CHAPTER I

INTRODUCTION AND DESIGN OF THE STUDY
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1.1 INTRODUCTION

Banking operations are basically divided into two segments. One is the corporate banking or wholesale banking and the other retail banking. Corporate banking serves the financial needs of corporate houses, companies and other financial institutions. On the other hand, retail banking is a form of mass banking where financial needs of individuals like professionals, salaried persons, self-employed, housewives, students etc., are met. The two things which distinguish corporate banking and retail banking are the size of the customer account and the number of customers. In wholesale banking or corporate banking, the customer is not a living entity but is an association of people. The directors of the company operate the corporate account on behalf of the shareholders. The size of the account is very big and may sometimes run into billions of dollars. The services offered under corporate banking include cash management, general banking and trade finance. Banks are subjected to high risk when offering credit facility to corporate customers. Hence, where the amount of loan is very large, banks form a consortium to finance the projects. On the other hand, retail banking deals directly with individual customers who manage their account all by themselves. The products and services under retail banking are designed to meet the financial needs of target customers. The size of the account is very small but the number of such accounts is very large when compared to corporate accounts. The small size of the accounts is less risky and the large number of such accounts is more profitable for the banks. Retail banking, on the other hand, is not a new
phenomenon. It has always been there in vogue in diverse forms. But it has become synonymous with individual consumers both on the liability and on the asset sides of the balance sheet: on the liabilities side, in the form of deposit such as fixed, current, savings account and on the assets side, in the form of various loans such as personal loan, housing loan, auto loan, educational loan and the like. Besides this, retail banking also provides various ancillary services such as mobile banking, phone banking, internet banking depository services and the like. The features and characteristics of retail banking products and services are based on the customer needs and marketing strategies adopted by banks in different countries. “Banking is usually divided into wholesale banking and retail banking. Retail banking serves private consumers and small-scale business, a characteristic feature being a large number of small transactions” (Channon, 1986)

Retail banking is not an invention or innovation in itself. In India, it has been in existence right from the time banking operations started. However, not much emphasis was given to it since corporate banking was the preferred goal for the banks. Right from independence up to 1990s, big corporate houses and industries depended heavily on banks to finance their projects since a limited number of financial sources were available to them. This was because capital market was not well developed and a number of restrictions were in place on raising capital from the overseas markets. There was no free run for joint ventures and multinational companies. In addition, government norms earmarked priority sectors which were to be financed by the banks. Thus,
banks had not much option but to finance the corporate sector. The origin of retail banking in India can be traced to a number of developments which occurred on the economic front both-in-national and international arena. Many challenges emerged for the banks along with many opportunities. The challenges were in the form of decline in the traditional lines of business, heavy competition, changing economic preferences and declining profitability. The opportunities emerged on account of many changes taking place on the socio-economic and also on the technological front. Thus, to face the challenges and also to cash in on the emerging opportunities, the banks operating in public, private or foreign sector, began to place a great deal of emphasis on retail banking.

The Indian economy has recorded a growth of above 5% in the last two decades. A report of Goldman Sachs, one of the leading investment banks, predicts that India would be the third largest economy in the world by 2050. Thus, the standard of living of people has been increasing even though at a much lesser pace when compared to western occupation of most of the people has been blessed with steady monsoons in the past many years even though there may be some variations due to droughts and floods. The surplus money left in the hands of people after satisfying their basic needs has given rise to the desire of investing in various banking products. The last decade also witnessed the growth of middle class population which is estimated at 20 crores. Due to the constraints of time and resources, the educated and working middle class populations prefer to have all the financial services offered to them under one
Banks have come out to help them by offering financial services like insurance, mutual funds, online trading in shares, foreign exchange transactions at one place. Information technology has played a major role in this regard.

The second half of the 1990s was a period marked by increased emphasis on (then) new concepts such as ATMs (Automatic Teller Machine) /Internet/on-line banking as alternative distribution of service. The past few years, though, have seen a clear revival of the brick-and-mortar concept with the expansion of the physical branch network, one of the major features of the retail push. It is the cost being incurred in the creation of the retail infrastructure — not only the physical branch network but the concomitant infrastructure which has to go with a branch — which suggests that this retail push is here to stay and is not transitory.

