



## A STUDY ON PESTLE ANALYSIS OF BANKING INDUSTRY WITH A SPECIAL REFERENCE TO HDFC BANK

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### ABSTRACT

India's Banking part will appreciate for the most part solid development amid coming years, driven by rising individual earnings, corporate rebuilding, money related division advancement and the development of a more customer arranged, credit-situated culture. This should lead to increasing demand for financial products, including consumer loans (especially for cars and homes), as well as for insurance and pension products. India's monetary administrations area is normal appreciate by and large solid development amid coming years, driven by rising individual salaries, corporate rebuilding, money related segment progression and the development of a more shopper situated, credit-arranged culture.

This paper analyzes the Indian Banking Sector in general and HDFC Bank in particular in India through PESTLE Framework Analysis. A PESTLE analysis is concerned with the environmental influences on a business. Identifying PESTLE influences is a useful way of summarizing the external environment in which a business operates.

**KEYWORDS:** Banking Sector, PESTLE Analysis, External Environment, Liberalization.

### INTRODUCTION

The banking industry is a highly fragmented one made up of various segments including retail banking, corporate and investment banking as well as asset and wealth management. During the period from 2006 to 2011, the retail banking segment had seen significant growth and is expected to grow even faster in 2017. In this global banking industry the largest market share is held by Europe – 43%. However, during 2006-11 banking in the Asia Pacific region has seen much faster growth. Compared to both the European and North American region, this region continued to grow at a faster rate.

Opportunities for growth in this region are also huge. India and China both present major opportunities for the banking sector. Apart from these trends there are several other forces and factors too that also influence the growth and business of the banking sector. Growing middle class income, increased technology usage, legal and regulatory factors and in this way several forces impact the banking sector.

### OBJECTIVE:

This paper highlights key factors affecting the banking industry in general and HDFC Bank in particular with the help of PESTLE analysis.

### PESTEL Analysis for Banking Industry:

PESTEL analysis is a strategic tool to analyze the macro environment of banking industry. PESTEL remains for - Political, Economic, Social, Technological, Environmental and Legal components. These factors

will have impact the macro environment of Banking Industry. Here is a PESTEL analysis of the Banking industry that analyses the impact of these forces on the industry and its growth.

### **Political factors: A tool for the big guys**

The keeping money part looks all amazing — yet it's defenseless to a greater monster: the government. Government laws influence the condition of the managing an account segment. The legislature can intercede in the issues of saving money at whatever point, leaving the business powerless to political impact. This incorporates debasement among political gatherings, or particular authoritative laws, for example, work laws, exchange confinements, levies, and political steadiness.

### **Economic factors: Easily influenced**

The managing an account industry and the economy are tied. How salary streams, regardless of whether the economy is succeeding or scarcely getting by amid times of subsidence, influences how much capital banks can get to. Ways of managing money, and the explanations for them, influence when clients get or spend assets at banks.

Moreover, when expansion soars, the bank encounters the kickback. Swelling influences money and its esteem and causes insecurity. Outside financial specialists reconsider before giving their assets when a specific nation's cash esteem is high.

Trade rates likewise influence banks all around — stable monetary standards, for example, the US dollar affect different monetary standards, ways of managing money, and swelling rates in different nations.

### **Sociocultural factors: Consumers want ease**

Social impacts, for example, purchasing practices and necessities, influence how individuals see and utilize managing an account choices. Individuals swing to banks for exhortation and help for credits identified with business, home, and scholastics. Buyers look for information from bank employees with respect to sparing records, bank related Visas, ventures, and more. Consumers want a consistent managing an account understanding. What's more, innovation is creating to enable purchasers to purchase items simpler, without needing help specifically from banks.

### **Technological factors: Smartphones to the rescue**

Innovation is changing how customers handle their assets. Numerous banks offer a versatile application to observe accounts, exchange assets, and pay charges on cell phones.

Cell phones can examine checks, and the bank can process it from their end, at their area. This change spares paper and the need to drive straightforwardly to the branch to deal with these issues.

