as the nucleus of a financial system of every country.

Finance is considered as the heart and soul of a business. This is because finance is one of the fundamental pillars of all kinds of economic operation in the modern money – driven economy. It is the key item that allows manufacturing, advertising, marketing and many such activities. Every business needs money to make more money, but that will be possible only if it is properly regulated. The financial performance of the banking sector reflects the overall financial system structure of an economy & it has a major impact on the country's economy performance.

Financial performance of a bank can be analysed with the help of balance sheets, as it is one of the important financial statements. The financial statements of a bank are released yearly, quarterly, twice a year and every month. They indicate the financial position of a business at a given period of time, they also provide vital information regarding the liabilities, assets and equity of the owner. The analysis of financial statement of a bank can provide an overview regarding the financial health of a bank. They also depict the solvency of a bank to meet its obligation. The financial analysis also helps in determining the effectiveness of the corporate governance of a bank. The analysis process helps in determining the area where the finance is strong and the area where it is weak which needs more attention & reform. Efficient functioning of the banking sector is crucial to the economy of every country, hence analysing the financial performance of the banks is a must.

The current global financial crisis has caused many economies to crash, resulting in financial losses and vast amounts of non-performance assets in the banking sector. Thus, the analysis of banks' financial performance, especially on risk management, loans and deposits are essential in measuring the economy's growth.

Canara Bank was found in the year 1906 in a small town in Karnataka, in the span of a century, it has secured its place as one of the top 10 Public Sector Banks in India. It has spread its service throughout India and abroad, it has several offices in New York, London, Dubai, Hong Kong, Shanghai, Moscow and Doha. As of 2020, it has 8801 branches and 10,342 ATMs.

Canara Bank has always been committed to balance the asset mix in sectors like agriculture, education, housing as well as vehicle loans. It has always provided a supporting hand to small scale indigenous enterprises. It has relentlessly sought to expand its banking infrastructure, employing advanced technology, providing suitable financial products and improving financial literacy.²

Recently Syndicate Bank merged with Canara Bank, which resulted in Canara Bank becoming the fourth largest Public Sector Bank. The main purpose of this paper is to analyse the growth and the financial performance of Canara Bank with the help of annual reports and financial statements of Canara Bank.

LITERATURE REVIEW

- In the year 2014, Aditya Sharma and Gopi Nath Modi conducted a research on "A Comparative Study of Financial Performance of Syndicate Bank & Canara Bank". The writers' main objective was to analyse the liquidity and profitability of Canara Bank and Syndicate Bank. Price-to-Earnings ratio and Average Sustainable Earnings of Syndicate Bank was higher than Canara Bank and Syndicate Bank is employing its funds efficiently compared to Canara Bank. It was found that Syndicate Bank's performance & efficiency was better than that of Canara Bank.³
- Nikita Agarwal and Dr. Anoop Vyas conducted a research on "Final Inclusion in India: A Case Study of Canara Bank" in the year 2018. The writers mention that financial inclusion is one of measures taken by the government to encourage equal growth in the country. Canara Bank aims towards a equitable development by providing financial services & development to the downtrodden society who are hindered from financial assistance. The writers are of the opinion that even though the financial performance of Canara Bank is satisfactory, it can still work harder to achieve the desired results.⁴
- S. Shankari and Dr. E. Muthukumar conducted a research on Coimbatore's Canara Bank in 2017, research paper titled "A Study on Financial Performance of Canara Bank with Special Reference to Coimbatore City". The researchers have observed that the bank's liquidity was satisfactory during the study period;

¹ Deolalkar, G.H., (2000), "The Indian Banking Sector on the Road to Progress", Asia Regional Integration Centre, pp. 1-52

² Annual Report 2019-20, CANARA BANK (Oct. 15 2020, 8: 51 PM) <https://www.canarabank.com/media/ANNUALREPORT2019-20.pdf>