Banks possibly see the physical branch network as a critical requirement in their endeavour to increase the share of retail funding also in their overall funding patterns. In other words, while credit growth on the retail side is now working well as a business strategy, the effort now is to expand the overall retail banking franchise itself — comprising liabilities as well as assets.

Banking regulatory, structural and technological factors are significantly changing the banking environment throughout the world. One factor that is spurring the growth of the service economy in India is the liberalization that has been ushered in by the government in the banking sector.

The financial sector reform in India was designed to infuse “greater competitive vitality in the system”. To achieve this objective, the “Narasimhan
Committee” was formed. The Narasimhan Committee report suggested wide ranging reforms for the Indian banking sector in 1992 to introduce internationally accepted banking practices and enable Indian banks (which were till there resisting liberalization and opening of their markets) to achieve service excellence. The “Narasimhan Committee”, recommended the liberalization of entry norms and suggested that new banks be permitted in the private sector provided they conformed to the minimum start up capital and other requirements. The committee recommended too, a liberal policy towards allowing foreign banks to open offices in India. Since the reforms started the interest rate structure has been deregulated to a great extent and banks have been given a great degree of freedom in determining their rate structure for deposits and advances, as well as their product range. Banking has also become more competitive in respect of the location of points of sale that is the branch network. The end result is that market power is getting shifted from banks to their customers. With the lowering of entry barriers and blurring product lines of banks and non-banks, the oligopolistic nature of Indian banking is fast changing and giving way to a relatively freer market place. The freedom of choice which bank customers did not have earlier because of standardized products and regimented interest rates has been given to the customers as a result of the changes taking place.

In other words, financial liberalization has led to intense competitive pressures and retail banks are consequently directing their strategies towards increasing customer satisfaction and loyalty through improved service quality.
Retail banks are pursuing this strategy, in part, because of the difficulty in the banking products offered by retail banks as any new offering is quickly matched by competitions\(^3\).

Banking industry has witnessed a lot of changes in the era of Liberalization. The advent of foreign banks into the country and the licensing of private sector have created stiff competition within the business. Retail banking role is more important for a healthy growth of banking business and combat the competition from rivals. In order to save time and to concentrate more on marketing and selling, banks have to adopt alter nature channels like e-banking, m-banking, smart card, automated teller machines etc.,

Technology increased competition by new players. Product innovations in the financial services environment have led to a market situation, where there is an intense battle for customer’s satisfaction. Most of the initiatives regarding technology are aimed at providing better and more efficient customer service by offering multiple options to the customers. In order to rise up to the expectations of the consumers, it is necessary to enhance the understanding of consumer behaviour patterns\(^4\).

The wide spread use of smart card, ATMs, mobile banking, electronic banking pave way to twenty four hours service. With the use of advanced tools and variety of products, banks are enabling to maintain effective retail banking. In spite of the various challenges faced by the banking sector due to technologies, retail banking is considered to be an indispensable tool for serving the customers quickly and satisfactorily.
Retail banks have to cope with fierce competition, changing customer demands and profiles, and regulatory issues. Customer demand for new and innovative products and services, centralized operations, and integrated delivery channels is ever increasing even as pricing remains a sensitive issue in this segment. Retail banks are constantly under pressure to increase sales by signing up new clients and increasing business from existing customers. To retain existing customers and attract new customers, these banks have begun offering value added products including insurance products and mutual fund products. This is in addition to their regular value offerings such as ATM, debit card, credit card, bill payment services, e-banking, mobile banking, demat services and wealth management solutions.

Retail banks make significant investments in their business strategies to support their ever expanding business plans. These include deploying an efficient and up-to-date IT (Information Technology) framework. However, maintaining up-to-date IT infrastructure requires making constant changes in their IT systems. New or upgraded applications have to be comprehensively tested to ensure that they function in a very demanding realtime environment, as any gaps can prove costly for the bank in terms of time-to-market, return on investments and reputation loss.

The growth posted by some of the private sector banks has been such (a near doubling of retail credit in around two years which shows an annual rate of growth of around 35 per cent) as to overshadow the more modest attainments on this front by other banks — particularly the public sector banks.
It has also created the perception that overall economic conditions have so changed that a major shift in business strategy (such as the dominant focus on retail banking as against wholesale banking) is quite inevitable and the future lies only in retail banking expansion.

