



Volume 10, Issue 1, January 2022
**International Journal of
Advance Research in
Computer Science and
Management Studies**

Research Article / Survey Paper / Case Study
Available online at: www.ijarcsms.com



Special Issue: National Conference on "Self Reliant India (Atmanirbhar Bharat) Opportunities & Challenges"
Organised by: Department of Commerce in association with IQAC of Sheth T.J. Education Society's, Sheth N.K.T.T. College of Commerce and Sheth J.T.T College of Arts, (Reaccredited by NAAC B+ (2.62), 3rd Cycle, ISO Certified: 9001:2015).
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*A comparative study of private and public sector banks with
reference to earnings of commission through selling of mutual
funds*

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Abstract: Banks are under pressure due to increasing nonperforming assets (NPA). Banking sector is going through several changes in their day to day operations. Selling mutual fund to existing clientele is an additional source of income for banks without taking risk. Commission earned through selling mutual fund is a risk free and fee based income source to public and private sector banks. The study covers Mutual fund commission data of three public sector banks and three private sector banks from the period from 2009-10 to 2019-20. The data was analyzed based on Average Mutual Fund Commission earned, Bar Graph and Paired T-test. It is concluded that there is significant difference in commission earned from mutual funds between public sector banks and private sector banks. The banks have a huge potential to earn more commission from mutual fund products as they have a base of customers. The customer base is still untapped by banks vis a vis sale of mutual fund products.

Keyword: Mutual funds, public sector banks, private sector banks, mutual fund commission.

I. INTRODUCTION

Banks are under pressure due to increasing nonperforming assets (NPA). Banking sector is going through several changes in their day to day operations. Lots of mergers taking place between all existing public sector banks. Competition from private sector banks challenging the survival of many public sector banks. Therefore, RBI has initiated mergers of most of the small and financially vulnerable public sector banks.

Banks of all over the world have started cross selling long back. Banks are now known for financial hub. Bank customers are now availing multiple financial products at one place. Apart from core activity of lending and receiving deposits, banks are engaged in many other activities like, opening and maintaining demat accounts, insurance selling, selling of mutual funds, giving gold loans etc.

Selling mutual fund to existing clientele is an additional source of income for banks without taking risk. Commission earned through selling mutual fund is a risk free and fee based income source to public and private sector banks. Asset

management companies don't need to invest much amount to build infrastructure for this distribution channel. Bank can sell mutual funds by making good use of their existing infrastructure to their clientele. Customers' data available with banks can be used to identify the potential customers for mutual funds.

II. CONCEPT OF MUTUAL FUND

Mutual funds –

A mutual fund is a fund established in the form of a trust to raise money from the public or a section of the public through the sale of units under one or more schemes for investing in securities.

III. LITERATURE REVIEW

A Popli (2009) .The objective of the study was to understand the perception of Indian customers towards banks as a new channel to distribute Mutual Funds products. A survey of 100 customers of Delhi was conducted to study the customer relationship management. The study concludes that 90% customers are most likely to buy mutual funds from banks. The study states that low penetration of mutual fund companies is one of the reasons for preference given to banks for the mutual fund products.

Das, Joy & Shil, Parag (2011)The study relates to the role of banks in the mutual fund industry .The banks were permitted to enter the mutual fund business in 1987.Thus the banking sector have been in the business for decades. The study was about the public confidence in banks with relation to mutual fund products. The study concluded that in spite of having a huge customer base the banks are not performing better than the private mutual fund company .The banks have failed to tap the potential income that could have been generated from the sale of mutual fund products.

(B.Raja Mannar, March 2013) The study was related to performance of mutual funds of private sector banks .The study showed that most of the investors are in the age group of 31 to 45 years. The most important factor influencing the choice of mutual fund scheme was capital appreciation, scheme objective, returns and safety. The banking sector mutual fund products which were managed better performed better than the industry benchmark.

IV. OBJECTIVES

- a. To understand the role of banks in selling mutual funds.
- b. To compare sector wise commission earned by banks through selling mutual funds.

V. HYPOTHESIS

Null Hypothesis H_0 : There is no significant difference in commission earning of public and private sector bank by selling mutual funds.

Alternate Hypothesis H_1 : There is significant difference in commission earning of public and private sector bank by selling mutual funds.

VI. RESEARCH METHODOLOGY

Mutual fund commission data of three public sector banks and three private sector banks were taken for the period from 2009-10 to 2019-20.The three public sector bank chosen were bank of Maharashtra, Bank of Baroda and Canara Bank .The three private sector bank chosen were ICICI Bank, Kotak Mahindra Bank and Axis Bank. The data was analyzed based on Average Mutual Fund Commission earned, Bar Graph and Paired T-test.

