CHAPTER IV

MARKETING STRATEGIES OF OPSBs OF TAMIL NADU - AN OVER VIEW
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Performance highlights of Tamil Nadu based private sector banks during the study period, as evident from the financial analysis lead to an unambiguous conclusion that Tamil Nadu based private sector banks are comfortably placed in the banking scenario of the nation. Cheerful results of these banks both in buyers’ market as well as in sellers’ market talk much about their marketing abilities. It is only their marketing strategies devised in tune with sensitive market conditions have given them the necessary strength to overcome the ill effects of the discriminatory approach of the Government towards them in the post nationalisation period. Similarly in a customer driven market too, their canny marketing skills have helped them a lot. Their strategies are not much different from one another. But niche banking or a distinct selling plank gives them a competitive edge over one another.

With consistent and healthy industrial growth, the size of banking cake is surely increasing. At the same time competition is also hotting up. The PSBs are sprucing up their activities and foreign banks and new private banks still seem ahead in terms of quality and service. At this juncture, Tamil Nadu based private sector banks are also refocusing on their objectives and redefining their market segments. In the final analysis, one can pronounce that future looks promising. Given this scenario, subsequent pages summarise the marketing strategies tried out by all OPSBs of Tamil Nadu in general.

1) RENDERING EFFICIENT AND COURTEOUS CUSTOMER SERVICE

Loyalty of customers is one of the basic requisites of business entities to ensure success in these days of intense competition and globalisation. The cost of retaining the loyalty of customers is far outweighed by the benefits that a business organisation derives through customer retention. A survey of wide range of industries, particularly in the service sector, in the US showed that companies with high customer
loyalty rates have typically two times to five times the industry average growth rates because resources do not have to be devoted as heavily to attract new customers to replace those lost. And loyal customers are more profitable - they steadily increase their transactions, thus increasing the volume of business and also serve as a very effective ‘referral’ system which brings in new customers and provide the company with the much required feedback.

Thus it is clear that each and every business unit has to appreciate the value of customer retention. This in turn is influenced by the level of customer satisfaction. This trend, no doubt holds good in the case of banking industry too. Customer service in Indian banks has always been a burning topic for discussions in so many platforms and columns of journals. It has to be conceded here that Indian bank customers are not a satisfied lot especially in the post nationalisation period. Customer service has always been a grey area for PSBs wherein most of them have miserably failed; their monopoly status in the post nationalisation period stood as a block in ensuring efficient service to customers. As a result, most of the bank customers are accustomed to delayed service, rigid bank employees and redundant procedures and formalities. Government of India and the RBI initiated a series of measures to remedy the situation. It includes the setting up of working groups / committees on customer service, giving instructions to banks to go in for effective customer grievance mechanism and the recent initiative of setting up of the office of the banking ombudsman. These steps highlight the need for providing effective customer service by banks. But to the dismay of the Government of India / RBI these steps have not yielded the desired results.

However, the concept of customer service has taken a new turn in the post liberalisation period. As competition increased for banks from many quarters such as NBFCs, mutual funds and stock markets, apart from the hectic inter bank competition facilitated by the entry of new banks, retaining existing customers and winning new ones have become the primary motto of banks. Slowly but steadily banks, especially the PSBs are redefining their priorities in the area of customer service.
Given the above scenario, it is relevant here to elaborate the status of customer service in Indian private sector banks. They are always singled out as customer friendly banks both in the post-nationalisation and pre-nationalisation period. Private ownership and the resultant accountability and responsibility have forced them to be more customer friendly. In fact, one can say that it is the service niche of these private banks which acted as a cushion for survival in the post-nationalisation period which was characterised as an era of PSBs. Moreover, one cannot also deny the fact that their smooth transition from the pre-reform period to the post-reform phase is facilitated by their efficient customer service. The industry report on Indian banking recently prepared by Jardine Fleming India Broking Ltd., affirms this. The report which covered 15 private sector banks has stated that better customer service has ensured quality of assets in the loan portfolio of these banks vis-à-vis the PSBs.

It is evident that rendering efficient and courteous customer service is one of the important marketing tools of the private sector banks. Tamil Nadu-based private sector banks also follow the same path of their colleagues in this context. When the researcher interviewed senior officials of six Tamil Nadu-based banks concerning their marketing strategies, all of them uniformly opened their discussion by stating that appreciable service is their basic marketing strategy and all other strategies emanate only from customer service. The researcher has gathered the following points from bankers in the area of 'customer service' as a strategy:

1. In order to ensure speedier service to clientele, automation of branches is on the forefront in case of all six banks [Details of automation are elaborated subsequently]

2. Managements of these banks are trying to ensure that customers dealing with them are exposed to a minimum of paper work and minimum number of staff members. More flexible business hours, evening counters, bright and comfortable banking halls, well-designed counters, informative brochures and regular contacts have received the attention of bank managements in the present day context. In short, one can say that Tamil Nadu-based private banks believe that convenient and flexible services will bring in more loyal customers for them.
3. ‘Service with a humane touch’ is another important aspect of customer service rendered by Tamil Nadu based private banks. All HRD practices are devised in tune with this objectives; employees are trained to have pleasing attitudes towards customers and are shaped as people with good convincing skills in case of delayed service. In other words, they are groomed to be customer oriented, always responsive to customers’ needs and desires and are trained to be well informed about their bank and banking industry as a whole. These qualities of employees make the customers feel at home and this means more business for these banks. The role played by the HRD departments of these banks is commendable. [Further details in this regard are narrated under the head HRD practices in this chapter].

4. Customer complaints are minimum in case of Tamil Nadu based private sector banks. Complaints if any, are mostly settled at the branch level. Very rarely few complaints are received by the head offices and those too are dealt in a manner without too many bureaucratic obstacles. This reflects the view that OPSBs of Tamil Nadu always care for their customers.

Specific points gathered by the researcher from all six banks in the area of customer service are expressed below:

1. Customer service receives top most priority in BOB; even the Chairman keeps in touch with as many customers as possible. The Bank always try to create a lasting bond with its clientele. In case of lending, the role of the Bank is not just confined to financial support and it assists the borrowers in overcoming the infrastructural and marketing constraints, as quoted by the Chairman of the Bank. In short, the Bank is customer savvy and the following facts exhibit its customer friendliness:

* Integrated computerised network plan is in progress inorder to enhance customer loyalty.

* Continuous process of training both in-house and external to improve service standards.

* Scientifically planned job rotation practices enabling employees to meet the growing challenges in terms of customer service.
* Fast track approach of the Bank in credit management.

* As convenience banking has become the new mantra of banks, the Bank has innovated a new product in the name of ‘Companion Saving Bank Account.’ The product has the unique facility of all banking services including tele banking under one account. This innovation, will give the core brand strength to the Bank in the long run as opined by the officials of the Bank.

2. Senior officials of the BOM fully endorse the view that the remarkable results of the Bank in the post reform period is facilitated by improved customer service. "Building front door traffic through good products is pointless if customers are walking out the back door because of bad service" - the Bank appreciates the validity of this statement and the customers are the tangible driving force of the Bank. Several key factors are used by the Bank in developing itself as pro-customer organisation. They are:

* Information technology is viewed by the Bank as an enabler to improve the quality of service. The Bank invests on technology upgradation. Out of 280 branches of the Bank as on 31st March 1997, 100 branches are fully computerised with many of them being linked through VSATS. Its total investments in computer hardware and software including the cost of renovation of premises is identified at Rs.21.16 crore during 1996-97. ATM facilities are also planned to be introduced in 1998.

* In order to strengthen its customer base in a period of tough competition marked by the entry of new generation private sector banks and new foreign banks which are known for their plush premises the Bank has given a face lift to its branches; modern interiors, central airconditioning and total branch automation have become the features of thrust branches.

* In order to get the right feedback from the customers, the Bank collects, collate and study the information available on customers. This is possible for the Bank through one-on-one customer interviews by the branch managers and executive visits to the residences of the customers. The Bank also relies on the academic institutions
engaged in the field of banking research for this purpose. Assistance of market research agencies is also sought.

* Rural branches which cater to the needs of the farming community have a special place in the banking map of India. Recognising this the Bank has set up a separate division called Rural Development Division (RDD) comprising 100 rural branches functioning in Tamil Nadu. The RDD focuses exclusively on rural development activities through the formation of Self Help Groups (SHGs) especially for women. Set up in 1995 the RDD has created 91 SHGs comprising 1820 women as on 31st March 1997. Thus by giving birth to the RDD the Bank has not only exhibited its concern for the society, but also built up a strong edifice for its rural client base.

3. The primacy given to the customer is both necessary and desirable according to the officials of the CUB; inability to understand and respond to the customer better than the competitors is ultimately destructive. In fact, by responding more effectively to the customer, the shareholder is best served in the long run. Following are the tactics adopted by the Bank to roam free in a customer driven market:

* Information system and technology greatly assist in providing detailed information on individual customers; it is also a force that unites various sections of the organisations and help them to learn more and more about their customers, their wants and the world around them. Realising this the Bank has fully computerised 32 branches out of its 100 branches as on 31st March 1997.

* Good service often means dealing with issues quickly as they come up and a bank cannot possibly tell employees what to do in every situation. In this context, the CUB typically provides a broad frame work of goals and gives employees leeway to use their judgement in meeting the customers needs. All branch managers and the General Managers of the Bank talked about trusting employees and the performance latitude provided to them in rendering efficient service. Service improvement efforts traditionally focussed on frontline employees who directly deal with customers. But, now the Bank involves every one in the organisation including middle managers who always manage people, process, and internal expectations. The management makes sincere attempts in cultivating and enhancing employee satisfaction.
Complaint tracking is an important part of customer retention. A complaining customer can provide valuable insights for problem solving. Moreover, complaining customers, whose concerns are acknowledged and responded to, can actually become more loyal than silent, satisfied customers. Thus the CUB is of the opinion that there is tremendous retention value in problem solving and an equal amount of jeopardy in ignoring customer complaints. All branches have a complaint box; in most cases the boxes are always empty as the employees are able to convince the clientele by word of mouth. In rare circumstances the branches receive complaints which are appropriately replied.

While all customers are important, some are more important. As such, the Bank segments the market in terms of revenue / profitability contribution and adopts a discriminatory approach while pricing. Personal rapport of the Bank also differ depending upon the net worth of the clientele.

According to the Chairman of the KVB Ltd., it is the customer who calls the tune in the present day market driven economy. He is of the view that the profit for a bank comes from the satisfied customers and a bank driven by customer satisfaction alone will have a competitive advantage. Following are the highlights of the 'customer service' rendered by KVB:

Computerisation and modernisation of operations continue to receive pointed attention inorder to meet the twin objectives of customer satisfaction and wise managerial decision making. The Bank has 191 branches in 1996-97, out of which 65 branches are computerised. At the central office too, maximum level of computerisation has been reached.

Pro-customer organisations have happy employees and happy customers. The fact here is that unhappy employees are unlikely to have the kind of energy and commitment that good service requires. In tune with this, the KVB gives much emphasis to the quality of manpower; employees are allowed to display their skills and talents and are encouraged and rewarded for being so. Today's banking environment compels employees to sharpen their competitiveness, excellence, refinement and innovation in their respective work areas. So required inputs are
being provided by the KVB to its employees inorder to develop their individual skills through extensive training programmes in all vital areas such as credit appraisal, foreign exchange, use of modern technology and inter-personal relationship.

* The Bank periodically circulates written exhortations among employees under the personal signature of the Chairman / General Manager emphasising customer service.

* Customer elation is made as the theme of address by higher officials at gatherings of employees on special occasions.

* Periodical customer meets are held in all branches. Branch managers often visit customers' work places / residences to enquire about the quality of service.

5. ‘In the changed scenario, a bank customer has more options than ever before thus forcing the banks to constantly review their products and packages of services to match their expectations.’ This is a statement made by the then Chairman of LVB in a write up in the IBA Bulletin, Special Issue, January 1996. Steps taken by the Bank in this background are:

* For any bank to build relationship with its customers, technology enables and empowers in three ways; by facilitating precision management, by linking everyone and everything together and by slaking the thirst for knowledge and learning. As such the LVB has an ambitions computerisation plan. As per the annual report of the Bank for 1996-97, 32 out of its 200 branches are computerised. This include all its 6 service branches to facilitate quick realisation of outstation instruments of customers. During 1997-98 the Bank has computerised 38 more branches. The first ATM of the Bank is to be installed in the Andheri Branch of the Bank under Shared Payment Network System (SPNS). Telebanking will also be introduced in select computerised branches. The Bank has constituted a Hi-Tech committee for the purpose which is endeavouring to adopt the state of the art technology.

* Realising the need for a high degree of professionalism in all spheres and to meet customers’ expectations, the Bank has evolved a strategy for retraining its work force; the Bank aims at training its staff atleast in one disipline during a year and special emphasis is laid on computer application, merchant banking and foreign exchange.
* Branch managers of the Bank are properly groomed to handle customers smoothly. They are refined to treat every citizen/household as a future/potential customer and win him over.

* The Bank is conceiving a system of rewards to customers/employees for best suggestions to improve service.

6. In an interview to Business India (dated February 9-22, 1998) Mr. S. Krishnamurthy, Chairman of TMB has pronounced that the Bank wants to achieve Rs.2000 crore deposits with a net work of about 200 branches by the year 2000. Such ambitious targets, no doubt can be achieved only through dazzling customer service. The Bank has fully recognised the fact that all rewards have come from only one source viz., the rupee of the customer, and is attempting sincerely to reward loyal customers, to hold back the potential defector and to attract the fence sitter. Such attempts are narrated below.

* Agility in marketing is not only the ability to offer the latest as quickly as possible. It is also the ability to discard the old and the obsolete as quickly as possible. TMB is an agile bank in the area of technology since it had taken up computerisation on a large scale in 1983 and is one of the earliest banks to venture into this area. In 1995-96, the Bank has 139 branches, out of which 88 are computerised. A deeper insight into the branch network of the Bank reveals that out of 139 branches, 87 are located in semi urban, urban and metropolitan centres and 53 are rural branches. Annual reports of the Bank point out that all the 87 non rural branches and one rural branch are computerised. Thus it is clear that computerisation is used as a niche by the Bank to render efficient customer service.

* Customer delight is defined as the ability of the marketer to surpass the expectations of the clientele and delivering to their door steps additional benefits which they would never have imagined possible. Computerised demand drafts and tele banking service are the two instances of customer delight offered by TMB. The Bank was the first to issue computerised demand drafts. Telebanking service introduced in the Chennai branches of the Bank helps the customers to have access to the Bank's computer via telephone and is available round the clock.
*The Bank invests substantially in developing employees - in tailoring training to fit the organisation's emphasis on service. The curriculum for new recruits are redesigned. Instead of giving out a lot of product information, training programmes now talk about customers and what they look for. Once the basics of good service are understood, it is easy to provide access to product information. The Assistant General Manager of the Bank described its approach in HRD as 'put the facts in the box- the personal computer and the concepts in the head'.

CUSTOMER SERVICE IN OPSBs OF TAMIL NADU - CUSTOMERS' PERCEPTION:

Consumer (customer) awareness is gaining momentum in all countries including developing economies like India. Consumer associations in India in the liberalized environment have a common complaint. All business entities, be it a manufacturing unit or a service entity go for glibly mouthing cliches such as "customer is the king", "quality is what the customer says it is and not what the provider says", "The customer is the last word" and so on but there is as yet no clinching evidence of any change in their mind set. No doubt customer affairs - customer relations - customer satisfaction - customer elation - customer delight- is the resonating mantras chanted by management gurus, the staple stuff of seminars, the sacred pledge of business houses, and the magic formula for profits; it has not made any difference to the status of the customers as perceived by the consumer movement. All India Bank Depositors' Association (AIBDA) the popular entity fighting for the betterment of bank customers is also of the opinion that banks only pay lip service to customer welfare. In his presidential address in a seminar on depositors' problems, the president of AIBDA Mr. K.M. Sundaram criticised that the experiences of a bank customer will rudely contradict with the dulcet phrases of the advertisement given by banks and there is always an unbridged gap between rhetoric and reality in case of customer service.