Retail banking in India is very small by world standards. The retail loan constitutes less then 6.7% of the GDP vis-à-vis 18% to 60% for Asian economies and the housing loans are just 2.5% of the GDP via-a-vis 25% to 60% in other nations. This reveals that retail banking in India has not reached its full potential\(^5\).

The transitional phase in the banking sector from traditional way of distributing services to the technological distribution of services has been instrumental in focusing on retail banking. Commercial banks in India have traditionally focused only on meeting the short-term financial needs of industry, trade and agriculture. Commercial banks can be classified into two categories namely Scheduled Commercial Banks and Non-scheduled Commercial Banks (Local Area Banks). Scheduled Commercial Banks are banks that are listed in the schedule to the Reserve Bank of India Act, 1934, and may further be classified as public sector banks, private sector banks, foreign banks and regional rural banks.

Public sector banks constitute the largest category in the Indian banking system. They include the State Bank of India and its six associate banks, 19 nationalized banks and 196 regional rural banks. Apart from the regional rural banks, the other public sector banks have above 46,500 branches. Public sector
banks collectively account for approximately 73.2 per cent of the outstanding gross bank credit and 77.9 per cent of the aggregate deposits of the scheduled commercial banks. Private sector banks in India received a fillip in 1994 when the Reserve Bank of India encouraged the setting up of the private banks as part of its policy of liberalization of the Indian banking industry. Housing Development Finance Corporation Limited (HDFC) was amongst the first to receive an 'in principle' approval from the Reserve Bank of India (RBI) to set up a bank in the private sector and then the private banks have played a major role in the development of Indian banking industry. Further, they have made banking more efficient and customer friendly.

The foreign banks have also brought the latest technology and the latest banking practices to India. They have helped to make the Indian banking system more competitive and efficient. The Government has come up with a road map for the expansion of foreign banks in India. The road map has two phases. During the first phase between March 2005 and March 2009, foreign banks could establish a presence by way of setting up a wholly owned subsidiary or the conversion of existing branches into a wholly owned subsidiary. The second phase commenced in April 2009 after a review of the experience gained after due consultation with all the stakeholders in the banking sector. The review examined issues concerning the extension of the national treatment to wholly owned subsidiary and permitting mergers and acquisitions of any private sector banks in India by a foreign bank.
In a modern economy, credit is the life blood of business where the banks are the institutions directly responsible for the creation of credit. In many advanced countries of the West, even for the purchase of consumer goods, credit is obtained by people and it is provided without any inconvenience to them by the banks. In India, banks are the single most important sources of institutional credit. There was a time when the dwellers of a city alone could enjoy their services. Now banks offer access to even a common man and their activities extend to areas hitherto untouched. Apart from the traditional business oriented functions, they have now come out to fulfill the national responsibilities. They have started to cater to the needs of agriculturists, industrialists, traders and to all the other sections of the society. Thus, they accelerate the economic growth of the country and steer the wheels of the economy towards its goal of “self reliance in all fields”. It naturally kindles our interest in learning more about the “bank” and the various men and activities connected with it.

The major thrust in banking industry was directed towards the achievement of socio-economic objectives. In the process of economic development, bank credit plays an important role, in developing countries like India where economic growth is uneven and varies from region to region and within the region from sector to sector. The bank credit can be used to smooth out the unevenness by proper channel. The commercial banks in India have been quite responsive to the financing needs of the retail banking only during the post nationalization period\(^7\). The banking industry in India has passed
through various phases. Presently the banking sector is entering a new phase after ten years of liberalization of the economy. The banking sector is at the cross roads and a crucial decision is to meet the pace of the developments in banking which includes the introduction of new instruments and services.

In the growth profile of retail banking, there are other facets of retail banking. One such is finding the competitive advantage in retail banking that would help each bank to reach out and retain the customers. Product homogeneity has become the norm. Therefore, product differentiation will provide a bank with an edge over competition and help it to gain market share. Products have to be differentiated by user category as well. For instance, banks often classify their retail customers into branch loyalists, branch depositors, multi channels and fully automated or they may classify them as ‘simplifiers’ self-directed and advice seekers. What each system of the classification norms reveals is that the focus will increasingly have to be on the customer and products may have to be designed accordingly.