³ Sharma, A, Modi, G. A. (2014), "A Comparative Study of Financial Performance of Syndicate Bank & Canara Bank", Indian Journal of Research, Vol. 3, No. 9, pp. 27-29

⁴ Vyas, A., Agarwal, N, (2018), "Financial Inclusion in India: A Case Study of Canara Bank", JETIR, Vol. 5, No. 6, pp. 562-570

however, the researchers suggest that the bank needs to take measures to boost its Current Assets so as to boost its liquidity position and to retain a safety margin.⁵

- The article "Analysis of Financial Performance of Banks in India" is written by Jeevan Jayant Nagarkar in the year 2015. The writer has tried to analyse the performance of 5 private, public & foreign banks with the help of several financial parameters. It has been observed that commercial banks rely heavily on the deposits obtained from its customers, and the banks should try reducing its NPA. The study has revealed that the commercial banks' total number of deposits has declined. Hence, the writer suggests that the government should work towards making larger and stronger national level banks with the help of mergers.⁶
- In the article "A Study on Financial Performance of Canara Bank" written by B. Kishori and Sija Mol in the year 2018, writers have tried to analyse Canara Bank's financial performance in the last five years with the help of profit and loss account, financial statements and the balance sheet of the bank. The writers have used ratio analysis to analyse the performance of bank units as it is the interpretation of financial statements and has used trend analysis to evaluate bank's income and sales percentage. The financial Statement shows the way in which a business has flourished under the supervision of a management personnel. By analysing the profitability ratio, the liquidity ratio, the turnover ratio and some other factors, writers have concluded that the overall financial performance/ position of the Canara Bank is satisfactory.⁷
- The article "A Study of Financial Performance Analysis of India Banking Sector" written by P. Vohra in the year 2015. The writer states that bank growth depends primarily on its standard business services, such as loans and deposits, while doing a comparative study of banks, non-performing assets, profitability and growth are taken as parameters to compare their performance. It has been noticed that in the recent decade, the banking sector has made a lot of progress, and the reason might be the private sector, as it has developed competition with the dominant public sector, and this has led to the development of services and has increased the level of profitability.⁸
- In the article "A Comparative Study of Financial Performance of Canara Bank and Union Bank of India" written in the year 2018, the writers Veena K.P and Pragathi K.M. have attempted to analyse the capital adequacy ratio performance of the Union Bank of India & Canara Bank, & also to examine Net NPA & Gross NPA of both the banks. From the study the writer has concluded that in several areas, Canara Bank has proven to be in a better position than Union Bank and has suggested that Canara Bank should work towards controlling its NPA.⁹
- In the article "Financial Performance of Banks in India: Are Banks Sound Enough to be Banked upon" written by Sunita Chaki, Kshamata Chauhan and Anita Daryal in the year 2019, the writers state that bank's soundness is very essential for economy as it is very significant necessity for a stable economy. It has been found that the banking sectors has been vulnerable to internal as well as external instabilities. It has also been comprehended that the banks have faced hurdles trying to maintain its asset quality along with its profitability. The writers suggested that a sound platform for public sector banks in terms of asset quality, profitability and efficiency can be achieved by recapitalisation, by preparing policy driven regulatory framework and by initiating reviews of asset qualities.¹⁰

NEED/IMPORTANCE OF THE STUDY

Several researches have been conducted on analysis of financial performance of banking sector as well as case studies on Canara Bank. However, analysis of financial performance of Canara Bank right before Syndicate Bank was merged into it and the impact of merger on Canara Bank has not been done. The researcher aims to fill this gap by analysing the financial performance of Canara Bank from 2015-2020 and sheds light on if the merger between Canara Bank and Syndicate Bank will be beneficial or not.

RESEARCH OBJECTIVES

1. To explore the history of Canara Bank and its journey till the present date
2. To analyse the financial performance of Canara Bank.
3. To analyse the place of Canara Bank amongst other Nationalised banks.
4. To explore the reasons behind merger of Syndicate Bank with Canara Bank.