What is the status of customer service in Tamil Nadu based private sector banks? Are the customer oriented tactics pronounced by the bankers as narrated in the previous pages really beneficial to the client of such banks? Are the customers of
these banks really a delighted lot? In order to get answers to these questions the researcher has ascertained the perception of the customers of Tamil Nadu based private sector banks regarding the quality of service.

The researcher has contacted 240 customers in toto for the purpose i.e., 40 customers of each bank. Out of this 40, 10 each are selected from rural, semi urban, urban and metropolitan branches of the banks. Choice of the branches is influenced by accessibility and the choice of respondents is based on the frequency of dealings. Details of branches chosen for the study is given in Table 4.1.

For the purpose of eliciting information from the customers, the researcher has used an interview schedule as given in Appendix I. The response of the sample customers are analysed below.

1. Out of 240 customers contacted by the researcher, 170 (71%) respondents have given full credit for Tamil Nadu based private sector banks in the area of customer service. They opined that banking with these banks is always a pleasant task rather than a painful chore. They pointed out that these banks try to ensure courtesy, accuracy, responsibility and efficiency in each and every banking transaction. Out of this 170 customers, 80 each represent depositors and borrowers and the remaining 10 customers are those who deal with these banks for availing fee based services. Thus it is clear that these banks are able to live up to the expectations of their clientele in all aspects of banking.

2. 70 (29%) respondents expressed the opinion that they would not blindly appreciate the Tamil Nadu based private banks in case of customer service, though they are favourably placed vis-a-vis the PSBs. In other words, their opinion clearly illustrated their dissatisfaction regarding the quality of service. Reasons for their dissatisfaction are discussed subsequently.

**Problems in Opening a bank account:**

Out of the dissatisfied customers numbering 70, 5 (7.1%) complained that they faced hardships even at the very first instance of opening an account. In those
### TABLE 4.1

CUSTOMER SERVICE IN OPSBs OF TAMILNADU - SAMPLE BRANCHES UNDER STUDY.

<table>
<thead>
<tr>
<th>Name of the Bank</th>
<th>Rural Branch</th>
<th>Semi Urban branch</th>
<th>Urban branch</th>
<th>Metro Branch</th>
</tr>
</thead>
<tbody>
<tr>
<td>BOB</td>
<td>Narthamalai</td>
<td>Dindigul</td>
<td>Coimbatore</td>
<td>T. Nagar, Chennai</td>
</tr>
<tr>
<td>BOM</td>
<td>Kandanur</td>
<td>Karaikudi</td>
<td>R.S.Puram, Coimbatore</td>
<td>Mount Road, Chennai</td>
</tr>
<tr>
<td>CUB</td>
<td>Silattoor</td>
<td>Karaikudi</td>
<td>Ramnagar Coimbatore</td>
<td>Triplicane Chennai</td>
</tr>
<tr>
<td>KVB</td>
<td>Kothamangalam</td>
<td>Karaikudi</td>
<td>Dr. Nanjappa Road, Coimbatore</td>
<td>Purasaiwalkam, Chennai</td>
</tr>
<tr>
<td>LVB</td>
<td>Gobalpatti</td>
<td>Karaikudi</td>
<td>Gandhipuram, Coimbatore</td>
<td>Purasaiwalkam, Chennai</td>
</tr>
<tr>
<td>TMB</td>
<td>Pudur</td>
<td>Karaikudi</td>
<td>Dr. Nanjappa Road, Coimbatore</td>
<td>Mount Road, Chennai</td>
</tr>
</tbody>
</table>
cases the banks were not satisfied with the introducer and insisted on another introduction. The time taken by the banks for opening an account is very long according to them. Interestingly it is identified that all these 5 customers belong to metro centres and have dealings with foreign banks also which are known for their expeditious and elegant service.

Bankers on their side pointed out that cases of fraud or mis representation may occur if they open an account without proper introduction. Not only the banker runs the risk but the general public may also be deceived by undesirable customers.

There is no need to do away with introduction to avoid misuse of bank accounts. But these banks should give top most priority of the time factor and the delay in opening an account should be avoided at any cost. This alone will create the best first impression about the bank amidst the clientele. Such a measure will help these banks to survive and succeed in metropolitan centres dominated by the elite foreign banks and the new born contemporary private banks.

**Problems with regard to pass books**

Out of the 70 dissatisfied customers. 42 (60%) customers are not happy about the entries in the pass book. They pointed out that a delay ranging from 20 minutes to 60 minutes is involved in updating the pass book. Among this 42, 28 (66%) respondents have experienced delay even though they are very prompt in depositing pass books for updation periodically. All 42 dissatisfied customers criticised these banks for illegible entries by pointing out that they are able to identify the transactions only with the help of the amount. The researcher has identified that the intensity of the problem with regard to passbooks is very high in case of semi urban and rural branches (all dissatisfied customers from these areas have quoted the problem).

According to bankers, delay involved in updating of passbooks is mainly due to mounting volume of business and dearth of staff. During business hours, bankers have to attend to a number of customers simultaneously. Thus if a customer asks to
update his passbook during peak hours whose account runs over more than three pages in the ledger, it will consume at least 15 minutes. So the customers are asked to wait for sometime or come on the next day to get it. As far as illegible entries are concerned, bankers have no reasonable answer.

**Delay in Service**

All dissatisfied customers numbering 70 have evoked serious concern over the time taken by these banks in execution of different jobs. The time consumed is not so much in case of encashment of cheques, payment of demand drafts and collection of local cheques. But they were critical of these banks for undue delay involved in the issue of demand drafts, opening of accounts, collection of outstation cheques etc. Out of this 70, 10 happen to be locker holders who narrated their long waiting experience for operating lockers. Similarly 25 happen to be borrowers who had been embarrassed with frequent visits to branches for availing loan facilities. In case of collection of outstation cheques, 30 customers commented that irrespective of the place of the paying bank, banks invariably take 8 to 10 days; 5 customers even went on to say that such delay is a deliberate tactics adopted by banks inorder to have float funds.

An analysis of branch wise break up of customers reveal that 23 rural customers are not happy in case of borrowings; they felt that these banks take unduly long time for disbursing loans as compared to the instant credit facilities offered by money lenders. All semi urban customers (8 in number) are accustomed to delayed collection of cheques and delay in issue of cheque books. They further elaborated that when banks are talking about door step services, they are asked by these banks to make a second visit for collecting the fixed deposit receipts. All urban customers (11) though happy with improved performance of these banks in various jobs with the advent of computers, suggested that the collection mechanism of these banks should further be geared up. On the other hand, the entire set of metro customers' (28) dissatisfaction arise out of their comparative analysis of the service rendered by these banks vis-a-vis the timely service rendered by foreign banks.
Another interesting point for analysis as identified by the researcher is the direct correlation between computerisation and the quality of service rendered by bank branches. Out of the 24 bank branches chosen by the researcher for the purpose of the study, 12 branches enjoy the benefit of automation. Only 15 customers representing these branches have voiced their concern against delayed service and the remaining 55 customers in the dissatisfied category belong to the non-automated branches. Even these 15 customers expressed their bitterness in non-computerised operations such as collection of outstation cheques, operation of locker facilities etc., Thus the popular hypothesis which states that mechanisation facilitates speedier service is accepted.

When the researcher took up the issue of delay in service for bankers’ reaction, they quote the volume of work as the general reason. In case of collection of outstation cheques, they are now employing faster channels of collection. Similarly fast track credit mechanisms with more flexible procedures especially in rural areas are also tried out. As locker holders need privacy, a locker holder has to wait till his predecessor in the locker room completes his job and banks are adopting flexible operating time for lockers.

Problems of the borrowers

Out as the 70 dissatisfied customers, 25 customers are borrowers. Among this 25, as already pointed out 23 are ruralities who have availed financial assistance under the government sponsored schemes and jewel loans. The remaining 2 are borrowers availing cash credit facilities from the metro branches. Problems quoted by them are.

* Rigid procedures and formalities as viewed by rural clientele who were beneficiaries of government sponsored programmes.

* Conservative approach adopted by these banks in granting of loans i.e., even for granting a paltry amount, branch managers adopt a cautious approach and in most cases their loan requests were not favourably considered at the first instance. There
was even a complaint that bank employees are very hostile towards borrowers under priority sector. Too many visits to the branch, irksome questions, insistence for reference make them very unhappy.

* Inflexible repayment schedule without considering the cash generating pattern of the borrower.
* Delayed credit.

Bankers on their part rejected all the above complaints as unjustified. In all cases of advances including priority sector minimum procedures and formalities necessary to safeguard the interest of banks are resorted to; perhaps the involvement of outside agencies in case of government sponsored schemes makes it too rigid and lengthy. With regard to the attitude of bank employees towards priority sector borrowers bankers reacted that though it is a directed credit programme they disburse credit with utmost involvement as it is a part of their social responsibility. However, they conceded that deficiencies are noticed in the behaviour of employees towards rural clientele; attempts are made to change this trend through attitudinal training programmes. Repayment schedules are always borrower friendly and borrowers face problem in this context due to misuse of funds. They always strive to ensure timely flow of credit.

**Miscellaneous problems**

Out of the 240 customers contacted by the researcher 25 happen to be locker holders. All these locker holders pointed out that all banks are demanding deposits for the provision of locker facilities. Out of this 25, 15 do not view this as a problem as they already had some deposits with bankers. But the rest of the 10 locker holders, were allotted lockers only after making a prescribed deposit. Waiting time for obtaining lockers is also too much, they added. All these 15 locker holders were critical against these banks for charging exorbitant locker rents.

20 customers expressed unhappiness over the reluctance of these banks in supplying the desired denomination of currency notes and coins. Similarly bankers also refuse to exchange soiled/mutilated notes.
30 customers informed that they had no notice of customers meets conducted by these banks and the grievance redressal mechanism of the branches is very poor.

40 customers exhibited their dismay over the premises and amenities of the bank branches. The negative aspects identified by them are inadequacy of space, absence of waiting lounge, improper lighting and ventilation, lack of parking space, poor drinking water facilities etc.

Responses put forth by the bankers for the above mentioned problems are

* Lockers are always allotted on business considerations. As there is always a heavy demand for lockers they want to avail the opportunity for building of a sound deposit base. They felt that the amount insisted by way of deposits is not very heavy considering the networth of the aspirants for lockers. Locker rents are guided by the size and capacity of lockers.

* Non availability of currency notes is the underlying reason for the inability to meet the currency denomination requests of the public. RBI’s note refund rules are followed in case of exchange of soiled notes/mutilated notes.

* All the contacted bank branches have conducted customers’meets and all customers without any discrimination are promptly intimated. In fact, poor customer response discourage them to go for periodical meets.

* Customers’comments considering the premises and facilities will be given due weightage; non availability of space in a strategic location and high capital cost are the main hindrance for the branches in this context. However, the inadequacies will be removed in the proposed revamping plans, according to bankers.

CUSTOMERS SERVICE IN OPSBs of TAMIL NADU - GEOGRAPHICAL AREAWISE ANALYSIS

All banks under study have their branches in rural, semi urban, urban and metro centres. Percentage of dissatisfied customers differs depending upon the geographical jurisdiction of bank branches as illustrated by Table 4.2.
TABLE 4.2
CUSTOMER SERVICE IN OPSBs OF TAMIL NADU - AREAWISE PERCEPTION OF CUSTOMERS

<table>
<thead>
<tr>
<th>Area</th>
<th>No of Customers Satisfied</th>
<th>No of Customers dissatisfied</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rural</td>
<td>37 (61.67)</td>
<td>23 (38.33)</td>
<td>60</td>
</tr>
<tr>
<td>Semi Urban</td>
<td>52 (86.67)</td>
<td>08 (13.33)</td>
<td>60</td>
</tr>
<tr>
<td>Urban</td>
<td>49 (81.67)</td>
<td>11 (18.33)</td>
<td>60</td>
</tr>
<tr>
<td>Metropolitan</td>
<td>32 (53.33)</td>
<td>28 (46.67)</td>
<td>60</td>
</tr>
</tbody>
</table>

Figures in parentheses refer to the proportion to the total.

Source: Primary Data.

Table 4.2 makes it clear that semi urban branches have the highest percentage of satisfied customers at 86.67% followed by urban branches at 81.67%. Rural branches come in the third slot with 61.67% of satisfied customers. Metro branches have the lowest percentage of satisfied clientele at 53.33%.

Availability of alternate banking facilities in a given area influences the level of satisfaction and thus the percentage of satisfied customers differs from one area to another as inferred from the bankers. To elaborate, customers banking in metropolitan centres accustomed to sophisticated banking environment, flexible procedures, faster service and courteous employees of foreign banks and new generation private sector banks have the same level of expectations concerning the service rendered by banks under study. As such the percentage of satisfaction is comparatively low. Similarly in case of rural areas wherein banking awareness is much limited, the procedures
and formalities involved in banking transactions make bank less customer friendly; customers who are more familiar with the ‘easy to avail’ credit facilities of money lenders are not satisfied with services of banks governed by step by step procedures and voluminous paper work. Semi urban and urban branches have a better rate of customer satisfaction as these areas are the traditional stronghold of these banks, they have developed set of loyal customer with better satisfaction.

Thus the researcher has identified that the area of operation of banks influences the level of satisfaction of customers. In order to test the validity of this fact statistically, the researcher has used the chi-square test. Null hypothesis for this purpose viz., ‘Area of operation of bank branches does not influence the level of customer satisfaction’ is formulated. By applying chi-square test observed and expected frequencies are arrived at. The calculated value stands at 22.023. Table value of chi-square at 5% level of significance is identified as 7.82. Since the calculated value is less than the table value of chi-square the null hypothesis is rejected. Hence one can conclude that the area of operation of bank branches has definitely an influence over the level of customer expectation and the resultant satisfaction.

CUSTOMER SERVICE IN OPSBs OF TAMIL NADU - BANKWISE ANALYSIS

All banks under study strive to provide efficient and courteous service to clientele. But bankwise analysis of customers’ perception regarding the quality of service reveal that percentage of satisfaction of customers differ from one bank to another as depicted in Table 4.3.

TMB scores over other banks in the area of customer service as depicted by Table 3.3. As already pointed out 3 out of 4 branches chosen for the study enjoy a mechanised environment thus boosting the percentage of satisfied customers.

Out of 40 customers each of CUB and KVB, 80% are fully satisfied with regard to the quality of service. Areas of dissatisfaction center around pass book entries and rigidity in opening of accounts.
TABLE 4.3
CUSTOMER SERVICE IN OPSBs OF TAMIL NADU -
BANK WISE ANALYSIS

<table>
<thead>
<tr>
<th>Name of the Bank</th>
<th>Percentage of satisfaction</th>
</tr>
</thead>
<tbody>
<tr>
<td>BOB</td>
<td>65</td>
</tr>
<tr>
<td>BOM</td>
<td>55</td>
</tr>
<tr>
<td>CUB</td>
<td>80</td>
</tr>
<tr>
<td>KVB</td>
<td>80</td>
</tr>
<tr>
<td>LVB</td>
<td>58</td>
</tr>
<tr>
<td>TMB</td>
<td>88</td>
</tr>
</tbody>
</table>

Source: Primary Data.

BOB with 65% of satisfied customers is criticised for its conservative approach in dealing with borrowers. All dissatisfied customers who happen to be depositors have also conceded that the bank is very rigid in observance of rules.

58% of customers of LVB are fully satisfied with the services of the Bank. Poor lay out, inadequate amenities in branches and delayed services are the criticisms of the dissatisfied clientele.

BOM has the lowest percentage of satisfied customers in the group at 55%. Difficulties in account opening, illegible pass book entries, indifferent attitude of employees, lack of concern for clientele in case of supply of various denomination of currency notes, exchange of solied notes etc., are the negative aspects of service as identified by 45% of customers who are not satisfied with the quality of service of the Bank.
2) EFFECTIVE HRD PRACTICES

‘Customer is the King’ - is the adage governing the functioning of Indian banks today. In this context, the business strategies of banks center around three vital issues viz., products, processes (technology) and personnel (people). Personnel management gains practical relevance on account of the intensified competition in today's banking set up. Like good writing is simply putting right words in the right place, good management is placing the right people in the right job. However, this is not an easy job for the personnel departments especially in banks. Liberalisation and globalisation have led to an explosion in the banking activities and competition for personnel is proving to be twice as intense as battle for the customers. Thus recruitment of right people and retaining them become the twin tasks of a personnel manager. This, in turn, is facilitated by effective human resource development practices comprising of a scientific system of recruitment, proper methods of training and development, and effective appraisal and reward mechanism.