Thus, the banks give preference to individual customers and operate more on service motive with more number of customers. The bank will have more number of customers but it may not reflect on the volume of business especially when customers happen to be from the rural areas. So in retail banking there may not be much profit margin, but they will have more clients. Thus banks give more importance to customers’ interest. In the day-to-day activity, we can see co-operative banks helping customers belonging to weaker sections of society. In a nutshell, India’s retail banking assets size is
expected to grow at the rate of 18% a year over in the four years 2006-2010. The retail loan is to drive the growth of retail baking in future.

For public sector banks, a major shift in business strategy to focus on retail may be optimal for the long term from a returns/risk point of view — provided they can create and improve the infrastructure in terms of technology, people, processes and pricing. The business marketing model, for instance, where direct marketing agents have been employed in a systematic manner to source retail assets, has been a notable success with private banks registering quantum growth in their retail portfolios in the past few years.

A similar model is yet to be tried out generally by public sector banks, though one has noticed a couple of banks beginning to employ such concepts. The funding base, in terms of the higher proportion of retail deposits, is also much more stable for public sector banks giving them a natural advantage on the pricing front.

If the processes and the technology can be harnessed, retail banking could provide an ideal combination of higher margin businesses (such as credit cards, personal loans) as well as a fair degree of risk diversification on the entire portfolio. Overall, the evolving economic environment does point to retail accounting for a much higher proportion of the balance sheets of financial intermediaries. The banks of all sectors seem to be well prepared for this scenario. In this context, the need was felt by the researcher to study retail banking products and services. An attempt has been made to analyse the performance of retail banking taking into account the different sectors of bank
(public, private and cooperative banks), areas of operation (urban, semi-urban and rural banks) and type of retail product in Madurai District in the context of primary data and secondary data.

1.2 STATEMENT OF THE PROBLEM

While the banks in India might be looking at rebalancing of the portfolio, there are other facets of retail banking, which they also actively consider. One such fact is finding the competitive advantage in retail banking. This would help each bank to reach out the retail customers. On one hand, product differentiation is used as a strategy to face competition and on the other hand, the requirements of the customers have to be satisfied by differentiating them according to the area to gain market share. For instance, banks often classify their retail customers into branch loyalists, branch depositors, multi-channels and fully automated or they may classify them as ‘simplifiers’, ‘self directed’, ‘advice seekers’ and ‘fickle’. Each type of classification signifies that the focus will have to be on the customers and products may have to be designed accordingly.

As the bankers are concerned with target marketing, they have to analyse the products and services in different dimensions so that the requirements of the customers can be identified and the pattern in which they avail services can be determined. As such, the bankers can have clear idea about the products to be offered and the customers to be satisfied. Of late, the banking sector has been gaining its business through retail banking. The bankers should be in a position to analyse the retail banking product wise and
area wise. This will enable the policy makers to decide on the marketing strategies.

In this aspect, retail banking is not a single one to be viewed uniformly. The possible difference such as product wise, area wise and sector wise will give more exposure for the betterment of retail banking.

Therefore, an attempt has been made by the researcher to analyse product wise, area wise and sector wise comparison of the products of retail banking in Madurai District.

1.3 OBJECTIVES OF THE STUDY

The following are the objectives of the study

i. To present a detailed growth of retail banking in India.

ii. To analyze the product wise and sector wise comparison of retail banking products.

iii. To analyze the area wise and sector wise comparison of the products of retail banking.

iv. To analyze the opinion of the sample respondents towards retail banking and to analyze their perception product wise, sector wise and area wise.
1.4 SCOPE OF THE STUDY

It was contemplated to highlight the opinion of the respondents towards retail banking products and services, taking into account different sectors of bank, different areas of operation of banks and different types of products and services. Though the study has focused on the opinion of the respondents towards retail banking products and services, it has taken into account different aspects such as quality of service, awareness of products, distribution of services, employee behaviour and the like for the purpose of the study. As such, the study has been projected in the context of different sectors of banks, different areas of operation and different types of products. The level of customer satisfaction has been considered to bring out different facets of retail banking on the basis of opinion of the sample customers. As such, the study has emerged as an empirical study. Thus, the study has been undertaken from the point of view of the sample customers in Madurai District.