VII. SIGNIFICANCE OF THE STUDY

- The study is useful for banks to understand the role of Mutual Fund Commission in the overall Net profit earnings of the banks.
- The paper will help in understanding the growth of Mutual Fund Commission of the public sector and private sector banks.

VIII. LIMITATIONS OF THE STUDY

- The study is confined to Mutual funds commission of banks.
- The study is confined to three public sector and private sector banks.
- The study is limited to 11 year period from 2009-10 to 2019-2020.

IX. ANALYSIS AND INTERPRETATION OF THE STUDY**Table-1 Mutual fund commission earned by three public sector banks:**

(All figures in crore Rs.)

Year	Bank of Maharashtra	Bank of Baroda	Canara Bank	Average of Public sector bank
2009-10	0.15	1.13	3.23	1.50
2010-11	0.57	1.82	3.11	61.03
2011-12	0.23	1.73	3.32	45.98
2012-13	0.43	3.17	4.95	58.78
2013-14	0.05	3.18	5.9	60.79
2014-15	0.04	3.65	10.9	75.23
2015-16	0.03	3.36	10.07	98.47
2016-17	0.08	5.79	14.03	126.95
2017-18	0.08	15.98	26.93	186.55
2018-19	0.02	15.47	35.41	236.91
2019-20	0.04	19.6	24.43	279.95
Average	0.16	6.81	12.93	

(Source: Secondary data collected from annual report of Banks.)

Table-2 Mutual funds Commission earned by three private sector banks:

(All figures in crore Rs.)

Year	ICICI	Kotak	Axis	Average private sector bank
2009-10	NA	41.74	NA	41.74
2010-11	325.6	50.46	44.34	140.13
2011-12	369.1	50.84	57.66	159.20
2012-13	466	94.21	79.99	213.40

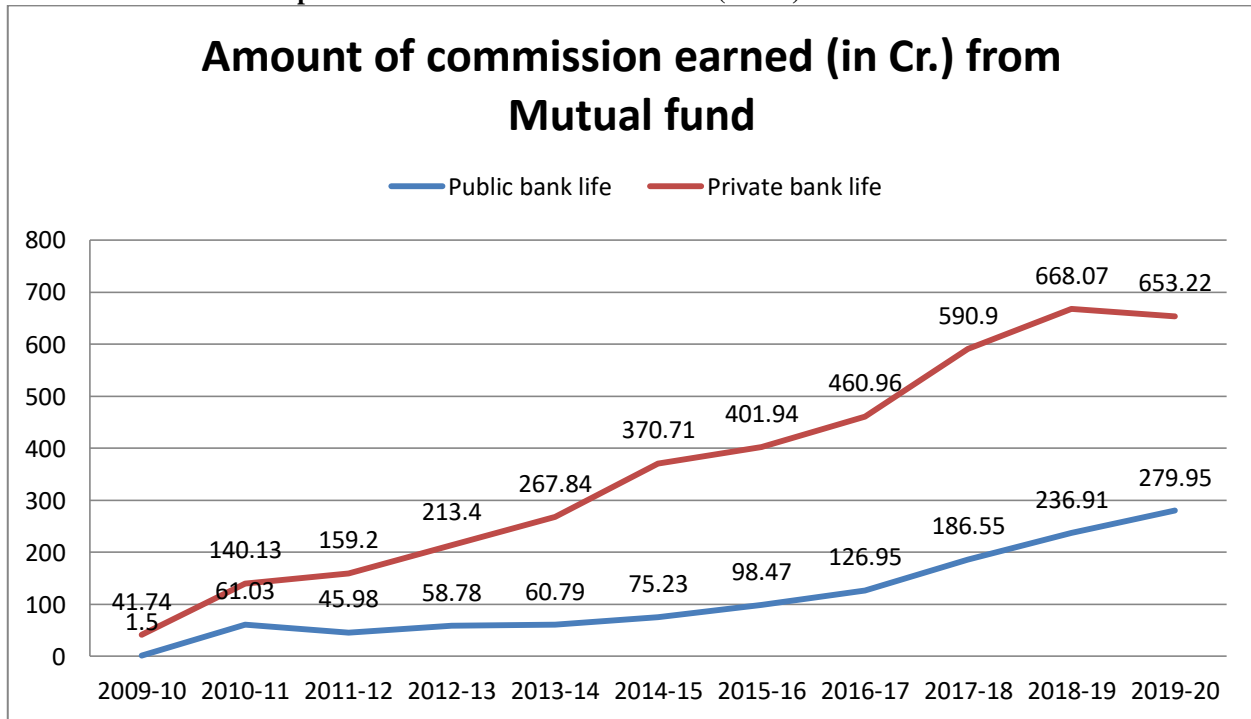
2013-14	539.5	114.58	149.43	267.84
2014-15	539.5	258.2	314.44	370.71
2015-16	735.1	159.29	311.44	401.94
2016-17	888.9	176.54	317.44	460.96
2017-18	1,133.50	250.75	388.46	590.90
2018-19	1,382.80	205.32	416.09	668.07
2019-20	1,772.50	130.09	57.07	653.22
Average	815.25	139.27	213.63	