From the above presentation it is clear that people power is very important in any organisation. HRD is relevant to every operation of an organisation as summed up below.

* Product design is an outcome of sustained personal innovation.

* Manufacturing a product / delivering a service is the result of team work applied to technology.

* Marketing is the sum of people devised services added to products.

* Restructing is the redeployment of people and their knowledge.

* TQM is the application of human intelligence to improve processes.

Thus effective HRD practices become one of the crucial weapons in the armoury of old private sector banks of Tamil Nadu to enhance their marketing skills as identified by the senior officials of these banks. Such practices are analysed subsequently.
RECRUITMENT POLICIES OF OPSBs OF TAMIL NADU

In today’s banking environment HRD departments of banks have to attract people with multi dimensional experiences and skills. They have to develop a culture that attracts people to the banks and locate people whose personalities fit the values of the organisation. Devising methodologies for assessing psychological traits and designing competitive entry pay are the other challenges in this context. Following are the appealing features of recruitment policies of banks under study as identified by the researcher.

1. As in case of any organisation all banks do a careful exercise of man power resource planning followed by scientific job specification. Subsequently recruitment methods are selected depending upon the cost involved, availability of needed talents and other external constraints. All banks chosen for the study give much importance to internal recruitment ie., in any recruitment plan, they look within the bank for talent. This step is not only economical but also boosts the morale of the employees. Though the researcher is not able to get the information concerning percentage of vacancies filled internally during a year, it is inferred from the personnel department of these banks that they go for external sources in case of information technology, foreign exchange operations, treasury management, security system etc., where available talents are inadequate.

2. Advertisements and search firms are the main sources of external recruitment for these banks. For middle and senior level employees they seek the assistance of search firms (consultants/recruitment agencies) and provide them with clearly outlined employee profile. Advertisements are the common mode of recruitment for all banks both for entry level and middle management level. Here also they utilise the services of search firms for conducting tests.

3. Among the six banks under study, BOB and KVB use campus interviews for recruitment of fresh talents. Both banks keep regular contact with the universities/ management institutes imparting banking education and visit the campuses regularly for recruiting officers at the junior management level as well as clerks.
According to the personnel managers of these banks, campus recruitments are advantageous on the following ground.

* Availability of talents with a sound theoretical background. Exposure given to the youngsters by the academic bodies in areas such as legal aspects of banking, bank marketing and rural banking equip them with skill, right aptitude and attitude.

* Cost effectiveness

* As the campuses are chosen after careful evaluation of educational standards including the quality of classroom education, the strengths of the faculty and the depth of the support systems like libraries, computerised referencing etc., campus interviews ensure that top talents are absorbed.

* Campus recruitments are morale boosters to academics engaged in the field of banking education. Thus by doing so, banks strengthen banking education and in turn discharge a vital social obligation.

4. All banks chosen for the study give much importance to the recruitment of professionals in information technology in the present day hi-tech banking environment. They have created a special cadre entitled ‘computer officer’ at the entry level for this purpose. BOM, with the highest number of branches among the group is more vigorous on this count and all its recruitment at present center around the field of technology.

5. TMB, formerly called as the Nadar Bank exhibits its community affinity in its recruitment policy. By giving more weightage to the aspirants hailing from the said community, the Bank develops a team of dedicated employees maintaining industrial peace and harmony and thus boosts the image, as inferred from its executives.

6. Personnel policies of these banks reveal that there are close linkages between man power plans and the bank’s business plans as is depicted in Table 4.4.

Table 4.4 points out that the total business of all Tamil Nadu based private sector banks have increased at 179.47% during 1991-96 where as the man power
### TABLE 4.4

MAN POWER PLAN VIS-À-VIS BUSINESS PLANS OF OPSBS OF TAMILNADU DURING 1991-96

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>BANK</td>
<td>B</td>
<td>GR</td>
<td>E</td>
<td>GR</td>
<td>B</td>
</tr>
<tr>
<td>BOB</td>
<td>668</td>
<td>-</td>
<td>1102</td>
<td>-</td>
<td>688</td>
</tr>
<tr>
<td>BCM</td>
<td>777</td>
<td>-</td>
<td>2842</td>
<td>-</td>
<td>853</td>
</tr>
<tr>
<td>CUB</td>
<td>299</td>
<td>-</td>
<td>925</td>
<td>-</td>
<td>406</td>
</tr>
<tr>
<td>KVB</td>
<td>629</td>
<td>-</td>
<td>1994</td>
<td>-</td>
<td>783</td>
</tr>
<tr>
<td>LVB</td>
<td>514</td>
<td>-</td>
<td>1743</td>
<td>-</td>
<td>595</td>
</tr>
<tr>
<td>TMB</td>
<td>615</td>
<td>-</td>
<td>1581</td>
<td>-</td>
<td>836</td>
</tr>
<tr>
<td>TOTAL</td>
<td>3502</td>
<td>-</td>
<td>10187</td>
<td>-</td>
<td>4161</td>
</tr>
</tbody>
</table>

**B** - Business (Rs in Crore)

**GR** - Growth Rate (in %)

**E** - Employees (in number)

*Source: Annual Reports of Banks.*
has grown at 8.6% during the same period. An yearwise analysis of growth rates reveals that business as well as manpower of these banks always show an increasing trend except in 1995-96. The decline in the growth rate of both variables in 1995-96 is attributed to the general recession faced by the banking industry and the cautious approach adopted by these banks in man power management. In order to minimise cost in a period of thin spreads, these banks have reduced fresh recruitment during the said year. Phased automation plans inorder to improve the quality of service and to sustain profitability also led to a decline in the growth rate of employees.

It can also be identified from Table 4.4 that growth rates of man power and business are not identical through out the study period. It cannot be so in an industry like banking wherein the volume of business of a bank does not depend up on the number of customer but on the size of the transaction per customer. Thus, with the same level of man power, a bank can handle more volume of business subject to the amount involved in a transaction. To elaborate, if the volume of business of a bank increases by 10% a corresponding increase in manpower cannot be expected; it depends upon the number of transactions handled by the bank.

Figures of Tamil Nadu based private sector banks in terms of total business vis-a-vis employees also speak for their ability in the effective deployment of work force in augmenting the business base. ie., A dazzling growth rate of 179.47% in total business is achieved with a growth rate of 8.6% of manpower. No doubt, mechanisation of operations have helped these banks to come out with such remarkable performance. The quality of manpower and its proper utilisation are also the underlying reasons behind this trend. To substantiate, the Indian banking industry in toto has recorded a growth rate of business at 68.45% during 1991-96; aided by the growth rate of man power at 4.40%. But the growth rate of business of all six Tamil Nadu based private sector banks during the said period is 179.47% which is nearly 2.5 times the growth rate of business of the industry as a whole. However this has been achieved by a growth rate of manpower at 8.6% which is just 2 times the growth rate of manpower of the banking industry.
BOB, which is yet to implement its computerisation plans, stands as a glaring example for effective utilisation of manpower; with a growth rate of manpower at 3.17%, its business has grown at 62.12% during 1991-96.

**TRAINING AND DEVELOPMENT IN OPSBs OF TAMIL NADU**

Training is defined as a planned programme designed to improve performance and to bring about measurable changes in the knowledge, skills, attitude and social behaviour of employees. It is imperative not just for boosting operational abilities which college degrees, technology / institute diplomas, professional qualifications or even sheer experience may provide; training programmes focus on developing soft skills such as interpersonal communication, teamwork, innovation and leadership.

The need for training for the sake of the organisation as well as personal development is felt strongly at every level. Top level managers are asking for training to enhance skills (communications, computer literacy etc.) and building competencies (leadership, teamwork etc.) Middle managers view training as rejuvenating diversion from daily routine. Junior managers point out that training for them focuses on the latest developments in the field. For shopfloor workers, upgrading skill levels is the prime consideration.

*In a service industry like banking the importance of training of workforce cannot be overemphasised. Its utility in the present day banking scenario is listed below.*

* Banks which are competing on the quality platform will have to train their employees in developing the mindset and culture for quality as well as the codified systems without which quality efforts fail.

* As better service is the focus for the banks, they have to inculcate interpersonal and communication skills in their frontline staff, which is facilitated through training.

* For banks that globalise in order to expand their markets will find cross cultural training a vital imperative.*
* Management techniques applied to internal processes also demand training in banks. As banks have to follow the twin trails of empowerment and teamwork, teaching employees the right attitudes and competencies will be crucial.

* Employees will have to be trained to ask for ideas, seek help, listen and give feedback which are the classic elements of successful teamwork.

* Employees who have gained experience in a non-competitive low tech era cannot be fired immediately in today’s contemporary banking environment as hiring new ones has been proven to be more expensive. Thus retraining which involves unlearning old concepts and acquiring new skills is a must.

Given the above background, the researcher has identified the training practices of banks under study as below:

1. All six banks have their own Staff Training Colleges (STCs) imparting training. Apart from the internal faculty team comprising senior banking professionals, these STCs draw faculty support from the NIBM, the RBI, and academic institutions. Employees are also deputed to the Bankers’ Training College, College of Agricultural Banking and the NIBM for gaining knowledge and skills.

2. Themes of training programmes are need based depending on the cadre of employees trained and the trends in the market. In the post-reform period training center around computer operations, product development, merchant banking, treasury management, lease financing, foreign exchange operations etc.

3. In the briefing sessions of all training programs, it is emphasised that the management prefers grooming the existing employees for higher positions rather than outsourcing. Training programmes are also chalked out accordingly. A sub staff is given training about his job and a motivation to become a clerk. A clerk is given inputs needed for his deskwork and also an inspiration to develop his leadership skills and become an officer. Officers in turn are encouraged to move up in the ladder and take up challenging tasks.
4. Training for the subordinate staff is given for a period between 3 days to 2 weeks; content of the training relates to
   - history of the Bank
   - ensuring better service to the customers
   - behaviour expected of them.
   - record maintenance
   - brief idea about products offered
   - other routine aspects of their job.

5. Training for clerical staff begins with an induction course. This aims at introducing them to the job, the organisational objectives and the work environment. The period of induction training ranges between 15 days and 4 weeks.

   Senior clerks who have a continuous service of 5 years are given a refresher training. This is a periodical programme through which employees are acquainted with the latest techniques. Seminars and lectures are used for this purpose.

   Pre test promotion training is given to the in-service employees who are seeking promotion. This training helps such employees to face the promotional tests and interviews comfortably.

   Specialised training programmes are also organised for clerks. Programmes for a duration of one week are conducted for cashiers on statements, NRI accounts etc., Further clerks who are promoted as accountants are immediately given training inorder to familiarise them with the new role assigned to them and various challenges and responsibilities which are to be met by them.

6. Officers who are recruited on probation are imparted training in understanding the organisation, its role and knowledge of the job they are going to undertake subsequently. This training takes 2 to 3 weeks and it is more of theoretical training.

   After the preliminary course, the probationary officers are sent to various departments for on the job training where they try to put into practice the concepts learnt in training colleges. After about a year, they are offered an intermediate course where the knowledge acquired during on the job training gets consolidated.
Separate training programmes are conducted for trainee officers who are promoted from clerical grade highlighting about their new responsibilities.

Senior officers attend special courses on management and development with the help of specialists in the field of education and psychology; they are familiarised with the latest trends in banking, management of trade unions etc. These courses tailored for a duration of 10 days to 2 weeks help to develop a new vision amidst the senior officers and give a thorough idea about the concepts of delegation of authority, discipline, code of conduct etc.

Areas such as financing of small scale industries, agriculture, computer operations, foreign exchange, public relations, advances marketing etc, require special knowledge and teaching. Training colleges of banks under study conduct special courses for officers on the said topics by inviting experienced bankers and experts to deliver lectures.

7. Knowledge in banking and other aspects of self development are not only made available in the corridors of staff training colleges but also is made to reach the grass roots through periodical newsletters. All banks circulate informative newsletter amidst employees; STCs play a key role in the preparation of such news letters which highlight on the latest trends in banking, and legal aspects of banking along with the on going cases.

Annual reports of all banks except the BOM is silent regarding the number of employees trained in a year. The researcher has identified from the personnel departments of these banks that the average percentage of employees trained during 1991-96 is 50%; incase of BOM it is 55%.

TRAINING AND DEVELOPMENT IN OPSBs OF TAMIL NADU - OPINION OF EMPLOYEES

In order to know about the effectiveness of training and development in banks under study the researcher has relied on first hand information mobilised from the employees of these banks. The researcher has contacted 60 employees ie., 10
from each bank. The chosen 10 consists of a branch manager, 4 officers, 3 clerks and 2 subordinate staff. Those who have put in 10 years of service in their Banks were considered by the researcher for inclusion in the sample.

The efficacy of training and development in banks chosen for the study is assessed on the basis of opinion gathered from the sample of employees with the help of a schedule containing critical statements. This interactive schedule, enclosed as Appendix III is based on the HRD audit developed by the Academy of HRD. The extent to which each statement in the schedule describes the state of the systems in a bank is evaluated by the employees by using the following scale.

<table>
<thead>
<tr>
<th>Scale</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Very True</td>
<td>76% to 100%</td>
</tr>
<tr>
<td>True</td>
<td>51% to 75%</td>
</tr>
<tr>
<td>Partly True</td>
<td>26% to 50%</td>
</tr>
<tr>
<td>Not True</td>
<td>0% to 25%</td>
</tr>
</tbody>
</table>

In order to make a conclusion regarding objectivity of the training and development, the different schedules are graded also. The grades are arrived at by aggregating the scores secured by respondents in consonance with the options chosen by him/her in different statements. The score for different options are

<table>
<thead>
<tr>
<th>Scale</th>
<th>Marks</th>
</tr>
</thead>
<tbody>
<tr>
<td>Very True</td>
<td>4</td>
</tr>
<tr>
<td>True</td>
<td>3</td>
</tr>
<tr>
<td>Partly True</td>
<td>2</td>
</tr>
<tr>
<td>Not true</td>
<td>1</td>
</tr>
</tbody>
</table>

The aggregate score secured by different respondents are classified as follows:
THE GRADES

61 - 80 Points
A+ The Bank believes in training at all levels. While innovative methods are also implemented with, functional retraining is insisted upon. Moreover the training policy itself is constantly evaluated.

21-60 Points
B In the bank, being sent for any kind of training is a reward for performance. So the choice of training is a function of what programme is available and where - rather than what the employee really needs.

0-20 Points
C The Bank has little desire to train its people to acquire fresh competencies. While the only training that is imparted to most employees is on the job training, even that is not always a formal process.

By using the aforesaid methodology the researcher aggregated the scores and the relevant gradings of the training systems in the perception of employees identified as tabulated in Table 4.5.

Table 4.5 exhibits the grades of training and development in different banks based on the perception of concerned bank employees. The major highlights of the Table as inferred by the researcher are as follows:

1. Out of 60 bank employees contacted by the researcher 26 (43.33%) respondents give (A+) grade to the training system in their banks. Out of 26, 5 are branch managers, 10 are officers, 10 are clerks and 1 is a sub-staff. This grading
TABLE 4.5
TRAINING AND DEVELOPMENT IN OPSBs OF TAMIL NADU-
PERCEPTION OF BANK EMPLOYEES

<table>
<thead>
<tr>
<th>Number of respondents</th>
<th>Score</th>
<th>Grade</th>
<th>Percentage of employees opting for the grade</th>
</tr>
</thead>
<tbody>
<tr>
<td>26</td>
<td>1602</td>
<td>A+</td>
<td>43.33</td>
</tr>
<tr>
<td>33</td>
<td>1648</td>
<td>B</td>
<td>55.00</td>
</tr>
<tr>
<td>1</td>
<td>20</td>
<td>C</td>
<td>1.67</td>
</tr>
</tbody>
</table>

*Source: Primary Data*

reveals that banks under study provides training at all levels; they prefer innovative methods of training and emphasis on functional retraining. Following are the other highlights of the training programmes offered by their banks as quoted by the respondents:

* Effective induction training programme.
* Need based training for different levels of employees.
* Handling of training programmes by the best faculty.
* Encouragement and support by the management for self learning and education.
* Constant evaluation and improvement of training programme.