1.5 HYPOTHESES

The following are the hypotheses formulated for the purpose of the study:

Chi Square Test:

i. There is no significant relationship between demographic variables (Age, Gender, Occupation, Marital statues, Income and Education) of the respondents and level of awareness
ii. There is no significant relationship between demographic variables (Age, Gender, Occupation, Marital status, Income and Education) of the respondents and quality of services

iii. There is no significant relationship between demographic variables (Age, Gender, Occupation, Marital status, Income and Education) of the respondents and level of satisfaction

ANOVA: (Sector Wise)

i. There is no significant difference between different sectors of bank and products offered.

ii. There is no significant difference between different sectors of bank and perception of the respondents about quality of services

iii. There is no significant difference between different sectors of bank and perception of the respondents about distribution of services.

iv. There is no significant difference between different sectors of bank and perception of the respondents about retail banking products.

ANOVA: (Area Wise)

i. There is no significant difference between different areas of operation and products offered.

ii. There is no significant difference between different areas of operation and perception of the respondents about quality of services

iii. There is no significant difference between different areas of operation and perception of the respondents about distribution of services.
iv. There is no significant difference between different areas of operation and perception of the respondents about retail banking products.

1.6 OPERATIONAL DEFINITIONS IN THE STUDY

The following terms have been used in this study

1.6.1 Deposit

They include savings account, current account, corporate salary account, women’s account, fixed deposits, recurring deposits etc.,

1.6.2 Housing loan

The housing loans are offered by the banks for purchasing a new house, renovating a house, etc., The amount of loan given to the customers depends upon the lending policies of the bank. These loans are granted for a longer duration i.e. 15 to 20 years.

1.6.3 Auto loan

These loans are granted for the purchase of cars, scooters, tractors etc., the loan is given for the purchase of either a new vehicle or a second hand vehicle and also can be availed on the existing vehicles.

1.6.4 Personal loan

This loan is granted to the individuals to satisfy their personal requirements without any substantial security. Many banks follow simple procedures and grant the loan in a very short period with minimum documents.
1.6.5 Educational loan

Banks grant these loans to provide financial assistance for the students to pursue higher statements. An amount of not more than ₹ 7.5 lakh is granted for studies within the country and ₹15 lakh for studying abroad.

1.6.6 Consumption loan

Banks provide loans for purchasing consumer durables. These loans can be borrowed for purchasing televisions, refrigerators, laptops, mobile handsets, etc., and can be repaid through equated monthly installments. The most important thing that a bank has to do is to gain the confidence of their customers. They should tune themselves to meet the customers’ needs. Banks must offer new and emerging retail banking tools for the customers.

1.6.7 Micro, Small & Medium Enterprises Sector

The Government of India enacted the Micro, Small and Medium Enterprises Development (MSMED) Act, 2006 on June 16, 2006 which was notified on October 2, 2006. A micro enterprise is an enterprise where investment in plant and machinery does not exceed Rs. 25 lakh; a small enterprise is an enterprise where the investment in plant and machinery is more than Rs. 25 lakh but does not exceed Rs. 5 crore; and a medium enterprise is an enterprise where the investment in plant and machinery is more than Rs.5 crore but does not exceed Rs.10 crore.

Investment in plant and machinery (irrespective of whether the plant and machinery are new or second handed), is the original cost excluding land and
building and as specified by the Ministry of Small Scale Industries vide its notification No. S.O. 1722(E) dated October 5, 2006.

1.7 METHODOLOGY

The research design adopted for the study is descriptive in nature and was conducted in two stages.

In the first explorative stage of this study a review of literature was undertaken to familiarize the researcher with various aspects of the study, to evolve appropriate methodology and to formulate a conceptual framework for the study. For this purpose, various research journals, annual reports of the reserve bank of India, annual credit plan in study area, books, journals, magazines and related web sites were consulted.

In the second stage, primary data were collected with the help of an interview schedule. The schedule was used to mobilize the opinions of the sample customers regarding retail banking products and services in Madurai District. Thus, the study has been constructed with the help of both primary and secondary data.