RESEARCH METHODOLOGY

The Research Methodology that will be used in this research paper is Doctrinal Research Methodology. The reason behind selecting this method is to gather information about Canara Bank from various sources and analyse the reason behind its growth, merger and about its performance. Secondary data has been collected from annual reports, articles, journals, newspapers, books.

RESULTS & DISCUSSIONS

HISTORY AND THE PRESENT PERFORMANCE OF CANARA BANK

History of Canara Bank

In the year 1906, Shri Ammembhal Subha Rao Pai who was a philanthropist, started Canara Bank in Mangalore, a small town in Karnataka with the help of several businessmen. The motto behind its establishment was not only to become a successful bank but also to help in improving the economic condition of the society in every way possible.

The first year since the establishment of the bank, the annual balance sheet revealed: i) Capital – Rs. 50,000 ii) Deposits – Rs. 42,000 iii) Advances – Rs. 84,000. It was a pretty decent progress for the first year. During the First World War in the period 1913-1914, several banks found themselves in crisis and some banks even crumbled. Whereas, Canara Bank managed to survive all the perils and continued to flourish. In the year 1942, the General Manager's Office was shifted from Mangalore to Mumbai, this was considered as a significant milestone as the bank gained national exposure & established a stronghold in the financial capital of India. By 1956, which was a Golden Jubilee for the bank, it had 51 branches spread all over the country. The period between the Gold Jubilee & Diamond Jubilee of the bank, it made a remarkable growth. From year 1942 to 1966, the deposits went from one crore to one hundred-forty-two crores. In the year 1974, Canara Bank became the 5th largest Bank in the country. By the subsequent decade, in 1985, Canara Bank was successful in gaining the 3rd position among twenty nationalized banks.¹¹

Present Scenario

In the present era, Canara Bank has still managed to be one of the nationalised banks. It has secured a spot of top 4th Public sector bank of India.

⁵ Muthukumar, E., Shankarii, S. (2017), "A Study on Financial Performance of Canara Bank with Special Reference to Coimbatore City", Shanlax International Journal of Commerce, Vol. 5, No. 1, pp. 31- 38

⁶ Nagarkar, J., (2015) "Analysis of Financial Performance of Banks in India", Annual Research Journal of Symbiosis Centre for Management Studies, Vol. 3, pp. 26-37

⁷ Kishori, B., Mol, S. (2018) "A Study on Financial Performance of Canara Bank", IJARIE, Vol. 4, No. 3, pp. 1831-1835

⁸ Vohra, P., (2013), "A Study of Financial Performance Analysis of Indian Banking Sector", Emerging Trends in Banking and Finance.

⁹ Veena K. P., Pragathi K. M., (2018), "A Comparative Study of Financial Performance of Canara Bank and Union Bank of India", IJEMR, Vol. 8, No. 6, pp. 1-8

¹⁰ Chaki, S., Chauhan, K., Daryal, A. (2019) "Financial Performance of Banks in India: Are Banks Sound Enough to be Banked upon", IJITEE, Vol. 8, No. 9, pp. 1004-1010

¹¹ Case Study of Canara Bank, SHODHGANGA (Oct. 15 2020, 8: 51 PM) https://shodhganga.inflibnet.ac.in/bitstream/10603/52966/11/11_chapter%205.pdf

Branches

Branches play an important role in making the services more accessible to people for everyday needs, and customer service becomes easy. It is important in brand engagement, attracting new customers & to retain loyalty of the present customers. The number of branches of a bank depict the expansion of a bank.

TABLE NO. 1

Year	No. of branches
2015-2016	5849
2016-2017	6083
2017-2018	6204
2018-2019	6310
2019-2020	6329

(Source: Annual Report 2019-20 of Canara Bank)

As seen in the above table, in the past five years, Canara Bank has made a serious progress in expanding its branches. It has established 480 new branches in the last five years. But the expansion of branches in the year 2019-2020 has been lesser as compared to the previous years. From year 2015 to 2019, at least 100 new branches were established every year, but in 2019-2020, only 19 new branches were established.