It is pertinent here to point out that all branch managers except the one from LVB have graded their training system as (A+). The lone respondent whose score falls under the grade of B (discussed subsequently) asserted that his Bank has to improve upon in areas of induction training, imparting leadership skills, feedback of trainees, encouragement for self learning etc.,
2. 33 (55%) employees have given grade ‘B’ to the training system of their banks. They elaborated that training programmes of their banks need to be structured more scientifically inorder to impart specialised skills. This view was shared by a branch manager, 14 officers, 7 clerks and 11 sub staff.

3. Only one of the respondent who happens to be a clerk has given ‘C’ grade to the training system in his Bank; the grade ‘C’ indicates that the Bank does not desire to train its people to acquire fresh competencies. While the employees are always imparted on the job training, even that is not always a formal process. The lone respondent who opted for grade ‘C’ being an employee of the BOM has identified the following weaknesses:

* Unawareness of the various concepts used in the schedule which again reflects the poor quality of the contents of the training programme.
* Failure of the training programmes to sustain trainees’ interest.

Appealing features of the training and development in banks under study based on the statements used in the schedule to the respondents are summarised below:

1. Induction training is a structured orientation programme for new recruits, which is designed to expose them to different functions within a short time frame. It familiarises recruits with different roles, rotates them through different jobs and reinforces learning with lectures and case studies. Thus induction training programme is given more importance at present, according to 55-72% of the respondents. Following are the specific advantages of induction training programme as identified by such employees:

* Exposes new employees to all kinds of business.
* Prevents inductees from being over specialized.
* Makes a recruit productive to the bank quickly.
* Familiarises new entrants with banking culture.
* Imparts training on the job rather than theoretically.
Considering the above advantages their banks attach more importance to induction training comprising an orientation programme and on the job training as per the opinion of 55.72% of the respondents.

2. Proper planning and adequate duration are the pre-requisites for successful induction training. Out of 60 employees contacted 26 (43.33%) have pointed out that induction training programmes in their banks are scientifically planned with adequate duration. 23 (38.33%) respondents have come out with the opinion that the training programmes are properly planned but duration is not sufficient. 6 (10%) respondents are partly satisfied with the duration and contents of induction training programme and 5 (8.34%) respondents are totally dissatisfied with the effectiveness of induction training programmes.

3. Job rotation is an important component of induction training. During such job rotation, the inductee needs the assistance of senior employees. Out of 60 employees contacted 8 (13.33) respondents have reacted that senior officers / managers find time to guide the new recruits. 22 (36.67%) respondents have pointed out that though senior officers / managers do not volunteer to offer their expertise, they are accessible if needed. 18 (30%) employees have opined that senior mangers / officers are rarely available for guidance during induction training 12 (20%) respondents criticised that senior managers / officers are never available during the process of induction training.

4. Training policy of a bank is influenced by the business needs of a bank. A bank dwelling on traditional banking has to chalk out its training programme in such a manner that employees are properly trained in the areas of deposits and advances. A bank with a diversified exposure has to build up specialized skills in different areas through its training programmes. Thus planning of training programmes appropriately for various categories of employees becomes the crucial task of banks.

20 (33.33%) respondents out of 60 employees contacted have quoted that their banks have a need based, well structured and widely shared training policy. They explained that the contents of the training programmes differ in tune with the
business targets of banks during different time periods. Training policy of the bank is disseminated in the form of circulars, write ups in the house magazines and publications of the staff training colleges.

32 (53.33%) respondents are fairly satisfied with the structuring and sharing of training policy. 6 (10%) are partly satisfied in this context and 2 (3.34%) are not at all satisfied.

5. Banking is a dynamic industry. As such training programmes are to be evaluated and upgraded periodically. This upgradation should take into consideration the business needs, needs of the trainees and deficiencies of the past training programmes. Thus training should be viewed as dynamic and continuous process.

32 (53.33%) out of the 60 employees contacted have put forth that the training programmes of their banks are evaluated and improved upon every year. They further elaborated that at the end of every training programme, a written feedback is received from all the trainees which are used for removing the loopholes. Banks also seek out the help of specialised training agencies such as the NIBM, BTC etc., to design training programmes in accordance with the business environment.

24 (40%) respondents are of the view that they are fairly satisfied with the evaluation and improvement of training programmes. 3 (5%) employees have reacted that training programmes are evaluated through feedback but improvements are never made. 1 (1.67) respondent has criticised that there is no evaluation and improvement.

6. Contemporary banking requires a lot of technical knowledge and skills. To be successful, a present day banker is expected to acquire expertise in merchant banking, portfolio management, foreign exchange operations etc. Further he should also acquire some skills in the operation of computers. So training programmes should help employees to improve/acquire technical knowledge and skills.

Training programmes facilitate the acquisition of technical knowledge and skills as inferred from 21 (35%) respondents. They added that specialised courses are offered by training colleges in such areas. They are also deputed to other training
centres/management institutes to upgrade their knowledge. More thrust is given on computer literacy also and special incentives in the form of honorarium, increase in salary are given for completing computer oriented courses.

30 (50%) respondents have replied that though training paves way for enhancing technical knowledge and skills, they are not satisfied with the frequency of such programmes. 8 (13.33%) respondents opined that opportunities to undergo training in specialised banking is much limited. They complained that bank managements are urban biased in this context. 1 respondent (1.67%) commented that training programmes neither upgrade technical knowledge nor skills.

7. In the present day business environment, the importance of effective leadership cannot be over emphasised. A leader today should be a team builder instead of solo player, a facilitator instead of initiator, a coach instead of commander. Leadership skills should be sown at all levels of the organisation. When people are empowered, then an organisation can manage by exception and not by direction. These aspects hold good incase of banking industry also. Leadership skills are essential for branch managers to manage the branch. For officers, such skills help them to manage their subordinates, for the field level employees leadership skills facilitate prudent customer management. Realising this training programmes which do not teach but to help draw out the qualities of leadership in people are being increasingly used by banks.

7(11.67%) employees out of 60 employees identified that training programmes emphasise on developing leadership skills through sessions on personality development, development of group skills, team spirit, time management and physical fitness. Participative workshops, meetings and briefings also helped them to learn about leadership styles.

8. Banking is a person to person business. So all employees should have human relations competencies to deal with customers from different walks of life. Here training programmes have a crucial role to play inorder to bring same attitudinal changes in the employees. 12 (20%) employees have said that human relations competencies are given much importance in training programmes. According to
them in all training programmes it is emphasised that the customers are their pay masters and each and ever employee should have the mindset to serve the customers with cent percent efficiency and courtesy. Case studies, sensitivity training and role playing are used to impart human relations competencies. 22 (36.67%) respondents have pointed out that human relations competencies are given much importance in the induction training programme and not subsequently. 17 (28.33%) employees who happened to be clerks opined that human relations competencies are not given much emphasis though mention is made then and there. 9 (15%) employees gave negative rank to the training programmes of their banks in enhancing human relations skills.

9. All training programmes should be preceded by a briefing session handed by the trainer highlighting the content, duration, and utility of the training programme. Similarly they should end up with a debriefing session where in the trainees have to debrief the utility and lacunae of the training programme. Such a two way interactive process will make training more useful. Briefing and debriefing sessions are cent percent present in every training programme according to 5 (8.33%) respondents who are branch managers. Remaining respondents numbering 55 (91.67%) are not completely satisfied in this context.

10. Availability of faculty support is an influencing factor in the success of training programmes. As already pointed out, banks apart from relying on their own internal expertise also use the services of academic and consultants for this purpose. 37.14% of the respondents praised the quality of the faculty members handling training sessions for their interactive and informative approach. 42.86% of the respondents are fairly satisfied with the expertise of the faculty members with a complaint that they are more theory oriented. 15.71% of the respondents opined that faculty support is not so good incase of computer education. 4.29% of the respondents are fully disgruntled with the level of knowledge of faculty members.

11. For information-rich, experience-poor employees, action oriented techniques such as management games, case studies, simulations and behaviour modelling will have to be included in the training programmes. They are structured exercises
resembling managerial activity in a non-corporate scenario, testing leadership, creative and team building skills. All 24 officers and 5 branch managers pointed out that their banks follow experiential techniques in the higher level of employees on account of the following factors:

* Provides a tension-free and risk-free learning environment.
* Fosters creativity and innovation in the work place.
* Inculcates the value of harmony and team work.
* Creates platform for interaction among different levels.

12. Today the success of a bank depends upon the quality of customer service. Globalisation measures have also created a tough environment for banks in terms of capital adequacy norms, income recognition norms, assets classification norms and provisioning norms. In short, internal and international competition for banks is intensified in the post-reform period. So all training programmes of a bank should focus on quality and on the ways to overcome the competitive challenges.

13. 18.57% of the respondents viewed that the quality and globalisation are the main themes of the training programmes of their banks. In order to enhance the quality of customer service, an employee is trained on functional skills and background knowledge. To withstand competition, he is offered training on contemporary areas of banking. 72.86% of respondents stated that quality is given more importance in the training programmes rather than globalisation.

All individuals in an organization should realize that individual development is organizations' development and vice versa. So by encouraging and supporting self learning and education by its employees, an organization paves way for its own development. 17.14% of the respondents are very much appreciative of the role played by banks in promoting self learning and education of its employees. They quoted the monetary incentives given to those who have successfully completed CAIIB examinations, diploma courses offered by the IIB and NIBM, diploma courses in computer applications offered by recognized universities (institutes) and diploma / post graduation in Bank Management offered by the universities. Such qualified employees are given preference in case of promotions.
APPRAISAL AND REWARD SYSTEM IN OPSBs OF TAMIL NADU

In a developing economy like India, there is a serious complaint that in most of the organizations rewards to employees are not linked to performance appraisal. There is a linkage only at the senior level of management wherein their performance and compensation are perfectly correlated. In the middle management level most of the employees have an opinion that they are underpaid. In the junior management cadre the approach is split between the short term objective viz., "I want to earn as much as possible" and the long term objective viz., "I want to learn as much as possible". In the field level also employees are unhappy not just because of their pay scales but also due to small increments, flat bonuses and unrealistic allowances they get. (Source: Focus Group findings of 'Business Today' Qualitative Survey on Human Resource Management).

Based on the above information one can infer that there is a dire necessity for linking performance appraisal and reward systems. Otherwise the consequences in the form of low employee morale and the resultant fall in productivity of employees will be disastrous for the organization. In the post-quality business environment, customer satisfaction and organizational prosperity are to be the yardsticks for benchmarking employee performance and deciding on his reward. It is within this framework an appraisal and reward system has to be designed that will attract the best people, retain them and motivate them to give their best.

Now a question arises; how can an organisation mesh its evaluation and compensation system with one another and with the organization's business goals? Today, rewards for an employee (covering both monetary compensation and non-monetary recognition) must fulfill four objectives.

* They must meet his basic needs.
* They must ensure fairness vis-a-vis compensation standards in the industry (external equity)
* They must ensure a fair deal for him with in the organization in comparison to his colleagues (internal equity)
They must reward his unique contribution to the organisation (individual equity)

Of the above four factors the first three factors are determined by broad forces such as cost of living, rate of inflation, pay-scales in the industry and pay scales within the organisation; the fourth component of employee rewards can be directly linked to organisation's strategic goals by pegging it to employees' contribution towards achieving them. This will enable the organisation to ensure that their pay systems are integrated firmly to their business strategies. Thus the organisation will get an opportunity to link the appraisal and reward process effectively.

Majority of Indian banks have a formalised appraisal system for evaluating the performance of their employees. Evaluation criteria used in banks are:

* Amount of deposits mobilised
* Role in credit management
* Dealings in foreign exchange
* Efficiency in customer service
* Record keeping
* Maintenance of cordial interpersonal relations.
* Decision making skills
* Communication skills
* Role in boosting the public image of the bank.

In order to assess the employees on the basis of the above parameters, banks use formats containing a list of questions / statements and they are to be filled in by the employee by way of self appraisal as well as by his superior by forwarding his/her comments regarding subordinates to the top management. Rewards in Indian banks are mostly guided by the agreements entered into between the IBA and Employees Unions of banks. A close scrutiny of the existing practices in this area reveals that financial compensation available to bank employees is market related. To a certain extent Indian banks also use non-monetary recognition to motivate employees; however, they differ from one bank to another depending upon the size, resource base and degree of competition among banks to lure manpower.
The preceding paragraphs have thrown light on performance appraisal and reward system in general and its relevance in banks. The information provided so far is purely based on the researcher's knowledge mobilised from secondary sources. In this background, the salient features of appraisal and reward system of banks under study are analysed subsequently.

The researcher, inorder to get a first hand information concerning appraisal and reward system in Tamil Nadu based private sector banks has met 60 employees ie., 10 from each bank. This sample of 10 from each bank is composed of a branch manager, 4 officers, 3 clerks and 2 subordinate staff. An interview schedule, as shown in Appendix IV is used for this purpose.

Employees of banks under study are assessed in terms of various parameters such as deposit mobilisation, recovery, quality of customer service, bringing new clients, inquisitiveness to learn, speed, accuracy, rapport with superiors, peers, and subordinates, efficiency in record keeping etc. Appraisals are mainly based on self appraisal done by the employees as well as by immediate superior. Prescribed formats containing statements/questions evaluating the performance of employees on the basis of said parameters are used for this purpose. The two performance appraisal reports are forwarded to the central office by the branch manager with his remarks. The outcome of the performance appraisal is given due weightage in case of promotion. This exercise is done on a half yearly basis for workmen and on yearly basis for officers. The researcher has inferred that the exercise has more practical relevance in case of deciding the career prospects for officers rather than clerks.

Out of 60 employees contacted 39 (65%) have pointed out that the appraisal and reward system in their banks is objective, systematic and democratic with a direct correlation between performance and reward. The underlying factors, in their opinion are:

* Scientific approach adopted by them for undertaking appraisal. Appraisal system provides for a frank discussion between the appraiser and the appraisee. It is based on all round feed back.
* Promotional policies are based on merits of employees.
* Reward systems satisfy external, internal and individual equities.

Bankwise break up of satisfied employees in the context of appraisal and reward system is shown in Table 4.6.

**TABLE 4.6**

**APPRAISAL AND REWARD SYSTEM-EMPLOYEES’ SATISFACTION**

<table>
<thead>
<tr>
<th>Name of the Bank</th>
<th>Number of satisfied employees (out of 10 from each bank)</th>
</tr>
</thead>
<tbody>
<tr>
<td>BOB</td>
<td>4</td>
</tr>
<tr>
<td>BOM</td>
<td>5</td>
</tr>
<tr>
<td>CUB</td>
<td>8</td>
</tr>
<tr>
<td>KVB</td>
<td>8</td>
</tr>
<tr>
<td>LVB</td>
<td>5</td>
</tr>
<tr>
<td>TMB</td>
<td>9</td>
</tr>
</tbody>
</table>

*Source: Primary data.*

Table 4.6 indicates that BOB has the least attractive appraisal and reward system in the perception of employees, followed by the BOM and LVB. Comments of such dissatisfied employees are:

* Appraisals are mere formalities and subjective; employees are assessed in tune with the whims and fancies of the assessor.

* The procedure adopted does not allow for the communication of organisational goals to the work force.

* Innovative reward mechanisms are never used
fail to chalk out an unbiased appraisal system. They have also stated that the performance appraisal is not based on an all round feedback ie., feedback from peers, subordinates and customers.

Out of the 18 clerks contacted, 11 (61.11%) are optimistic about the appraisal and reward system. 7 unsatisfied respondents all 3 from BOB and 2 each from BOM and LVB have reacted that the appraisal procedure does not allow the appraisee to express his developmental needs.

Only one out of the 12 sub-ordinate staff contacted by the researcher has expressed satisfaction regarding the appraisal and reward system in their banks. Even the lone satisfied respondent pointed out that though on the rewards front he is happy, he has never come across self appraisal during his decade long banking experience. Branch managers on their part have conceded that periodical appraisals of subordinate staff are not common.

**APPRAISAL AND REWARD SYSTEM IN OPSBs OF TAMIL NADU - SOME POINTS TO PONDER**

1. 33 (55%) employees, out of the 60 contacted pointed out that the appraisers have enough knowledge regarding the personal background of the appraisee; they have an idea regarding employees' experience, career path, specialised skills and his/her family background. This implies that personal rapport exists among employees.