1.8 PROFILE OF THE STUDY AREA

The total geographical area of Madurai district is 3,696 Sq.Km., accounting for 2.88% of the geographical area of Tamil Nadu. The district lies between 9°30’00” in North latitude and between 77°00’00” and 78°30’00” in East longitude and is bound on the north by Dindigul District. There are two revenue divisions and 13 blocks in the district. There are 664 villages in the
district with 495 bank branches including 181 PACS (Primary Agricultural Cooperative Society).

Madurai district is classified into 6 sub-zones (Southern plateau and Hill region) under Zone X among the 13 agro climatic zones in the country. Normally sub tropical climate prevails over the district without any sharp variation.

The average annual rainfall of the district is 909 mm. There are four distinct seasons viz south-west monsoon, North-east monsoon, Winter and Summer. Vaigai is the major river in the district originating in the Western Ghats. The major sources of irrigation are by way of canals and wells.

The types of Soil available in the districts are thin red, deep red, red storile, laterite, black and red sandy. As regards mineral resources, lime stone deposits, granits etc. are available in the district.

In 2011, Madurai had population of 3,041,038 of which male and female were 1,528,308 and 1,512,730 respectively. There was change of 17.95 percent in the population compared to population as per 2001. In the previous census of India 2001, Madurai District recorded increase of 7.41 percent to its population compared to 1991.

The initial provisional data suggest a density of 823 in 2011 compared to 698 of 2001. Total area under Madurai district is of about 3,696 sq.km.

Average literacy rate of Madurai in 2011 were 81.66 compared to 77.82 of 2001. If things are looked out at gender wise, male and female literacy were 86.55 and 76.74 respectively. For 2001 census, same figures stood at 86.17 and
69.35 in Madurai District. Total literate in Madurai District were 2,248,749 of which male and female were 1,194,631 and 1,054,118 respectively. In 2001, Madurai District had 1,776,654 in its total region.

The district is basically agrarian in nature and hence agriculture is the main occupation. The district also offers goods scope for development of other activities like textiles, ready-made garments, dairy, floriculture, coir units, bakery units, brick kilns, toy making etc. Out of 2.38 lakh daily animals in the district, white and black cattle stood at 2.26 lakh and 0.12 lakh respectively.

The major food crops grown in the district are Paddy, Jowar, Cholam, Ragi and Cumbu. Banana, Guava, Mango, Sapota and Jasmine are some of the principal horticulture / floriculture crops, Vegetables, Chillies, Cotton are some of the major cash crops grown in the district.

The share of the district in Net State Domestic Product of the state comes to Rs. 683964 lakh and the district’s ranked 22nd in per capita income of the State. As regards livelihood options, in addition to agriculture’s prominence, district also offers good scope for development of other activities like textiles, ready-made garments, dairy, floriculture, coir units, bakery units, brick kilns toy making etc. Overall CD Ratio in the district comes to 94 % for the period ending 31 March 2010.

Madurai district possessed good infrastructure facilities like good transport and communication network. The district also has reputed educational institutions to provide necessary education to the needy. Similarly
existence of good training institutions and advents of reputed computer centre’s people are able to get good e technology.

Next only to the Periyar, Vaigai irrigation channel and thousands of tanks (called Ooranies) are the major source of irrigation in the district. Incidence of shrinkage of area of these tanks and feeder channels due to encroachments, in addition to lack of regular arrangements for desilting.

1.9 SAMPLING DESIGN

The study has been based on both the primary data and secondary data. The primary data were collected through an interview schedule which was intended for the bank customers in the study area. As the study has been projected to analyze the secondary data and primary data on the basis of different sectors of bank, different areas of operation of banks and different
types of products of retail banks, the branches of all sector banks have been considered for the purpose of the study. In the study area, there are 24 public sector banks with 209 branches, 15 private sector banks with 56 branches and 2 cooperative sector banks with 40 branches totaling 305 branches in Madurai district. Table 1.1 shows the total number of branches according to different sectors of bank.