Deposits

Deposits are the basic necessity of a bank, without deposits a bank cannot survive. Deposits is the amount of money deposited by the customers in the bank to save money. And that money is lent by the bank as loans to other customers, & thus converting them into productive capital. The amount of deposits depicts the trust that people have on the bank.

TABLE NO. 2

Year	Aggregate Deposits (in Crore)
2015-2016	479792
2016-2017	495275
2017-2018	524772
2018-2019	599033
2019-2020	625351

(Source: Annual Report 2019-20 of Canara Bank)

As it can be observed in the above table, the aggregate deposits have significantly increased in the past five years. It confirms that Canara Bank has been successful in retaining the trust of their customers.

Advances

Advances of a bank indicates the amount of money given as loans to people and business in need of money. They are a very significant factor in forming the earnings of a bank. Progress in advances are a vital metric to analyse the performance of a bank and to study its improvement on yearly basis.

TABLE NO. 3

Year	Advances
2015-2016	3,24,714
2016-2017	3,42,008
2017-2018	3,81,702
2018-2019	4,27,727
2019-2020	4,32,175

(Source: Annual Report 2019-20 of Canara Bank)

The above table indicates a positive growth in advances of Canara Bank from the year 2015 to 2020. Canara Bank has provided a good service to its customers in terms of granting loans.

Operating Profit

Operating profit is the revenue & expenditure arising from the routine operation of a bank, which is necessary for the normal functioning of a bank. However, it does not include debts, loans or investment. It helps in understanding the efficiency of a bank, managerial as well as administrative, in governing the functions of a bank.

TABLE NO. 4

Year	Operating Profit (in Crore)
2015-2016	7147
2016-2017	8914
2017-2018	9548
2018-2019	10591
2019-2020	9360

(Source: Annual Report 2019-20 of Canara Bank)

It is evident from the above table that the operating profit of Canara Bank has steadily increased from the year 2015 till 2019. However, the operating profit has slightly decreased by 1231 crores in 2019-2020.

Net Profit/ Net Loss**TABLE NO. 5**

Year	Net Profit/Net Loss (in Crore)
2015-2016	(2813)
2016-2017	1122
2017-2018	(4222)
2018-2019	347
2019-2020	(2236)

(Source: Annual Report 2019-20 of Canara Bank)

It is apparent from the above table that the trend of net profit of Canara Bank is very unstable over the period of five years. Only in 2016-2017 and 2018-2019 a considerable net profit can be observed, but the loss suffered is considerably high.

Net NPA Ratios

Non-Performing Assets are bad loans i.e., when a debtor fails to pay back the money lent to him as a loan. When the NPA is higher it indicates that the financial health of the bank is in danger. Hence, the lower the NPA is, the better it is for the bank.

TABLE NO. 6

Year	Net NPA Ratio
2015-2016	6.42
2016-2017	6.33
2017-2018	7.48
2018-2019	5.37
2019-2020	4.22

(Source: Annual Report 2019-20 of Canara Bank)

It can be observed in the above table that the Net NPA of Canara Bank had slightly peaked from 2017-2018 (7.48), but eventually Net NPA decreased in the last two years. It indicates that the amount of bad loans has decreased gradually.

Capital Adequacy Ratio

Capital Adequacy is one of the primary indicators of financial health of a bank. It indicates if a bank has enough capital in case of unforeseen risks & losses. It helps in determining the financial condition of bank & it helps in retaining the trust of the depositors & to make sure that the bank does not go bankrupt.

TABLE NO. 7

Year	Capital Adequacy Ratio
2015-2016	11.08
2016-2017	12.86
2017-2018	13.22
2018-2019	11.90
2019-2020	13.65

In the above table it can be observed that the Capital Adequacy Ratio of Canara Bank has increased over the past five years. However, it took a back track from 2018-2019 when it went down to 11.90, but it was recently improved in 2019-2020 when it reached to 13.65.