2. Measuring an employee's potential today inorder to gauge what he could achieve tomorrow is considered to be the stiffest challenge ever posed to the art of performance appraisal. It is said that people are like ice bergs and what one sees above the surface (performance) is only a small part. A large part (the attributes needed to perform excellently in a future job, called as potential) is not immediately visible; it is hidden below the surface. Uncovering the ice berg is difficult but is much essential for survival of a business. Thus potential appraisal help in catching high fliers early and it also help to create a snap shot of talents bred by the organisation.
TABLE 4.8

ESTABLISHMENT EXPENSES * AS A PERCENTAGE OF TOTAL EXPENDITURE OF OPSBs OF TAMILNADU DURING 1991 - 96

<table>
<thead>
<tr>
<th>Bank</th>
<th>91-92</th>
<th>92-93</th>
<th>93-94</th>
<th>94-95</th>
<th>95-96</th>
</tr>
</thead>
<tbody>
<tr>
<td>BOB</td>
<td>12.07</td>
<td>12.68</td>
<td>14.21</td>
<td>14.29</td>
<td>15.11</td>
</tr>
<tr>
<td>BOM</td>
<td>24.60</td>
<td>25.60</td>
<td>21.90</td>
<td>20.52</td>
<td>16.84</td>
</tr>
<tr>
<td>CUB</td>
<td>21.07</td>
<td>19.01</td>
<td>17.30</td>
<td>15.34</td>
<td>13.63</td>
</tr>
<tr>
<td>KVB</td>
<td>22.56</td>
<td>19.51</td>
<td>18.17</td>
<td>15.06</td>
<td>14.67</td>
</tr>
<tr>
<td>LVB</td>
<td>23.29</td>
<td>22.92</td>
<td>19.37</td>
<td>15.40</td>
<td>16.66</td>
</tr>
<tr>
<td>TMB</td>
<td>17.41</td>
<td>16.22</td>
<td>13.69</td>
<td>14.14</td>
<td>13.16</td>
</tr>
<tr>
<td>Total</td>
<td>20.00</td>
<td>19.77</td>
<td>17.66</td>
<td>15.86</td>
<td>15.21</td>
</tr>
<tr>
<td>All Private sector Banks</td>
<td>20.80</td>
<td>18.60</td>
<td>16.93</td>
<td>16.86</td>
<td>15.96</td>
</tr>
<tr>
<td>Indian Banking Industry</td>
<td>15.46</td>
<td>14.73</td>
<td>15.70</td>
<td>19.48</td>
<td>19.09</td>
</tr>
</tbody>
</table>

* Denote the payments to and provisions for employees during 1991-96.

Source: Annual Reports of Banks
vehicle allowance, washing allowance for subordinate staff, special allowance for special duty, transfer allowance, deputation allowance for officers, loans for purchase of consumer durables/house, entertainment expenses and club membership fee for managers and leave benefits and terminal benefits like provident fund, gratuity and pension. The amount of such monetary benefits, no doubt is in line with the market trends ie., related to the benefits available under these heads to the employees of public sector banks. Whatever be the expenses incurred by banks for employees', benefits is incorporated in schedule 16 annexed to the financial statements under the head 'payments to and provisions for employees'. Table 4.8 expresses this as a percentage of total expenditure during 1991-96. A close scrutiny of Table 4.8 reveals that establishment expenses as a percentage of total expenditure of Tamil Nadu based private sector banks is on the declining trend ie., from 20% in 1991-92 to 15.96% in 1995-96. This closely resembles the relevant figures of all 25 old private sector banks during the same period which has fallen to 15.96% from 20.80%. However this is in sharp contrast to the relevant figures of the Indian banking industry during 1991-96 which has increased to 19.09% from 15.46%. This declining trend does not mean that these banks are incurring lesser expenditure for employees benefits. A disproportionate increase in the other expenses of these banks can be quoted as the underlying reason for this trend. To elaborate, the total expenses other than establishment expenses of these banks have increased at 211.86% during 1991-96 as against 123% increase in establishment expenses during the same period. In contrast, the total expenses, other than establishment expenses of the public sector banks and the banking industry as a whole have grown at 53.68% and 61.38% respectively as against the rise in their establishment expenses at 106.11% and 108.19% respectively. Total expenses, of all six Tamil Nadu based private sector banks, other than establishment expenses have shown a sudden spurt due to a hectic rise in interest expended on deposits; it has grown at 246.75% during 1991-96 as against the relevant figures of the public sector banks at 48.56% and the banking industry at 58.30%.

Annual reports of the banks under study reveal that amount spent towards employees and business growth are positively correlated as incorporated in Table 4.9.
Economic reforms initiated by the government of India in the early nineties have brought a sea change in the operational environment of financial sector and functioning and outlook of Indian banks. Features such as liberalisation, deregulation, globalisation, modernisation etc., witnessed by financial sector in the transition phase of reforms attached prime importance to the qualitative customer service in Indian banks. There was a growing realisation among banks that attainment of customer appreciation is imperative for survival and growth. Simultaneously the customer due to better education, increased exposure to sophistication and improved communication systems has become extremely discerning and is demanding better service standards, higher quality and competitive pricing. There was a desperate need to remove the structural rigidities and provide greater operational flexibility in banking services so that the demands of the customer for higher service standards could be effectively met.

There is only one way for the Indian banks to survive in this competitive environment and that is to modernise, upgrade their technology and mechanise their operations.

With the proliferation of transactions and voluminous work, coping with the day to day operations and accounting has become a problem for the line managers, resulting in customer service taking a back seat. However it is being increasingly felt now that it would not be possible to enhance the satisfaction level of customers especially in metro and urban centers, unless modernisation of banking technology is swiftly ushered in. Indian banks are well aware of this need now and the committee on mechanisation in 1983 and on computerisation in 1989, both headed by Dr. C. Rangarajan set the ball rolling in this direction. However initial reservations from the Staff Unions, some what retarded the progress in implementing the recommendations. Fortunately now the scenario has drastically changed and the staff members have realised that without the introduction of modern gadgets, the very existence of banks would be in jeopardy.

The historic agreement signed by the Indian Banks Association with the trade unions during 1993 paved the way for substantial mechanisation and computerisation
of Indian public sector banks. Ambitious programmes have been launched by banks towards partial computerisation, total computerisation and technology upgradation of branches and offices which will hopefully turn Indian Banking into an efficient, speedy and customer oriented service. Following the foot steps of foreign banks and the new breed of private sector banks, other Indian banks too are introducing ATMs, telebanking services, customer service terminals, any where banking facilities and other technology based services. Taking advantage of the sophisticated communication systems, some banks have introduced fast collection services using modems and dedicated lines. There is a conscious attempt to bring down the response time by cutting delays and using courier services.

Given the above background, the researcher is attempting to elaborate the activities of OPSBs of Tamil Nadu in the area of technology in the subsequent pages.

It is a well known fact that the local character and small size have rendered the old private sector banks uncompetitive against public sector banks; they also lag behind the foreign banks and new generation private sector banks in terms of contemporary technology. Realising these aspects, old private sector banks of Tamil Nadu are giving due recognition to computerisation of branches in order to sustain their competitiveness as is depicted in Table 4.10.

Following points emerge from Table 4.10.

1. **BOB** which has not ventured into the arena of computerisation is in the process of going in for integrated computerised network. Senior executives of the Bank who have been briefed about the concept by a Philadelphia based company, felt that this step so far not attempted by any bank will give a tremendous fillip to the quality of customer service.

2. **BOM** with the slogan of 'Banking by Design' has exhibited its technology orientation by computerising 28% of its branches. It is relevant here to point out that these 100 branches handle more than 80% of the total business of the Bank. The Bank depicted its technological strength by getting its 100th automated branch at
TABLE 4.10

COMPUTERISATION IN OPSBs OF TAMIL NADU AS ON 31st MARCH 1997

<table>
<thead>
<tr>
<th>Bank</th>
<th>Total Number of branches as on 31st March 1997</th>
<th>Total Number of computerised branches as on 31st March 1997</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>BOB</td>
<td>56</td>
<td>Not applicable</td>
<td>Not applicable</td>
</tr>
<tr>
<td>BOM</td>
<td>280</td>
<td>100</td>
<td>28.00</td>
</tr>
<tr>
<td>CUB</td>
<td>100</td>
<td>32</td>
<td>32.00</td>
</tr>
<tr>
<td>KVB</td>
<td>193</td>
<td>65</td>
<td>33.67</td>
</tr>
<tr>
<td>LVB</td>
<td>200</td>
<td>32</td>
<td>16.00</td>
</tr>
<tr>
<td>TMB</td>
<td>142</td>
<td>88</td>
<td>61.97</td>
</tr>
</tbody>
</table>

Source: Annual Reports of Banks

Hosur inaugurated by the then Governor of the RBI from the corporate office at Chennai through dial up modem using the telephone line. The Bank expects all its branches to be automated by 1998-99. Connecting all the automated branches through VSATS and installation of ATMs in select locations are its other technology plans.

3. The CUB has introduced computerisation in its branches in 1990. 32% of its branches were computerised in 1996-97; this has been increased to 40% in 1997-98. These computerised branches transact more than 75% of the Bank’s total business. The International Banking Division of the Bank at Chennai is provided with reuter monitor, hexagon and internet facilities. The Bank has plans to computerise all the branches with business of Rs. 10 crore and above before March 99. The Bank has set up its own Systems Development Department which has successfully developed software leading to branch automation.
4. KVB has also realised that information technology has a crucial role to play in the success of banks. The Chairman of the Bank in his address in the 77th Annual General Meeting of the Bank held on 18th September 1996 pointed out that information technology is increasingly perceived as a device to transform enterprises than just a vehicle for automating functional tasks. The push from technology and the pull from the competition have brought about radical changes in banking and there is continuous technological revolution. Thus the Bank has fully recognised that a bank which is not offering services that computerisation brings in, will not have a promising future. The Bank has computerised 34.03% of its branches in 1996-97; tele banking facilities are offered in the whites road branch, Chennai. Foreign exchange operations at the International Division have been fully computerised with on-line computer system. Similarly the foreign exchange operations of 5 'B' category branches have also been computerised. At the corporate office, operations have been computerised to the maximum level. About 90% of the metro and urban branches would be computerised by 1998-99, according to reliable source.

5. LVB, though the second largest among the group in terms of branch network, comes in the last place in terms of the proportion of computerised branches. i.e., out of its 200 branches only 16% are computerised. The Bank which is focussing on house hold segment by evolving tailor made products for different retail lending segments gives secondary importance to computerisation; however it will be used as a tool to consolidate the regional presence of the Bank seeking the advantages of niche area of operations. 24 more branches are to be computerised in 1997-98 as per the annual reports of the Bank. Computerisation of divisional offices, installation of ATMs, introduction of telebanking and networking of branches are its other plans, in the arena of computerisation.

6. TMB has the highest proportion of computerised branches among the group. The fact that it had started the process of mechanisation in 1983 itself indicates its effective prognosis of the future banking environment. At the end of 1997-98, the Bank has computerised 109 branches out of 142 branches. The Bank has ambitious plans to offer Internet Banking, E-mail service and cyber banking facilities to enable the customers to have access to their accounts from their business spots.
COMPUTERISATION IN OPSBs OF TAMIL NADU - CUSTOMERS' PERCEPTION

With the advent of liberalisation measures product differentiation is losing its significance, be it manufacturing/trading or a service industry. It has become next to impossible for a customer to determine how one product offered by a company differed from that offered by the competitor. The way he/she seems to choose is by perception about the quality of service that backed up the product. The quality of service which differentiates between two products has become the key selling attribute. This becomes all the more significant in the case of a service industry.

The quality of service is again not a tangible feature which can be measured through physical attributes. However sufficient market research has demonstrated that the truth of the quality of service lies in how well the customer is satisfied with the services received. The customer’s perception is the only reality. Thus the researcher has mobilised information regarding the perception of customers on computerisation inorder to evaluate the effectiveness of computerisation of operations as a marketing strategy of OPSBs of Tamil Nadu.

For getting customer’s opinion on computerisation the researcher has chosen 5 totally computerised branches of all Tamil Nadu based private sector banks other than BOB and met 15 customers from each bank branch. A questionnaire was administered to them to figure out what are the important attributes of quality service as perceived by them, some specific attributes expected out of computerisation and their importance and performance as perceived by them.

Table 4.11 highlights the percentage of response in terms of attributes which are significant for a bank branch in the perception of the customers. Among the seven attributes as per Table 4.11 the highest percentage of response is recorded in case of attribute number 2 ie., a bank must process transactions speedily. Similarly, accuracy of information and provision of immediate information have also received a fairly high percentage of response in all banks under study. All these attributes as per customers’ expectations no doubt, depend on effective use of information technology.
## TABLE 4.11

**IMPORTANT QUALITY ATTRIBUTES OF BANKS – CUSTOMERS’ PERCEPTION**

<table>
<thead>
<tr>
<th>ATTRIBUTE</th>
<th>BANK</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>BOM</td>
</tr>
<tr>
<td>The Bank must have a good image</td>
<td>9</td>
</tr>
<tr>
<td>It must process transactions speedily</td>
<td>14</td>
</tr>
<tr>
<td>Must provide accurate information</td>
<td>13</td>
</tr>
<tr>
<td>Provide information on accounts immediately</td>
<td>11</td>
</tr>
<tr>
<td>The manager should be accessible easily</td>
<td>8</td>
</tr>
<tr>
<td>The Bank must employ modern technology</td>
<td>10</td>
</tr>
<tr>
<td>The bank staff should be clear when they speak</td>
<td>7</td>
</tr>
</tbody>
</table>

All figures in percentage of customers preferring the attribute

*Source: Primary Data*
The other items in Table 4.11 imply that irrespective of the use of information technology, there are attributes which customers look for in a bank. Appropriate use of information technology is most likely to provide support to the bank staff to improve on such attributes.

The data in Table 4.11 indicates that any bank which pays attention to the given attributes will definitely achieve higher quality of service; nevertheless information technology can help in this regard.

The researcher further elicited information on how some of the services have been affected due to computerisation of operations. Table 4.12 shows the results in this context. Specifically the issue was whether there was an improvement in the service after computerisation.

Following are the inferences of Table 4.12

1. Demand drafts are the popular products of banks. Here also there is a general complaint that banks take 40 minutes to 1 hour for issuing a demand draft manually as against the standard time (prescribed by the RBI) of 15 to 25 minutes. But according to 75 respondents contacted by the researcher the waiting time for getting a demand draft is reduced to 5 to 10 minutes after computerisation. They also appreciated the physical layout of computerised demand drafts.

2. Banks are always blamed for delayed service. Encashment of cheques is an area wherein most of the bank customers face the problem of delayed service. The process of encashing cheque involves ascertaining adequacy of funds, verification of specimen signature and passing the cheque for payment. The time involved in the process is saved much in case of computerised operations, as minimum balances and specimen signatures are verified instantly. These facts have been endorsed by 83% of the respondents.

3. According to 79% of respondents, time for making deposits is minimised after computerisation. It is more visible in case of fixed deposits, wherein deposit receipts, in an attractive manner are issued within the shortest span of time.
**TABLE - 4.12**

ATTRIBUTES IMPROVED AFTER COMPUTERISATION IN OPSBs OF TAMILNADU - CUSTOMERS' PERCEPTION

<table>
<thead>
<tr>
<th>ATTRIBUTES IMPROVED AFTER COMPUTERISATION</th>
<th>BOM</th>
<th>CUB</th>
<th>KVB</th>
<th>LVB</th>
<th>TMB</th>
<th>TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>Time to issue demand drafts</td>
<td>15</td>
<td>15</td>
<td>15</td>
<td>15</td>
<td>15</td>
<td>75</td>
</tr>
<tr>
<td>Time for cheque encashment</td>
<td>12</td>
<td>12</td>
<td>13</td>
<td>11</td>
<td>14</td>
<td>62</td>
</tr>
<tr>
<td>Time for making deposits</td>
<td>14</td>
<td>13</td>
<td>10</td>
<td>10</td>
<td>12</td>
<td>59</td>
</tr>
<tr>
<td>Calculation of interest and other charges</td>
<td>10</td>
<td>11</td>
<td>10</td>
<td>8</td>
<td>11</td>
<td>50</td>
</tr>
<tr>
<td>Time to issue cheque books</td>
<td>10</td>
<td>9</td>
<td>11</td>
<td>8</td>
<td>11</td>
<td>49</td>
</tr>
<tr>
<td>Ability to meet higher authorities</td>
<td>7</td>
<td>8</td>
<td>10</td>
<td>9</td>
<td>10</td>
<td>44</td>
</tr>
<tr>
<td>Pass book entries</td>
<td>5</td>
<td>6</td>
<td>8</td>
<td>6</td>
<td>9</td>
<td>34</td>
</tr>
<tr>
<td>Improvement in the behaviour</td>
<td>6</td>
<td>7</td>
<td>7</td>
<td>6</td>
<td>7</td>
<td>33</td>
</tr>
</tbody>
</table>

*Source: Primary Data*
4. 67% of the respondents opined that arithmetical accuracy of entries is better after computerisation. Out of this 67%, 40% who have current account dealings also, appreciated the fact that interest charges and service charges are calculated accurately in the post computerisation period.