### TABLE 1.1

<table>
<thead>
<tr>
<th>Sl. No.</th>
<th>Area/Sector</th>
<th>Public Sector Banks</th>
<th>Private Sector Banks</th>
<th>Cooperative Sector Banks</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Rural</td>
<td>54</td>
<td>11</td>
<td>15</td>
<td>80</td>
</tr>
<tr>
<td>2</td>
<td>Semi-urban</td>
<td>31</td>
<td>10</td>
<td>10</td>
<td>51</td>
</tr>
<tr>
<td>3</td>
<td>Urban</td>
<td>124</td>
<td>35</td>
<td>15</td>
<td>174</td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>209</td>
<td>56</td>
<td>40</td>
<td>305</td>
</tr>
</tbody>
</table>

It was decided by the researcher to cover all the branches in the study area. It is to be noted that as the secondary data of all the branches have been considered for the purpose of analysis, the primary data were decided to be collected from the customers of all the branches of banks in the study area to ensure uniformity in the approach. The bank customers in the study area constitute the population. The population is known to be definite. As the population is large, to consolidate the opinion of the bank customers, the researcher resorted to the sampling method. As such, in consultation with the
guide, the researcher has decided to collect data from two customers from each customer.

Though the number of bank customers is definite, it is not made known to the researcher. Given the situation, the researcher was unable to apply the Probability Sampling Method. However, the sample units were selected without any prejudice and without violating research norms. As the researcher was not permitted to access the list of bank customers of the respective bank, he was forced to make the sampling in a non-probability manner but in a scientific way without giving scope for bias and prejudice. As the list is maintained confidentially by the respective bank, he was permitted to conduct the survey only on the floor of the branches of the bank. Thus, the researcher fell in line with the sampling norms absolutely without any bias and was able to interview 610 bank customers as determined (305 branches x 2 customers = 610 respondents). Table 1.2 shows the sample design of the bank customers.

TABLE 1.2

<table>
<thead>
<tr>
<th>Sl. No.</th>
<th>Area/Sector</th>
<th>Public Sector Banks</th>
<th>Private Sector Banks</th>
<th>Cooperative Sector Banks</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Rural</td>
<td>108</td>
<td>22</td>
<td>30</td>
<td>160</td>
</tr>
<tr>
<td>2</td>
<td>Semi-urban</td>
<td>62</td>
<td>20</td>
<td>20</td>
<td>102</td>
</tr>
<tr>
<td>3</td>
<td>Urban</td>
<td>248</td>
<td>70</td>
<td>30</td>
<td>348</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>418</td>
<td>112</td>
<td>80</td>
<td>610</td>
</tr>
</tbody>
</table>
As stated earlier, though the number of bank customers is definite, it is not made known to the researcher. Thereby, the researcher was not in a position to apply the Probability Sampling Method. However, the sample units were selected without any prejudice and without violating research norms. Thus, the researcher fell in line with the sampling norms absolutely without any bias and was able to interview 610 bank customers as determined.

1.10 CONSTRUCTION OF TOOL

An interview schedule was constructed for this study to collect data from the bank customers. For the construction of the interview schedule, the researcher made an indepth study of the literature available on retail banking and its products. He had several discussions on different occasions with the officials of the different banks. In the light of the information gathered, he was able to identify the variables required for the purpose of construction. And also, he identified twenty statements to substantiate the role of banks in the distribution of retail banking services in the study area with a view to measure the level of attitude as to their satisfaction. With this, the researcher prepared the interview schedule. After the preparation, a pretest was conducted with 12 customers at the branch level. This was done to test the validity of the interview schedule. The comments and suggestions expressed by the bank customers were duly incorporated in the interview schedule. Then, a pilot study was conducted with 24 customers at the branch level. In the light of the pilot study, the interview schedule was suitably modified to survey the sample bank customers.
1.11 COVERAGE OF PERIOD

As stated earlier, the study has been constructed on secondary data and primary data. For the collection of secondary data, seven years (April 2004 to March 2011) have been taken as the study period. The primary data were collected through an interview schedule during April, May and June 2012.

1.12 FIELD WORK

This study was conducted by the researcher himself. As the banks are spread over the district and each interview schedule required one hour on average for securing information from the respondents, it took nearly three months for the researcher to complete the survey. The survey was undertaken on the floor of the branches of the respective banks. As the researcher had to travel from one spot to another, he was able to interview six to seven respondents per day covering a total of 610 respondents within the duration of 90 days.