Platinum cards are likewise evolving. Chips have been actualized, expecting clients to embed their card into charge machines instead of swiping them. Different nations, for example, Canada, have executed a "tap" alternative — tapping the check card onto the gadget, requiring no stick, for an exchange to finish. These progressions make it less demanding on the client to make buys without required interruption from banks.

Indeed, even banks themselves are using innovation inside the working environment. Telecommunicating through virtual gatherings is being grasped. It replaces the requirement for in-person gatherings.

### **Legitimate variables: Strict rules**

The managing an account industry pursues strict laws in regards to protection, purchaser laws, and exchange structures to affirm systems inside the business. Such structures are required for clients in the dispensed nation and for worldwide clients.

### **Environmental: Reduced footprint**

With the utilization of innovation — especially with versatile saving money applications — the utilization for paper is being lessened. Furthermore, the need to drive straightforwardly to a branch to deal with issues is limited as well. Many issues are dealt with through portable applications and web based saving money administrations. Customers can apply for charge cards on the web, purchase checks on the web, and have huge numbers of their managing an account questions addressed on the web or by telephone. Thus, reducing individual natural impressions.

### **PESTEL Analysis for HDFC Bank:**

#### **About HDFC Bank Limited:**

HDFC Bank was incorporated in August 1994. As of June 30, 2018, the Bank had a nationwide distribution network 4,804 branches and 12,808 ATM's in 2,666 cities/towns

HDFC Bank's Corporate Governance Policy has been adopted keeping in mind the importance of attaining fairness for all stakeholders, as well as achieving organizational efficiency. It's registered office in Mumbai, India. It is listed in NSE and BSE.

#### **HDFC Focuses on:**

- Understanding the needs of customers and offering them superior product and service. Leveraging technology to service customers quickly and conveniently.
- To create quality of consumers and not quantity of Consumers.
- Providing and enabling environment to foster growth and learning for the employees.

PESTEL investigation gives incredible insight about working difficulties HDFC Bank Limited will look in pervasive full scale condition other than focused powers. For instance an Industry might be exceedingly gainful with a solid development record however it won't be any useful for HDFC Bank Limited in the event that it is arranged in shaky political condition.

#### **Political Factors that Impact HDFC Bank Limited**

Political components assume a huge job in deciding the elements that can affect HDFC Bank Limited's long haul productivity in a specific nation or market. HDFC Bank Limited is working in Foreign Regional Banks in excess of dozen nations and open itself to various sorts of political condition and political framework dangers. The make progress in such a dynamic Foreign Regional Banks industry crosswise over different nations is to expand the methodical dangers of political condition. HDFC Bank Limited can nearly break down the accompanying components previously entering or putting resources into a specific market-

- Political soundness and significance of Foreign Regional Banks part in the nation's economy.
- Risk of military attack
- Level of debasement - particularly dimensions of control in budgetary division.

#### **Monetary Factors that Impact HDFC Bank Limited**

The Macro condition factors, for example, – expansion rate, reserve funds rate, financing cost, remote conversion scale and monetary cycle decide the total interest and total interest in an economy. While smaller scale condition factors, for example, rivalry standards affect the upper hand of the firm. HDFC Bank Limited can utilize nation's monetary factor, for example, development rate, swelling and industry's financial pointers, for example, Foreign Regional Banks industry development rate, buyer spending and so on., to conjecture the development way of not just industrybut likewise that of the association. Financial variables that HDFC Bank Limited ought to consider while leading PESTEL investigation are –

- Type of financial framework in nations of task – what kind of monetary framework there is and how stable it is.