Comparing the financial performance of Canara Bank with other Public Sector Banks

Canara Bank along with several other banks, was nationalised in the year 1969. Till date it has managed to be one of the top Public Sector Banks in India. Canara Bank holds the 4th top position in the Public Sector Banks (as of 2020) after State Bank of India (SBI) Bank Baroda & Punjab National Bank (PNB).

With the help of Cross-Sectional Study (which studies several variables of a specific time), the annual performance (as of March 2020) of Canara Bank is compared with State Bank of India, Punjab National Bank & Bank of Baroda.

TABLE NO. 8

(in crores)	Canara Bank	SBI	PNB	Bank of Baroda
Net Worth (Rank)	39,292 (4)	2,32,007 (1)	62,357 (3)	71,856 (2)
Total Assets (Rank)	7,23,874 (4)	39,51,393 (1)	8,30,665 (3)	11,57,915 (2)
Net Profit (Rank)	-2,235 (4)	-737 (3)	336 (2)	546 (1)
Net NPA % (Rank)	4.22 (3)	2.23 (1)	5.78 (4)	3.13 (2)
Deposits (Bank)	6,25,351 (4)	32,41,620 (1)	7,54,071 (3)	10,39,053 (2)
Advances (Bank)	4,32,175 (4)	23,25,289 (1)	4,71,827 (3)	6,90,120 (2)
Branches (Rank)	6,329 (4)	24,000 (1)	6,937 (3)	9,288 (2)

(Source: Moneycontrol)

The relative strength and weakness of five major Public Sector Bank has been analysed with some rational parameters i.e., Net Worth, Total Assets, Net Profit, Net NPA, Deposits, Advances and Branches. Further, for each parameter a rank has been assigned. A cursory glance at the table reveals that the position of each bank varies in accordance with each of the parameter.

SBI in every parameter holds the first position, except for the Net Profit where the bank suffered loss of 737 crores. Bank of Baroda, which is in the second position in every parameter except in the Net Profit, where it has more Net Profit compared to the other banks and is in the 1st rank. PNB, which is in the 3rd position in five parameters, has secured 2nd rank in Net Profit after SBI, and last rank when it comes to Net NPA, PNB has suffered greatly when compared to the other four banks with respect to bad loans. Canara Bank has constantly maintained its 4th position in every parameter considered.

Merger of Syndicate Bank with Canara Bank

NPA has always been a threat to the banking sector and Indian Banking Sector has also fallen prey to high NPA, to solve the problem of rising NPA, Indian Government decided on consolidating banks with higher NPA into banks with a controlled and lower NPA. In 2019, Central Government announced merging 10 Public Sector Banks into 4 strong banks on 1st April 2020. The government has decided to merge some of the Public Sector Banks with the objectives to make them Next-Gen Banks, to reposition the PSBs to build an economy of USD 5 Trillion, to control the rising NPA, to develop banks in such a way that it will have extensive national reach & international scope & to gain efficiency in operating to lower the lending costs.

After this merger, the total number of Public Sector Banks which was 27 will come down to 12. However, it was generally assumed that the merger would be postponed because of the ongoing pandemic which has heavily affected not just India's but world's economy. Nevertheless, the merger as announced successfully happened on 1st April 2020.