1.13 DATA PROCESSING

After completing the interview with the sample customers, the completed schedules were edited properly to make them fit for further processing. For the purpose of coding the information, a master table was prepared in order to sum up all the information found in the interview schedule. In the process of coding, the data from the interview schedule was transcribed to a coding sheet. This was done to eliminate coding errors. The data thus transcribed were arranged in groups or classes on the basis of common
characteristics. In this way, entire data were divided into a number of groups or classes. This facilitated the summarizing of data and displaying them in the form of statistical tables for further analysis. All calculations were done with the help of calculator and computer.

1.14 FRAMEWORK OF ANALYSIS

The study has been analyzed with the help of the following statistical tools:

i. In order to analyze retail banking sector wise, product wise and area wise arithmetic mean, standard deviation, co-efficient of variation and average growth rate were computed. To determine the trend and growth, compound growth rate has been fitted for the periods from 2005-2011.

ii. Regression analysis has been applied to find the effect of certain performance factors on the overall opinion score of the respondents in two categories: one is sector of the bank and another one is the area of operation of banks.

iii. The formulated hypotheses have been tested with the help of ANOVA and Chi-Square Test.

iv. In order to analyze the attitude of the sample bank customers, Factor Analysis has been applied. This has been done to identify the factors which are significant taking into account factor loading.
1.15 LIMITATIONS OF THE STUDY

The following are the limitations of the study.

a. It is to be mentioned that the distribution of banking services involves two things; delivery of services and utilization of services. The delivery is made by the bank employees and the utilization is done by the bank customers. As the study has been intended to project from the point of view of the customers, no separate interview schedule has been prepared to highlight their opinions. The aspects relating to the bank employees have been analyzed from the point of view of bank customers.

b. Primarily the study has been undertaken to analyze the performance of retail banking according to different sectors of bank, different areas of operation of the banks and different types of retail products and services. As for the secondary data, the data were collected by the researcher from the lead bank of the study area. The secondary data were made available to the researcher in the following classification: deposit, housing loan, education loan, consumption loan, micro and small enterprises loan and retail trade loan. With the available data, the analysis has been made. As no detailed classification was available, the analysis has been restricted with limited classification.

c. In all possible ways, the analysis has been made according to different sectors of bank, different areas of operation of the banks and different types of retail products and services. In certain cases, the analysis was
made only according to different sectors of bank and different areas of operation of the banks. However, the analysis was made according to different types of retail products and services at appropriate places.

d. For the purpose of the study, the foreign banks have been excluded, as the data were not available about foreign banks with the lead bank.

1.16 SCHEME OF THE REPORT

The thesis consists of the following chapters.

The first chapter, “Introduction and Design of the Study”, deals with the design of the study. It covers introduction, statement of the problem, objectives of the study, scope of the study, operational definitions, methodology, construction of tools, sampling design, coverage of period, field work, data processing, frame work of analysis, limitations of the study and the scheme of the report.

The second chapter, “Review of Literature”, discusses the literature relating to the retail banking services, the status of retail banking and retail banking innovations.

The third chapter, “Growth of Retail Banking in India”, makes a brief presentation of the origin and growth of retail banking in India, drivers of retail banking services, retail banking products, technology in retail banking and problems of retail banking.

The fourth chapter, “Product wise and Sector wise Analysis of Retail Banking Products”, discusses the sector wise comparison of products and services of retail banking.
The fifth chapter, “Area wise and Sector wise Analysis of Retail Banking Products”, explains both the area wise namely rural, semi urban and urban and sector wise analysis of retail banking products.

The sixth chapter “Retail Banking Products and Services - An Analysis of Perspective of the Bank Customers”, presents the opinion of the customers regarding retail products and services and explains the opinion of customers about the level of banking operations, quality of banking services, level of satisfaction, awareness, problems, distribution aspects and the like with the support of statistical tools.

The seventh chapter, “Summary of Findings, Suggestions and Conclusion”, presents the summary of findings and offers suggestions for the successful performance of retail banking in the study area.
REFERENCE

1. T. B. Kapali, “How Retail Banking has Gone into Overdrive” The Hindu Business Line, July 17, 2007