5. 65% of the respondents pointed out that the time involved for issuing cheque books is much reduced after computerisation. Previously they were always instructed to collect cheque books on the day following the date of requisition. But with the advent of computers, cheque books are issued with in fifteen minutes of request. As monontous work is delegated to computers the employees are redeployed to work of this nature, thus providing instant service to the clientele.

6. Computerisation has enhanced the accessibility of the customers to the higher authorities of the branch. The entry of computers has helped the branches to overcome man power crisis. So even in case of large scale absenteeism among bank employees the counter work does not fall on the branch manager and other higher officials. Similarly they need not concentrate much on the branch routine including record keeping as they are shared between the redeployed work force and computers. This increases the interaction time of branch officials. Thus marketing efforts of the branch goes up.

7. Computerisation has led to an increase in the time available for employees of manual operations. Moreover the information concerning savings bank account and current accounts are more clear and accurate. So there is no delay in updating of pass books unless otherwise there are accumulated entries. Scope for errors is also minimised. As pass books are not deposited for updating there is no possibility of loss of pass books. These were the views of 45% of the respondents. However they were critical regarding the legibility of entries in the pass book.

8. Much has been talked and written about indifferent attitude of bank employees towards customers. Computerisation offers a remedy to overcome this problem. As employees are relieved from monotony and drudgery, their productivity increases; they are given challenging and interesting assignments. This in turn leads to better job satisfaction which ultimately improve the behaviour of employees.
The above version has been endorsed by 33% of the respondents. They pointed out that though employee behaviour was not a serious problem even during the pre computerisation period, they notice some appreciable changes after mechanisation. But the remaining 67% of the respondents were of the view that they could not identify any remarkable change in the employee behaviour after computerisation; employees with a hostile attitude continue to exhibit their indifferent attitude.

Thus, technology orientation as a marketing strategy of Tamil Nadu based private sector banks has succeeded in improving customer satisfaction in areas such as issue of demand drafts, encashment of cheques, time for making deposits, calculation of interest and other charges and issue of cheque books. But computerised operations have only a limited impact in case of pass book entries, access to higher authorities and employee behaviour.

In the course of interaction with the respondents the researcher has identified that though there is no positive impact of computerisation on all aspects of service, all customers have conceded that there is an overall improvement in the quality of service of these banks, due to computerisation.

Thus from the above analysis it is clear that OPSBs of Tamil Nadu have realised the importance of technology orientation. The fact that out of their total branches of 971 in 1996-97, 32.64% are computerised support this argument. But it is to be pointed out here that computerisation is restricted to metro/urban/semi urban centres. Bankers are of the opinion that as the ruralities emphasis on personalised service, computerisation of rural branches is not in their agenda.

When the world is going in for seamless banking using satellites, installing few computers in branches may not give the competitive edge to the banks under study. As pointed out by Mr. Ramesh Gelli, the Chairman and Managing Director of the Global Trust Bank a shift from automation of total information technology solution may give better result for the banks; information technology should be aligned with the strategy and goal of these banks.
4) ENLARGEMENT OF FEE BASED BUSINESS

A bank is familiar with two types of business viz; fund based business and fee based / non fund based business. Fund based business involve either the inflow of funds into the bank or outflow of funds from the bank. Acceptance of deposits and granting of loans and advances are the twin fund based activities of a bank. Fee based business involves the activities undertaken by bank without any in flow/ outflow of funds; they earn income by way of commission, exchange and brokerage. All subsidiary services rendered by a bank fall under the category of fee based business.

Banks in India are gradually turning their attention towards fee based business to a greater extent. This tendency has been developed due to the gradual deregulation of interest rates and the resultant wafer thin margins for banks in case of deposits and advances. Fee based business offers a convenient shelter for banks in the competitive environment on many counts as follows:

1) Fund starved banks can earn income out of nothing by rendering fee based services ie., earning prospects of banks are enhanced without any flow of funds.

2) Fee business have come as a boon to risk averse banks threatened by prudential norms; it can earn income with little / no botheration about NPAs and provisioning norms.

3) Float funds arising in the course of providing fee based services act as a cushion for banks to avert the temporary liquidity crunch.

4) Fee based services offer tremendous scope for banks to exploit their competitive niche by offering innovative products / services.

5) They also act as the catalyst in promoting fund based business of banks.

By taking into consideration the above factors OPSBs of Tamil Nadu are trying to develop strategies for creating a broad business base with multiple revenue streams through fee based business. They have realised the fact that diversification
and the ability to offer niche products especially in the area of non fund based business would be the key for survival in the market, as the conventional areas of banking get saturated. They fully endorse the view that a real test of managerial efficiency of banks lies in their ability to increase the proportion of CEB income.

Thus all the executives of the banks under study met by the researcher have pointed out enlarging fee based business is one of their vital marketing strategies. They generate income under this head from services like safety lockers, collection of instruments, letters of credit, guarantee, and from specialised areas like foreign exchange and merchant banking services.

Following points are gathered by the researcher in the context of fee based business of OPSBs of Tamil Nadu.

1) BOB, emphasising much on traditional banking has to gain strength in case of non - fund based business. Though the bank offers the routine services of funds remittance, letters of credit, guarantees etc., a thin net work of branches is the main handicap for the Bank in enlarging fee based business. Moreover, among the group, the Bank is the exception which has not ventured into the arena of merchant banking. Bank officials hope that with prudent branch expansion and the proposed integrated computerised network income from CEB will substantially increase. Offering guarantee on behalf of its clients is one of the important fee based services of the bank. In 1996-97, the bank has given guarantee worth Rs.50.01 crore. During 1992-97 the guarantee business of the bank had grown at 136.36%.

2) BOM blessed with a strong network of branches, believes that fee income represents the icing on the cake for banks. The Bank established itself as a merchant banker of repute, acting as co-lead managers/ bankers to several issues. The bank has taken up the role of lead managers in respect of 9 issues, acted as co-managers and bankers to 8 issues (Rs.49 crore) refund mangers for 21 companies (Rs.200 crore) and as underwriters to 170 issues (Rs.24 crore). A fully computerised equity research division was formed in 1994-95 for carrying out research on corporates for
the purpose of investment advice. The division has appraised 16 projects for Rs.500 crore.

The Bank has entered the field of funds transfer and has actively marketed various products under this category to corporate clients. These include 2 Hour Funds Transfer Scheme, (facilitates transfer of funds to any BOM account in any branch in two hours) cheque speed,(cuts the time of crediting outstation cheques by 50%) and any place deposit (enables customer to deposit cheques in any branch of the bank). Most of the foreign banks operating in the country are utilising the services of the Bank for transfer of fund, besides many new corporate customers and large institutions. This will boost up the non fund revenue of the Bank considerably in the long run.

The RBI has conveyed its in principle approval to enable the bank to set up a subsidiary company to act as a satellite dealer for government securities. The proposed subsidiary will not only enhance retail marketing, liquidity and turnover in the government securities market but also promote the fee based income of the bank.

Guarantee business of the bank has increased to Rs.102.25 crore in 1996-97 as against Rs.71.97 crore in 1995-96. Growth rate of guarantees given by bank on behalf of constituents during 1992-97 stood at 148.78%.

3) Collection and payment services is one of the important services of CUB in the arena of fee based business. This service is extended to all clients of the Bank with the sole objective of enhancing the velocity of money. The Bank facilitates speedier collection of inward / outward bills/ instruments, backed by 40 of its fully computerised branches.

Yet another thrust area of operation identified by the Bank is correspondent banking. The Bank renders collection and payment services to its clientele in areas where it does not have a presence by making arrangements with the correspondent banks operating in those areas. The bank is also utilising the services of 15 overseas
correspondent banks and facilitates collection/remittances of upcountry instruments. The Bank has arrangement with Indian bank for issue and payment of demand drafts.

The Bank is registered with the SEBI as category I merchant banker; It has lead managed 11 issues, co managed 9 issues and acted as advisers in respect of 6 issues. It has underwritten 60 issues and acted as bankers to the issue for 112 issues. The Bank has also handled 7 project appraisal assignments.

The Bank has given guarantees on behalf of its clients worth Rs. 54.41 crore in 1996-97 as against Rs. 32.04 crore in 1995-96, registering a growth rate of 69.78%. The guarantee business of the Bank has growth at 158% during 1992-97.

4) Customers, competition and change are creating new banking scenario demanding flexibility and quick response. As such, the diversified business portfolio of the KVB includes merchant banking activities. The Bank is an active merchant banker. It has acted as bankers to the issue for 569 companies and collected funds to the tune of Rs. 870.03 crore; underwriting support is given to 68 companies and bridge finance is provided to 68 companies. Merchant banking activities of the Bank have been beefed up by creating separate cells in Mumbai, New Delhi, Chennai and Secunderabad to cash in on the growing potential in the capital market following the growth impulses in the economy.

Locational advantage of the Bank gives tremendous scope for its guarantee business (Karur itself is a centre for handloom exports with Rs. 5000 crore worth per year and the near by Tirupur has a hoisery export of Rs. 2500 crore per year). Thus the guarantee business of the bank has increased from Rs. 47.43 crore in 1995-96 to Rs. 54.42 crore in 1996-97. It has grown at 140.48% during 1992-97.

5) Merchant banking is the thrust area of fee based business of the LVB too. In 1994-95, the Bank has extended underwriting assistance to 199 capital issues and mobilised Rs. 1247 crore from 325 capital issues. But the low key performance of the primary markes during 1995-96 affected its merchant banking business substantially and in the said year, the bank mopped up a paltry sum of Rs. 23.68
crore from 171 capital issues. Sluggish state of capital market lead to steep downfall in merchant banking business in 1996-97 also wherein the Bank has mobilised Rs. 16.32 crore from 37 capital issues.

The Bank has drawn up plans to diversify into areas like mutual funds, merchant banking, advisory services, insurance etc., which will augment its fee based income.

During 1996-97, the Bank has given guarantees worth Rs. 60.43 crore. Growth rate of guarantees given by the Bank during 1992-97 stood at 400%.

6) TMB, blessed with a computer friendly branch network shows much interest on fee based business. The Bank had made a modest beginning as a category I merchant banker in 1994-95. Apart from being managers to 12 issues, the Bank participated in 37 issues in its capacity as bankers to the issues and collected around Rs. 100 crore during the year. The Bank extended underwriting support to 58 public issues and one right issue. To gear up the activities in the field of merchant banking, exclusive merchant banking cells were set up in Mumbai and Chennai branches of the Bank. In 1995-96, the Bank has acted as lead manager for 2 public issues. As collecting banker, it has mobilised Rs. 250 crores from 145 issues; underwriting support was extended to 28 issues to the extent of Rs. 2.05 crore during the said year.

Guarantees given by the bank on behalf of its clients as an March 1997 stood at Rs. 60.64 crore as against Rs. 56.81 crore during 1995-96. Business of the Bank in terms of guarantee has grown at 196.09% during 1992-97.

Given the above scenario, Table 4.13 attempts to analyse the performance of OPSBs of Tamil Nadu in case of fee based income.

As per Table 4.13 income earned by banks under study through commission, exchange and brokerage have grown at 215.29% during 1991-97. This when compared with the growth rate of interest income of all six banks during the study period at 258.55% points out that these banks rely on traditional banking viz., fund based business for augmenting their income base. Bankers are of the opinion that
TABLE 4.13

COMMISION, EXCHANGE AND BROKERAGE INCOME OF OPSBs OF TAMIL NADU

(RS. IN CRORE)

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<tr>
<td>BOB</td>
<td>2.84</td>
<td>3.05</td>
<td>3.47</td>
<td>4.64</td>
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<td></td>
<td>(7.39)</td>
<td>(13.77)</td>
<td>(13.77)</td>
<td>(33.72)</td>
<td>(13.36)</td>
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<td>6.85</td>
<td>7.03</td>
<td>10.69</td>
<td>14.51</td>
<td>21.89</td>
</tr>
<tr>
<td></td>
<td>(6.69)</td>
<td>(2.63)</td>
<td>(52.06)</td>
<td>(35.73)</td>
<td>(50.86)</td>
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<td>4.26</td>
<td>5.87</td>
<td>7.50</td>
<td>9.48</td>
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<tr>
<td></td>
<td>(31.02)</td>
<td>(32.71)</td>
<td>(37.79)</td>
<td>(27.77)</td>
<td>(26.40)</td>
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<tr>
<td>KVB</td>
<td>5.77</td>
<td>8.44</td>
<td>8.97</td>
<td>12.78</td>
<td>18.39</td>
<td>21.39</td>
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<td></td>
<td>(46.27)</td>
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<td>(42.47)</td>
<td>(43.90)</td>
<td>(16.31)</td>
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<tr>
<td>LVB</td>
<td>6.03</td>
<td>7.36</td>
<td>10.28</td>
<td>13.79</td>
<td>19.60</td>
<td>19.88</td>
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<tr>
<td></td>
<td>(22.06)</td>
<td>(39.67)</td>
<td>(34.14)</td>
<td>(42.13)</td>
<td>(1.43)</td>
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<tr>
<td>TMB</td>
<td>7.82</td>
<td>9.43</td>
<td>11.92</td>
<td>14.98</td>
<td>18.58</td>
<td>21.28</td>
</tr>
<tr>
<td></td>
<td>(20.58)</td>
<td>(26.40)</td>
<td>(25.67)</td>
<td>(24.03)</td>
<td>(14.53)</td>
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</tr>
<tr>
<td>TOTAL</td>
<td>31.33</td>
<td>38.34</td>
<td>45.93</td>
<td>62.75</td>
<td>83.84</td>
<td>98.78</td>
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<td></td>
<td>(22.37)</td>
<td>(19.80)</td>
<td>(36.62)</td>
<td>(33.60)</td>
<td>(17.82)</td>
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<tr>
<td>ALL</td>
<td>93.00</td>
<td>116.00</td>
<td>140</td>
<td>193</td>
<td>265</td>
<td>N A</td>
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<td>BANKS</td>
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<td></td>
<td></td>
</tr>
<tr>
<td>INDIAN</td>
<td>2576</td>
<td>2904</td>
<td>3442</td>
<td>4290</td>
<td>5482</td>
<td>N A</td>
</tr>
<tr>
<td>BANKING</td>
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<tr>
<td>INDUSTRY</td>
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Figures in parantheses refer to the growth rate in percentage over the previous year.

Source: Annual Reports of Banks.
a depressed capital market during 1995-97 and the resultant fall in merchant banking activities have eaten away much of their CEB income.

Comparatively, Tamil Nadu based private sector banks are fairly placed viz-a-viz the Indian banking industry, with regard to CEB income. CEB income of the Indian banking industry has grown at 112.81% during 1991-96 as against 167.60% of six banks under study (As the consolidated data for the banking industry as a whole is not available for 1996-97, the researcher has relied on the figures concerning 1995-96). The growth rate of CEB income of the banking industry as whole is lower than that of Tamil Nadu based private sector banks inspite of the contribution of the public sector banks with wide branch network, the foreign and new private banks known for their contemporary products. Thus it is clear that all OPSBs of Tamil Nadu use good quality of service as an edge in fetching more fee based income. Bankers have also pointed out that the discretionary pricing policy adopted by them in case of fee based business helps them to reap the benefits of economies of scale.