On April 1st 2020, Syndicate Bank was amalgamated into Canara Bank and the project has been called "Project Synergy". Just like Canara Bank, Syndicate Bank was also found in a small town of Karnataka, the vision of the founder T. M. A. Pai was to boost his region's social & economic status. Before the merger, almost thirty committees were studying different aspects of consolidation, even regarding Human Resources and Technology for better harmonization. Both the banks had appointed financial as well as legal advisors to perform thorough research on swap ratios & valuation.¹²

This amalgamation will combine the vision, legacy, culture, ideology of Syndicate & Canara Bank to provide the best service to the society. It is anticipated that economies of scale & reach will lead to increased profitability and employing advanced technology would act as a tool for achieving rapid growth. Furthermore, the merger will help in boosting up the growth of credit, implementing better cost-efficient entities and in enhancing risk management strategies.¹³

¹² Debanis Mohapatra, 30 Committees Monitoring the Canara-Syndicate Bank Merger Process, BUSINESS STANDARD (Oct. 17 2020, 1:06 AM) https://www.business-standard.com/article/finance/30-committees-monitoring-the-canara-syndicate-bank-merger-process-119120700064_1.html

¹³ *Supra* note 2

From this merger Canara Bank will have a wider geographical reach along with increase in size, services & strength. As a merged bank, the total number of branches will be 10,403 & the ATMs will be 13,406. Customers of Syndicate bank will be treated as customers of Canara Bank, the services & products of both the banks will be made available to all the customers with the help of broader network.

FINDINGS, SUGGESTIONS AND CONCLUSION

FINDINGS

- From Table No.1 it can be inferred that establishment of new branches was comparatively less than the previous years. The reason behind this is that there was no requirement of new branches because after the merger with Syndicate Bank, the number of branches increased from 6329 to 10,403.
- In Table No.2 it can be noted that there is a constant rise in the deposits of Canara Bank, this signifies that Canara Bank has maintained trustworthiness among its clients.
- From Table No. 3 it is evident that there is a constant rise in lending advances by Canara Bank over the past five years.
- Table No. 4 and Table No.5, shows that profit of Canara Bank has considerably fallen. The reason for significant loss in 2019-2020 is because Canara Bank reserved/allocated additional provisions to safeguard itself from frauds and loan defaults.
- However, overall profitability of Canara Bank in the study period has been unstable because of both endogenous and exogenous factors.
- In Table No. 6 it can be seen that Net NPA ratio of Canara Bank has decreased over the past five years (2019-2020), it has managed to reduce its Net NPA.
- From Table No. 7 a significant rise in the Capital Adequacy Ratio (CAR) can be observed. In 2019-2020 it has a strong 13.6% CAR.

SUGGESTIONS

- To increase their profitability, Canara Bank should provide attractive interest on deposits, so as to attract more customers.
- Net NPA of Canara Bank has decreased in the study period, but when compared to the other Public Sector Banks, it still needs to work on reducing its NPA.
- Bad loans can be avoided by evaluating the asset value of borrower's asset quality, which is provided as collateral security, so that they can cover the loan amount if the borrower defaults.
- There is a need to evolve an effective and strict mechanism for loan recovery.
- Technological upgradation is required to keep up with the advancement of technology, which will make bank more easily accessible to the customers.

CONCLUSION

Analysing financial performance of a bank helps in understanding the strength and weakness of that bank. Studying its performance over the years gives an idea of the personal growth of the bank, however the comparative study gives a clear picture of its position and growth as compared to the other banks. Canara Bank has an efficient risk management strategy, as a strong CAR depicts that it has sufficient capital to meet unexpected risks/ losses. However, profitability of Canara Bank has been quite concerning, as it is fluctuating in significant amount over the years. Low profitability will affect in accumulating capital in the near future and it will hinder lending loans and advances to big firms and companies who are in need of funding. It is anticipated that the merger of Syndicate Bank with Canara Bank will provide a wider scope & contribute in building a stronger economy. It is yet to be seen if the merger will prove to be a profitable one or not.

LIMITATIONS

The present study is limited to the analysis of performance and growth of only one Public Sector Bank, i.e., Canara Bank. The time period considered for the analysis is of only five years.

SCOPE FOR FURTHER RESEARCH

There is further scope for research by analysing the performance and growth of a longer time period and with other parameters such as Foreign Business Turnover, Return on equity, Net Interest Margin, MSMEs Advances etc.

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