(Source: Secondary data collected from annual report of Banks.)

Table-3 Comparison of commission earned from Mutual fund between public sector bank and private sector bank
Following table indicate average performance of three public sector banks and three private sector banks about commission earned from mutual funds.

Year	Public bank life	Private bank life
2009-10	1.50	41.74
2010-11	61.03	140.13
2011-12	45.98	159.20
2012-13	58.78	213.40
2013-14	60.79	267.84
2014-15	75.23	370.71
2015-16	98.47	401.94
2016-17	126.95	460.96
2017-18	186.55	590.90
2018-19	236.91	668.07
2019-20	279.95	653.22

Graph 1: Amount of commission earned (in Cr.) from Mutual fund



Null Hypothesis H_0 : There is no significant difference in commission earned from mutual fund between public bank and private bank.

Alternate Hypothesis H_1 : There is significant difference in commission earned from mutual funds between public bank and private bank.

To test above null hypothesis paired T-test is applied. Results are as follows.

Hypothesis Test: Paired Observations	
hypothesized value	0.00000
mean Public bank life	112.01273
mean Private bank life	360.73727
mean difference (Public bank life - Private bank life)	-248.72455
std. dev.	136.62449
std. error	41.19383
n	11
df	10
t	-6.04
p-value (two-tailed)	.0001

Interpretation: The above table indicates that average commission earned from sale of mutual funds for public sector banks is Rs. 112.01273 Cr. and corresponding figure for private sector bank is Rs. 360.73727 Cr. This indicates that commission received by private sector banks for mutual fund is significantly greater than commission received by public sector banks.

The above table also indicates that, calculated p-value is 0.001. It is less than 0.05. Therefore paired T-test is rejected. Hence null hypothesis is rejected and alternate hypothesis is accepted.

Conclusion: There is significant difference in commission earned from mutual funds between public sector banks and private sector banks.

Findings: To understand findings of study the mean score of commission earned from mutual funds for public and private sector banks is obtained and presented in the following table.