Annul growth rate of CEB income of the banks during 1991-97 supports the view that these banks have carefully exploited the opportunities thrown out of the liberalisation measures for enhancing their fee based income. The spectacular rise in growth rates during 1994-96 is the standing evidence for this trend. However the growth rate of 17.82% in 1996-97 is an all time low during the study period. This is traced to the strong emergence of the prodigies in the market viz., new private banks whose 'other income' including fee based income has gone up by 3% to 6% during 1996-97.

BOM has the highest quantum of CEB income at Rs. 21.39 crore in 1996-97. The income has grown at 240.97% during 1991-97. The Bank has dazzling growth of fee based income during 1994-97 thanks to its innovative products such as 2 hour funds transfer, cheque speed and any place deposit. The entry of the bank into merchant banking activities is another under lying reason for this trend. The Bank, enjoying the highest network of branches among the group thus exploits the opportunities appropriately in case of fee based business.
KVB closely follows the BOM with respect to CEB income which stands at Rs. 21.39 crore during 1996-97, recording a growth rate of 270.71% during 1991-97 (which is higher than the general growth rate of 215.29%). Annual growth rates resemble the general trend; with a CEB income of Rs. 21.28 crore in 1996-97 the Bank has a poor performance in terms of annual growth rates with an increase noticed only in 1993-94. Overall growth rate of CEB income of the Bank during 1991-97 identified at 172.12% is fairly lower than that of the general growth rate of 215.29%. Thus it is clear that the Bank has failed to capitalise on its computerised branch network to garner fee based business. Bank officials view that fee based business is used as supporting bases to strengthen fund based activities, as such concessional pricing policies are adopted thus reducing revenue.

Fee based income of LVB has grown at 229.68% during 1991-97 ie., from Rs. 6.03% crore in 1991-92 to Rs. 19.88 crore in 1996-97. Annual growth rates show mixed trend, depending upon the fortunes in the capital market as the Bank is an active merchant banker.

CUB’s fee based income stands at Rs. 9.48 crore with a growth rate of 286.94% during 1991-97 which is the highest among the group. Decline in growth rates noticed in 1995-96 and 1996-97 highlight the competitive environment of the Bank.

BOB, handicapped by a thin network of branches has a dismal performance in terms of growth of CEB income with a negative growth of (-) 7.60% in 1996-97; the overall growth rate during 1991-97 stands at 71.13% the lowest among the group. The negative growth in 1996-97 is attributed to the down turn in the Thai economy and the resultant fall in the fee based income of the Bangkok branch of the Bank.

From the above analysis it is clear that though enlargement of fee based business is very much in the marketing agenda of banks under study, these banks have yet to streamline their operations in this context. In otherwords, marketing strategies soliciting fee based business are not effective as is identified from the
decline in share of CEB income in the total income of these banks. Relevant details are presented in Table 4.14.

Following points emerge from Table 4.14

1. Proportion of CEB income in the total income of OPSBs of Tamil Nadu have declined from 9.76% in 1991-92 to 8.7% in 1995-96 and to 8.5% in 1996-97. Comparatively the proportion of CEB income in the total income of the Indian banking industry has grown from 6.5% in 1991-92 to 8.4% in 1995-96, thanks to the contribution of the new generation private sector banks and newly entered foreign banks. Thus it can be inferred that a strong network of branches in case of public sector banks and aggressive marketing strategies of new private and foreign banks give them an edge over old private sector banks in case of fee based business. There is a persistent decline in the proportion of CEB income of banks understudy except in 1992-93 and 1995-96 (a very marginal rise by 0.10%). Thus it is clear that these banks are continued to be restrained by a narrow sectoral approach and are yet to gear up to meet the challenges thrown up by the reforms in the financial sector. Banking experts also point out that their reluctance to be innovators in introducing new products, approaches or technologies seriously affect their fee based income.

2. Bankwise analysis of the share of CEB income in the total income does not throw light on any marked changes in individual cases i.e., all banks are facing a dip in the share of fee based income in 1996-97, as compared to the proportion in 1991-92. Bank executives view that deceleration in industrial performance, drop in the rate of investment, fall in agricultural production and poor export growth are the reasons for this slowdown.

3. Interest income and non interest income are the main sources for a bank. Non interest income comprises commission, exchange brokerage income, income from exchange transactions, profit on sale of assets and other miscellaneous income. A breakup of the total income of OPSBs of Tamil Nadu reveals that the proportion of non-interest income (including CEB) has risen from 14.33% in 1991-92 to 15.15% in 1996-97. It is also identified that the share of non interest income is always on the
### TABLE 4.14

SHARE OF CEB INCOME IN THE TOTAL INCOME OF OPSBs OF TAMIL NADU

(Rs. in Crore)

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<tbody>
<tr>
<td></td>
<td>CEB income</td>
<td>Total income</td>
<td>Percentage</td>
<td>CEB income</td>
<td>Total income</td>
<td>Percentage</td>
</tr>
<tr>
<td>BOB</td>
<td>2.84</td>
<td>55</td>
<td>5.16</td>
<td>3.05</td>
<td>56</td>
<td>5.45</td>
</tr>
<tr>
<td>CUB</td>
<td>2.45</td>
<td>26</td>
<td>9.42</td>
<td>3.21</td>
<td>35</td>
<td>9.17</td>
</tr>
<tr>
<td>Total</td>
<td>31.33</td>
<td>321</td>
<td>9.76</td>
<td>38.34</td>
<td>377</td>
<td>10.17</td>
</tr>
</tbody>
</table>

Share of non-interest income in total income (in %)

Source: Annual Reports of Banks
rising trend except in 1996-97. Hence one can conclude that in spite of a fall in the proportion of CEB income to total income, these banks try to sustain their spread in terms of other interest earning avenues through efficient foreign exchange operations and treasury management.

5) OFFERING INNOVATIVE PRODUCTS

Marketing is concerned with the offering of products in the form of either goods or services by the organisation to their customers. Of the six Ps that together constitute the subject matter of marketing, the first ‘P’ relates to the product. The dictionary refers to a product as “a thing or substance produced by natural process or manufacture; especially a marketable commodity”. Generally speaking products are associated with tangibles and services with intangibles. In the marketing sense, however the term product has a broader meaning and it relates to any offering made by a firm to a customer aimed at meeting a specific need. In his book, Principles of Marketing Philip Kotler defines a product “as anything that can be offered to a market for attention, acquisition, use or consumption; it includes physical objects, services, personalities, places and organisations and ideas”.

Successful marketes try to meet customers needs by developing new products. After all the consumer will not buy a product unless she is aware of the need that it fulfils. So she will compare her current state with a desired state and identify the gaps along different dimensions. Importantly however, this awareness will usually not be top-of-mind for her. It may be dormant, nascent, latent or even unborn. It may be transient, rising to her consciousness under particular stimuli and sinking below the threshold of the active mind. But it must be grasped, studied and correlated to the benefits and features that specific products and services can offer to the customer. When the marketer introduces a new product concept, therefore, he must establish the connection between its benefits and the customer’s needs. When he develops designs and modifies his products and services, he must do it as an interactive process with the customer as partner so that her needs are directly reflected in product features. He must be prepared to meet the unique need of each individual customer,
if required by customising his product exclusively for her. The road to customer value, therefore, lies in prioritising her needs and developing products that serve them.

PRODUCT DEVELOPMENT AND BANKS

Banks are in the ‘services’ sector and provide a vital support to the effective functioning of the overall economic system as financial intermediaries. Apart from providing an institutionalised arrangement for the mobilisation of savings in the community, banks offer a mechanism for national payments. The range of services offered by banks is among other things conditioned by the level of economic development. As various sectors in the economy develop and the payments become more and more complex, banks are compelled to come out with new services.

New products offered by the banks emerge under two circumstances; one in response to the compulsions in economic environment and two as a result of innovative efforts on the part of banks themselves. The exogenous factors leading to the emergence of new products would include development of new products by the competitors, developments in technology and new responsibilities that banks would have to shoulder. The development of computers has in turn led to the development of new computer related services offered by banks.

Product development in the area of financial services should be viewed as a systematic and on-going process of encouraging, collecting, evaluating, screening and eliminating ideas and suggestions. Unlike as it is in respect of manufactured goods, it is futile to expect mind boggling innovations/major breakthroughs in developing new banking products. Rather than looking for a high degree of ‘uniqueness’ or novelty, product developments in the banking context should focus on tailoring or fine tuning of services to meet the needs of various market segments. While operating in a regulated market frame work successful banks are generally those which tailor existing/standard products to suit individual requirements, rather than those that come up with too many novel products. In essence, product development in banks is a matter of giving attention to details.
Till 1960s the range of products offered by Indian banks was much limited. After nationalisation, the Indian banking industry assumed socio developmental responsibilities and vigorously pursued new tasks, new clientele sections and untouched geographical areas, and bankers' innovativeness and product development came into greater play. Financial sector reforms in the 1990s and a competitive banking scenario further gave a filip to the product related strategies of banks in India.

Preparing an exhaustive and detailed list of all the products/services offered by banks in India is a complex task. However they can be put under the following four categories.

a) Deposit Schemes
b) Credit Schemes
c) Ancillary Services
d) Diversified financial services such as merchant banking, leasing, mutual funds etc..

In the area of introduction of new services and schemes banks in India can only operate within a limited framework. These limitations stem both from RBI's directives and the Ground Rules and Code of Ethics (GRACE) framed by the Indian Banks' Association, which have been voluntarily accepted by member banks. In this context it may be pointed out that except 4 banks in the private sector all other scheduled commercial banks (excluding RRBs) are members of IBA and as such are parties to this self imposed discipline.

DEPOSIT SCHEMES OF OPSBs OF TAMIL NADU

Acceptance of deposits is one of the core functions of a bank. As such all six banks under study accept both time and demand deposits. They have devised innovative schemes of deposits also to suit the varied needs of different segments of the customer. However, these deposit schemes are the variants of conventional deposits with some improved features such as flexible withdrawals, regular income, insurance benefits etc., A brief description of such schemes operated by OPSBs of Tamil Nadu is given below:
BOB’s innovative deposit schemes include Children Welfare Deposit Accounts, (meant for the benefit of the minor children wherein a monthly deposit for a specified period gets multiplied yearly once) Unique Reinvestment Deposit, (reinvestment of interest subject to a minimum amount of deposit) Companion Savings Account (coloured cheque book in the customer’s name, special pay in slips, confidential code, attractive leather wallet free of cost and overdraft facility upto Rs 50,000) and Silver Certificate (a deposit of Rs 19,500 maturing at Rs. 25,000 in 25 months).

BOM’s novel deposit schemes are:

Any place Deposit Scheme: This scheme allows the customer to deposit a cheque in any branch of BOM and the proceeds will be credited to the customer’s account within 4 days of deposit.

Flexi-fix Deposit Scheme: This is a term deposit scheme with the freedom to depositors to withdraw money in case of need without loss of interest.

Bluechip Current Account: This is basically a current account with additional benefits such as concessions in service charges, preferential allotment of safety lockers without key deposit, anywhere cash withdrawal facilities and accident insurance coverage, subject to the maintenance of a prescribed minimum balance. (Rs 200000 / Rs 500000).

Blueline Savings Bank Account: This is basically a savings bank account with same additional benefits as are available in case of Bluechip Current Account and the minimum balance varies between Rs. 0.50 and Rs. 1 Lakh.

City Union Bank Ltd offers three district schemes viz., Sri Chakra Special Deposit with automatic renewal facility, Yamana Visva Rupa Deposit wherein deposits are accepted for periods ranging from 3 to 10 years with the facility of reinvestment of interest. Variable Investment Plan wherein the depositors are allowed to build up their savings by way of convenient monthly instalments for a fixed period.
Innovative deposit schemes of KVB are:

Thirumagal Thirumana Thittam which is a long term deposit scheme. High interest rates compounded quarterly with facilities like preclosure, loan schemes etc., are its highlights.

Gayathri Cash Certificate in which the investments of odd sum enables the collection of a hefty amount in round figures depending upon the period and rate of inflation.

KVB Double a reinvestment plan in which the depositor is given the privilege of getting back twice the amount of initial deposit after a period of 57 months.

KVB SAFE a Short term Automatic Fast Earning deposit scheme with automatic renewal facilities.

KVB Manimala is a simple recurring deposit scheme where in the depositor has to deposit a small amount every month so as to get a lumpsum on maturity.

KVB Pancharatna is a flexi fix deposit scheme; the depositor is given the liberty to withdraw the needed money without losing interest on the remaining amount.

LVB has four innovative schemes of deposits. Lakshmi star is a short term deposit with automatic renewal facility. Lakshmi Subiksha Deposit scheme is a cash certificate scheme with a maturity value of Rs. 1,00,000/- accepted in four maturity periods at the interest rate decided on the basis of prevailing interest rates. Tirumagal Thiruvizha Thittam is a recurring deposit scheme meant to cater to the needs of those with planned financial commitments; deposits are accepted for 6 months to 1 year in multiples of Rs. 50/-. Dhanachakra deposit scheme is a long term deposit scheme and the deposits are accepted for a period ranging from 6 months to 10 years. The minimum deposit is Rs. 100/- and the interest in reinvestible.
TMB offers four innovative deposit schemes. Muthukkuvial is a long term deposit scheme under which Rs. 1000/- deposited initially will grow into a lumpsum amount depending upon the period of maturity.

Navarathnamala is a monthly deposit scheme. Under this scheme, the depositor can remit monthly instalment of deposits for 36/48/60 months to get back a lumpsum amount.

Pearl deposit scheme offers the benefit of reasonable interest and regular income to the depositors.

Cash Certificates are issued at a discount to the face value and the depositor can have the face value on maturity. The rate of discount is influenced by the amount, period and prevailing rate of interest.

By analysing the features of various innovative schemes of deposits by OPSBs of Tamil Nadu, the researcher has made the following inferences:

1. Automatic renewal facilities and flexibility in withdrawal of fixed deposits are the only new features of innovative schemes. Most of the schemes resemble either the traditional fixed deposit/recurring deposit.

2. Except the Bluechip Current Account and Blueline Savings Account of BOM and the Companion Savings Account of BOB, other schemes are time bound. As IBA’s guidelines regarding minimum balances to be maintained, number of withdrawals and mode of interest payment are comparatively rigid for demand deposits, scope for innovation is much limited. Even BOM and BOB have ventured into this area by adding some additional benefits to the traditional savings/current account, in return for a higher minimum balance. But such higher balances discourage public to prefer such deposits considering the low rate of interest in case of savings bank accounts and no interest in case of current accounts. The General Manager of BOM openly admitted that both the schemes of his Bank failed to gain popularity and are not in operation now.
3. Awareness of the field level employees (counter staff) regarding the salient features of these schemes is not appealing. The researcher has contacted 60 bank employees to know their opinion on the HRD practices of the Bank (discussed subsequently). Out of this 60, 30 are officers and 18 are clerks. In the course of the interface with them when the researcher made a poser concerning the innovative deposit schemes of their Banks, all officers exhibited a clear sense of knowledge regarding the schemes whereas only 2 clerks were comfortable in educating about the schemes. It is suggested that these banks have to gear up their training machinery for imparting knowledge about new products / services.

4. Customers' awareness about the innovative schemes of deposits is also not appreciable. As a part of the customer survey conducted by the researcher in order to ascertain customers' perception regarding the quality of customer service, few questions were posed regarding innovative schemes of bank deposits (Appendix I). Out of the 125 depositors contacted for the purpose, only 50 depositors are acquainted with these deposits. Out of this 50 only 18 (36%) have opted for these deposits. All the 50 depositors uniformly pointed out that they came to know about the product through pamphlets/brochures of the Bank and not by word of mouth.

    Branch managers on their part opined that these novel deposits fail to lure the customers for want of special benefits such as higher rate of interest, more flexibility in operations etc. They also pointed out that the degree of customer' confidence is more in case of traditional deposits rather than innovative deposits.

5. The success of any product depends on its ability to acquire substantial market share. But the market share of innovative deposit schemes in the total deposits of OPSBs of Tamil Nadu could not be identified, as scheme wise records are not maintained and funds mobilised under these schemes are always incorporated under time/demand deposits.