- Government intercession in the free market and related Financial
- Exchange rates and soundness of host nation cash.
- Efficiency of budgetary markets – Does HDFC Bank Limited needs to bring capital up in nearby market?
- Infrastructure quality in Foreign Regional Banks industry
- Comparative points of interest of host nation and Financial segment in the specific nation.
- Skill dimension of workforce in Foreign Regional Banks industry.
- Education level in the economy
- Labor expenses and profitability in the economy
- Business cycle organize (e.g. thriving, retreat, recuperation)
- Economic development rate
- Discretionary pay
- Unemployment rate
- Inflation rate
- Interest rates

### Social Factors that Impact HDFC Bank Limited

Society's way of life and method for doing things affect the way of life of an association in a situation. Shared convictions and states of mind of the populace assume an extraordinary job in how advertisers at HDFC Bank Limited will comprehend the clients of a given market and how they structure the promoting message for Foreign Regional Banks industry purchasers. Social factors that administration of HDFC Bank Limited ought to dissect for PESTEL investigation are

- Demographics and ability dimension of the populace
- Class structure, order and power structure in the general public.
- Education level and in addition instruction standard in the HDFC Bank Limited 's industry
- Culture (sexual orientation jobs, social traditions and so on.)
- Entrepreneurial soul and more extensive nature of the general public. A few social orders support enterprise while some don't.
- Attitudes (wellbeing, ecological awareness, and so on.)
- Leisure interests

### Mechanical Factors that Impact HDFC Bank Limited

Innovation is quick disturbing different businesses no matter how you look at it. Transportation industry is a decent case to show this point. In the course of the most recent 5 years the business has been changing extremely quick, not by any means offering opportunity to the set up players to adapt to the changes. Vehicle industry is quick advancing toward mechanization driven by innovation firm, for example, Google and assembling is upset by Tesla, which has expressed an electronic vehicle transformation.

A firm ought not exclusively do innovative investigation of the business yet in addition the speed at which innovation disturbs that industry. Moderate speed will give additional time while quick speed of mechanical disturbance may give a firm brief period to adapt and be beneficial. Innovation investigation includes understanding the accompanying effects –

- Recent mechanical improvements by HDFC Bank Limited contenders
- Technology's effect on item advertising
- Impact on cost structure in Foreign Regional Banks industry
- Impact on esteem chain structure in Financial division
- Rate of innovative dispersion

### Ecological Factors that Impact HDFC Bank Limited

Diverse markets have distinctive standards or natural guidelines which can affect the gainfulness of an association in those business sectors. Indeed, even inside a nation frequently states can have diverse ecological laws and obligation laws. For instance in United States – Texas and Florida have diverse obligation provisos in the event of setbacks or ecological catastrophe. Additionally a considerable measure of European nations give solid tax cuts to organizations that work in-the-inexhaustible division.

Before entering new markets or beginning another business in existing business sector the firm ought to precisely assess the ecological gauges that are required to work in those business sectors. A portion of the natural factors that a firm ought to consider in advance are –

- Weather
- Climate change
- Laws controlling condition contamination
- Air and water contamination directions in Foreign Regional Banks industry
- Recycling
- Waste administration in Financial division
- Attitudes toward "green" or natural items
- Endangered species
- Attitudes toward and bolster for sustainable power source

### Lawful Factors that Impact HDFC Bank Limited

In number of nations, the lawful system and establishments are not sufficiently strong to secure the licensed innovation privileges of an association. A firm ought to deliberately assess before entering such markets as it can prompt burglary of association's mystery sauce in this manner the in general aggressive edge. A portion of the lawful variables that HDFC Bank Limited administration ought to consider while entering another market are

- Anti-trust law in Foreign Regional Banks industry and by and large in the nation.
- Discrimination law
- Copyright, licenses/Intellectual property law
- Consumer security and internet business
- Employment law
- Health and wellbeing law
- Data Protection

### CONCLUSION:

The saving money industry is considered responsible by the legislature. What and how they offer administrations is dictated by legislative issues and current legislative laws. Moreover, banks are at the impulse of the economy — swelling rates can obliterate managing an account prospects as it influences the estimation of money.

Innovation is helping purchasers go through and set aside some cash with promptly accessible applications and online administrations. For some day by day exchanges, it isn't required for clients to visit their branch any longer. This, thusly, spares the utilization of paper and gas spent from heading to and from keeping money areas.

Lawfully, banks respect shopper laws, exchange assentions, and security laws. They additionally should have first rate digital security with the developing utilization of innovation with managing an account exchanges.

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