Graph 2: Commission earned from Mutual Funds

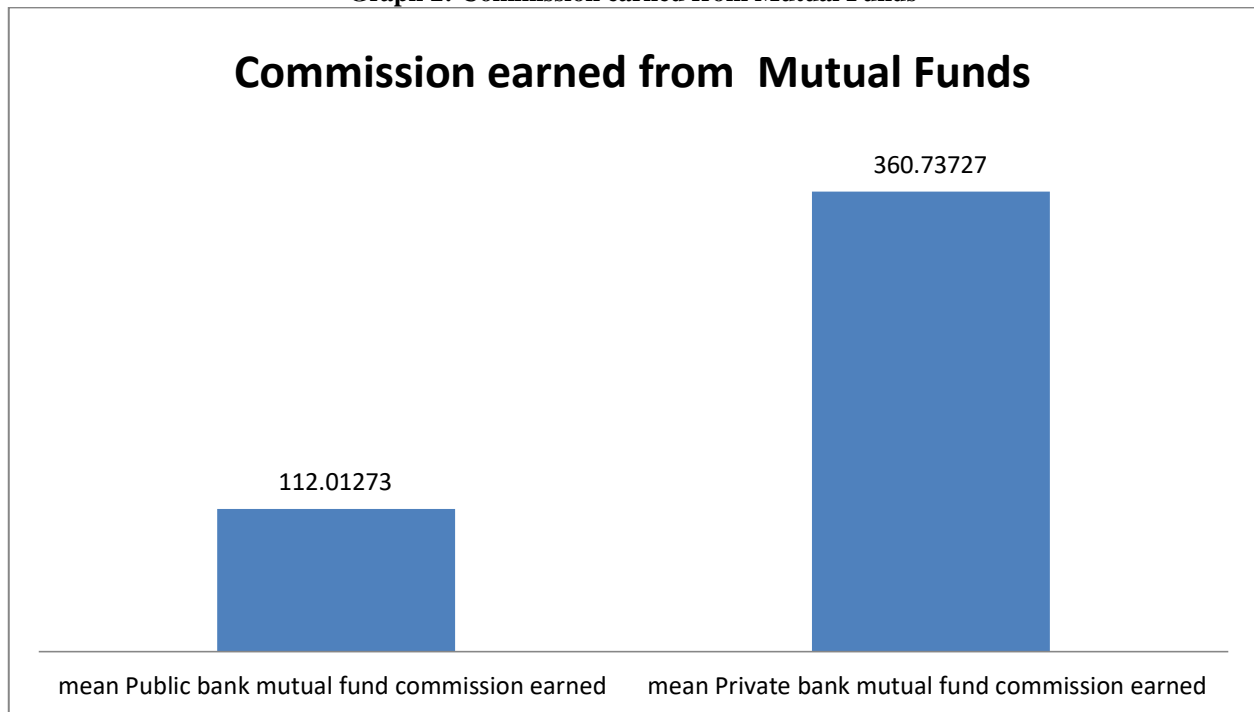
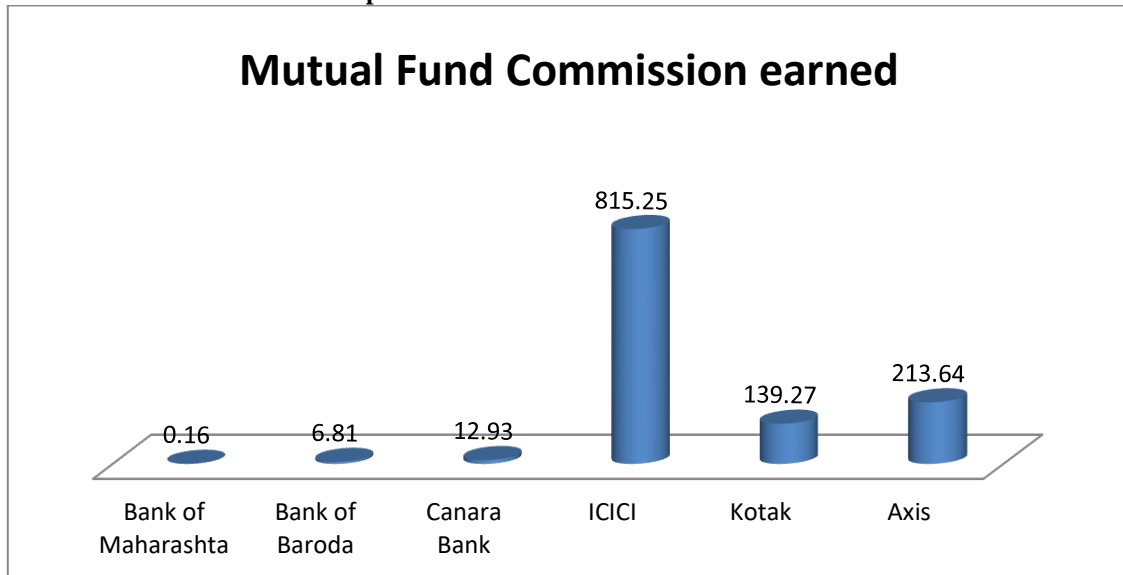


Table 3 Average commission of 11 years (2009-10 to 2019-20) for Public and Private sector banks
(All figures in corers Rs.)

Public Sector Bank	Mutual Fund Commission earned	Private Sector Bank	Mutual Fund Commission earned
Bank of Maharashtra	0.16	ICICI	815.25
Bank of Baroda	6.81	Kotak	139.27
Canara Bank	12.93	Axis	213.636

Highest and average commission comparison can be done for the above table

Graph 3: Mutual Fund Commission earned



As per the bar graph it is clear that private sector banks are earning more commission than public sector banks.

X. CONCLUSION

Financial institutions are facing severe competition. The products may be same but the quality of services providing by banks is remembered by customers. Use of technology is growing extensively in many banks. It is concluded from the study that there is significant difference in commission earned from mutual funds between public sector banks and private sector banks. The private sector banks are performing much better in comparison to public sector bank. The banks have a huge potential to earn more commission from mutual fund products as they have a base of customers. The customer base is still untapped by banks vis a vis sale of mutual fund products.

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