    In fine the innovative deposit schemes are yet to offer niche markets to the OPSBs of Tamil Nadu. Here, it is to be remembered that this phenomenon is not specific to these banks alone but to the entire banking industry. Banking analysts
point out that all schemes offered by different banks are basically possessing the features of traditional deposits with a brand name.

**LOAN PRODUCTS OF OPSBs OF TAMIL NADU**

OPSBs of Tamil Nadu follow the traditional pattern of lending viz., Cash credit, Overdrafts, Loans and Discounting of bills. Lending activities of these banks aim at meeting the following objectives.

* To utilise the available resources to the maximum extent possible by expanding the volume of credit.
* To deploy the funds in diversified portfolios and to widen the client base.
* To streamline the credit delivery system
* To achieve growth in credit without compromising quality and profitability.

Executives of all banks uniformly pointed out that ensuring timely credit and effective monitoring are their twin strategies in credit management. All banks have a comprehensive set of systems and procedures for the appraisal of credit. All advances are properly secured through collateralisation of the borrowers' assets. The margin of security varies depending on the banks' assessment of credit risk of each borrower. Branch managers of these banks periodically review the loans at each branch and submit reports to their superiors on default of specific loans as well as status of loans in each market segment. In addition, all loans are subject to independent review periodically by the banks' inspection department. Credit portfolios of these banks are also well diversified. Industrial advances of these banks cover different industries such as iron and steel, metal and metal products, engineering, cotton textiles, food processing, vegetable oils, paper, rubber, fertilizers, cement, knit wear etc.

Concerted efforts are made by these banks to provide financial assistance to the export sector. In addition to pre-shipment credit and post shipment credit in rupee as well as foreign currencies customer specific credit facilities like buyers/suppliers line of credit are also arranged by these banks.
Preceeding paragraphs highlighted the strategies adopted by OPSBs of Tamil Nadu in credit management. Following points gauge the effectiveness of such strategies.

1. Credit delivery mechanism of OPSBs of Tamil Nadu aim at the optimum utilisation of available resources by expanding the volume of credit. Available statistics point out that OPSBs of Tamil Nadu are reasonably successful in this context.

To elaborate, proportion of resources deployed as advances by these banks as on 31st March 1998 stands as follows:

<table>
<thead>
<tr>
<th>Bank</th>
<th>Proportion of Resources Deployed as Advances</th>
</tr>
</thead>
<tbody>
<tr>
<td>BOB</td>
<td>40.9%</td>
</tr>
<tr>
<td>BOM</td>
<td>37.7%</td>
</tr>
<tr>
<td>CUB</td>
<td>50.2%</td>
</tr>
<tr>
<td>KVB</td>
<td>45.7%</td>
</tr>
<tr>
<td>LVB</td>
<td>46.0%</td>
</tr>
<tr>
<td>TMB</td>
<td>42.9%</td>
</tr>
</tbody>
</table>

Thus it is clear that in a period of lower credit off-take these banks are able to deploy a reasonable part of their funds as advances. This is further supported by the fact that the proportion of resources deployed as advances by these banks compares favourably well (except that of BOB and BOM) with that of SBI, the market leader of advances which stands at 41.3%.

2. Prompt recovery of advances enhance the lending capacity of banks. This in turn pushes up the marketability of the products of banks, as a clean state in terms of non performing assets gives a positive image to the bank thus building up public confidence. NPAs of OPSBs of Tamil Nadu (as a proportion of advances) in 1997-98 as given below are pretty good, justifying the argument of the concerned bank officials that their pre-sanction appraisal and post-sanction monitoring are effective.

<table>
<thead>
<tr>
<th>Bank</th>
<th>Proportion of NPAs</th>
</tr>
</thead>
<tbody>
<tr>
<td>BOB</td>
<td>4.40%</td>
</tr>
<tr>
<td>BOM</td>
<td>5.70%</td>
</tr>
<tr>
<td>CUB</td>
<td>7.74%</td>
</tr>
<tr>
<td>KVB</td>
<td>1.87%</td>
</tr>
<tr>
<td>LVB</td>
<td>6.07%</td>
</tr>
<tr>
<td>TMB</td>
<td>5.37%</td>
</tr>
</tbody>
</table>
These figures against the industry average of 16% indicate that prudent NPAs management is another tool in the marketing armory of OPSBs of Tamil Nadu.

3. It is a well accepted fact that satisfied clientele are good ambassadors of the Bank and indirectly market the products of the Banks. This is more true in case of advances. Officials of the credit management departments of the OPSBs of Tamil Nadu pointed out that in spite of their limited efforts through personal selling of advances, their borrowers amply satisfied with the quality of service spread the message of goodwill and augment the advances base.

The validity of their arguments is tested by the researcher through the reaction of the borrowers. To recall (these aspects have already been referred under the head customer service) out of the 105 borrowers contacted by the researcher, 80 borrowers had no reservations in offering full credit to their banks in offering efficient service. Out of this 80, 50 pointed out that the credit decisions are taken by these banks expeditiously i.e., within maximum period of a week. In other cases the time taken was within a fortnight. All 80 borrowers lauded the flexible and personal approach of these banks in this context.

On the negative side, 25 borrowers out of which 23 were priority sector borrowers criticised the banks for rigid procedures, delay in disbursment, unscientific repayment schedule and inadequacy of the loan amount.

Out of the 105 borrowers 80% (84) had chosen the concerned banks for borrowing needs based on the recommendations of their friends and relatives. The remaining 20% (19) were guided by the bank employees/publicity measures/government authorities.

4. All banks under study deploy more than 50% of their lendable resources in the form of cash credit, overdrafts and demand loans, which proves the fact that trade finance is the strong hold of these banks. Similarly all these banks have attained the RBI's stipulation of 12% of net bank credit to the export sector justifying their export friendliness.
To conclude, despite offering limited products in case of advances, their performance is commendable based on their NPAs position and borrower's satisfaction. Special marketing efforts taken by these banks in this context centre around result-oriented after-sales service, apart from a scientific appraisal system. However, personal selling efforts for marketing advances are inadequate. Though walk-in business is still not a problem, the introduction of prudential norms and the gearing up of vigilance machinery have made these banks also to adopt a subdued approach in advances marketing.

6) VIABLE BRANCH EXPANSION

Place/physical distribution in the marketing mix refers to the establishment and operation of outlets for the physical distribution of products. In banking, it refers to the establishment and functioning of a network of branches through which banking services are delivered.

In a branch banking system a bank's business is influenced by its 'reach' or spread of branches. The massive deposit/advances base of PSBs is a glaring evidence for this. Extensive branch network enables a bank to penetrate into unbanked and underbanked centres. This in turn facilitates economic development as small savings are diverted towards productive uses.

In India, the RBI in its capacity as the central banking authority chalks out the branch expansion policy of banks. The RBI is empowered to regulate the opening of new bank branches as per section 23(2) of the Banking Regulation Act. Financial position and history of the bank, efficiency of the management of the bank, earning prospects of the proposed branch and public interest are the factors considered by the apex bank before granting a licence.

The RBI followed a cautious policy till 1956 in view of the post-war and post-partition strains on the economy of the country. Subsequently, a flexible policy of branch expansion was followed by favouring well-developed areas for expansion of branches. But the nationalisation of major banks in 1969 gave a new orientation to
the branch expansion policy of the RBI, with more emphasis on opening of branches in semi urban and rural areas. In the first half of the 1970s, RBI's permission for new bank branches were based upon factors such as the population of the area concerned, its growth/business potential, banking facilities available in the surroundings areas etc. In the latter half of the 1970s, with a view to ensure that as many rural centres as possible were served, the RBI revised its branch licensing formula; opening four rural branches was made as a precondition to open a branch at a metropolitan centre and another at a banked centre. Over the years, the policy of the RBI tempted banks to open more branches in rural areas, backward areas unbanked/underbanked centres etc.

The branch licencing policy of the RBI during the 1980s laid emphasis on the consolidation of bank branches. It aimed at covering a population of 17000 in the rural and semi urban areas of each block. Stress was on the need to cover hilly tracts, sparsely populated regions and tribal areas. Expansion in urban and metro centres were governed by the need and financial viability.

A liberalised branch licencing policy has been adopted by the RBI since 1990. The main thrust of its policy is on providing freedom to banks to rationalise the structure of their branches. Accordingly banks have been allowed to open specialised branches per centre each in the category of industrial finance, NRI and treasury operations without the approval of the RBI. They can convert non viable rural branches into satellite offices. They can also provide locker facilities at extension centres. The distance stipulation of 400 meters between two branches of banks in residential areas of the town has been withdrawn. Banks have been allowed to close down loss making branches in urban/metro centres and loss making branches at rural centres served by two commercial bank branches excluding RRBs affer mutual consultation.

As already explained in chapter II, branch expansion policies of OPSBs of Tamil Nadu were conditioned by the restrictions imposed by the RBI in the pre-reform period. But the liberalised branch expansion policy of the RBI with the advent of
reforms has opened new vistas for them in the expansion of branches. Realising that their local character and small size could make them uncompetitive against PSBs and technology friendly new banks, viable branch expansion is resorted to by them. Executives of all six banks under study contacted by the researcher echoed the view that such an expansion will enable them to enjoy the benefits of economies of scale, improving efficiencies and increasing opportunities. With a formidable presence in the south they are gradually entering into the northern parts of the country for branch expansion. Business potentialities are the criteria for the choice of the place of the business. In order to ensure business viability, a scientific spade work is done by them in the form of market surveys. Thus viable branch expansion is one of the crucial marketing strategies of OPSBs of Tamil Nadu to survive in a liberalised environment. Table 4.15 unfurls the trends in this context.

Branches of OPSBs of Tamil Nadu have grown at 19.5% during 1991-98 as against 7.98% during 1984-1991. Thus it can be inferred that the freedom in branch expansion has been viewed by these banks as an opportunity to improve and grow.

The share of rural bank branches in the total number of branches of these banks is gradually dwindling i.e., from 34.3% in 1991-92 to 28.3% in 1997-98. In fact no bank has added a rural branch throughout the period. KVB has closed down 4 of its rural branches for want of viability. Bankers view that rural banking which involves much of retail banking is transaction driven, which means more cost.

Semi urban branches of OPSBs of Tamil Nadu have increased from 216 in 1991-92 to 299 in 1997-98 registering a growth rate of 38.4%. Their share in the total network have shown a rise of 4.2% during the study period.

OPSBs of Tamil Nadu have strengthened their urban network by adding 59 branches during 1991-92 to 1997-98. This works out to 29.5% in terms of growth rate. Market share of urban branches has grown to 26.3% in 1997-98 from 24.3% the increase being 2%.
TABLE 4.15

NUMBER OF BRANCHES OF OPSBs OF TAMIL NADU DURING 1991-98

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</tr>
</thead>
<tbody>
<tr>
<td>B&amp;O</td>
<td>3</td>
<td>8</td>
<td>8</td>
<td>8</td>
<td>8</td>
<td>8</td>
<td>8</td>
</tr>
<tr>
<td>SBM</td>
<td>100</td>
<td>114</td>
<td>100</td>
<td>114</td>
<td>100</td>
<td>114</td>
<td>100</td>
</tr>
<tr>
<td>OBC</td>
<td>3</td>
<td>12</td>
<td>14</td>
<td>15</td>
<td>16</td>
<td>17</td>
<td>18</td>
</tr>
<tr>
<td>LIC</td>
<td>20</td>
<td>26</td>
<td>29</td>
<td>31</td>
<td>33</td>
<td>35</td>
<td>37</td>
</tr>
<tr>
<td>SBI</td>
<td>13</td>
<td>10</td>
<td>10</td>
<td>12</td>
<td>12</td>
<td>12</td>
<td>12</td>
</tr>
</tbody>
</table>

Figures in the second row of each bank refer to the proportion to the total.

R – Rural, SU- Semi Urban, U- Urban, M-Metro Politian, T-Total
Figures of the Bank exclude the branch in Thailand.

Source: Annual Reports of Banks
Number of new metro branches opened by OPSBs of Tamil Nadu have increased by 23 during the study period. The relevant growth rate is 18.4%. In 1997-98 the share of metro branches in the total number of branches stands at 15 from 15.2% in 1991-92.

From the above analysis it is clear that semi urban centres are the most preferred outlets for these banks. Two reasons are identified by the researcher for this trend.

1. As these centres are dominated by middle/high middle income group sections of the society the scope for retail business is more. The new waves of liberalisation have gradually urbanised these areas and thereby increasing banking habits among the people.

2. As these areas are mostly outside the purview of foreign banks and new generation private banks, the competitive strengths of these banks in these areas is better. They boast a high degree of confidence in overtaking PSBs here through customer friendly banking.

BOB, the only Bank in the private sector with an overseas branch in Thailand has a better exposure in urban and metro centres. But it is to be pointed out here that there is a slight fall in the share of metro branches from 43.4% of total branches in 1991-92 to 37.3% in 1997-98. On the other hand, the share of urban branches has increased from 37.0% in 1991-92 to 37.3% in 1997-98. There is a dramatic rise in the market share of semi urban branches at 9.7% during 1991-98. New branches opened by the Bank cover states such as Andhra Pradesh, Delhi, Maharashtra and West Bengal apart from the existing branches in Tamil Nadu and Kerala. The Bank has a specialised branch for large advances.

BOM has also preferred more of urban and metro centres for opening new places of business. As the Bank has already made its presence felt in the semi urban centres, the Bank’s branch expansion is only selective. It has opened 10 NRI service branches in Kerala; Punjab, New Delhi, Goa and Karnataka are the States in which new branches were opened.
CUB, constrained by its thin network of branches to a greater extent in the
pre-reform period has opted for semi urban centres for new branches. New branches
of the Bank are dispersed in the States of Andra Pradesh, Gujarat, Karnataka, Kerala,
Maharashtra, New Delhi, Pondicherry and Tamil Nadu.

KVB is the most aggressive Bank among the group in the expansion of
branches. It has opened 41 branches during the study period. Semiurban and urban
branches are the preferred destination for the Bank. New branches cover States
viz., Andhra Pradesh, Gujarat, Haryana, Karnataka, Kerala, Madhya Pradesh,
Maharashtra, New Delhi, Pondicherry and Tamil Nadu. The Bank has three
specialised branches - 2 for foreign exchange operations and 1 for small scale
industries.

LVB’s thrust area for branch expansion also happen to be semi urban places
as the share of such branches has risen at 3.8% the highest among different centres
during 1991-98. New branches are located in the States of Andhra Pradesh, Gujarat,
Karnataka, Kerala, Pondicherry and Tamil Nadu.

TMB also follows the general pattern of its sister banks by concentrating in
the semiurban centres for branch expansion. The Bank with a specialised branch for
industrial finance has set up new branches in the States of Kerala, Karnataka,
Andhra Pradesh, Gujarat, West Bengal, Karnataka, Delhi and Pondicherry.

Bankwise break up of branch expansion points out that these banks are
gradually shedding out their regional character; no doubt, with 60% (average) of the
branches of these banks located in the State of Tamil Nadu, they are keen to
consolidate their regional presence, seeking the advantages of niche area of
operations. Sectoral banking aid them in this context and banks such as BOM and
KVB are preferring to have specialised bank branches.

Funds will probably continue to flow on account of branch expansion. But will
the expansion in size and geographical spread affect the nimbleness with which
these banks have been able to perform so far? All the Chairmen of these banks are
quiet confident that it won't. In banking business without new customers and old
ones who are doing well, expansion is not going to mean easy profit. Given that there is some degree of consolidation going on in the industry, there is a need for caution. While economies of scale have some benefits, it can also increase cost substantially and call for restructuring methods of operation. Cheaper funds are to be sought and the major source is savings bank account wherein the average cost of funds is 3.75% to 4%. This in turn depends upon the agility of these banks in rural areas. Thus the neglect of rural areas in branch expansion will not help these banks in the long run.

SUITABLE LOCATION AND AMENITIES FOR CUSTOMERS IN THE BRANCHES OF OPSBs OF TAMIL NADU

Customers need for banking services is of repetitive nature and hence proximity and conveneince of operation play a vital role in selecting a bank branch. The massive survey conducted by the National Institute of Bank Management has also clearly brought out the fact that suitable location of the bank branch was the most predominant factor in the selection of banks, be they nationalised or foreign or private or even co-operatives / RRBs, both in the rural and urban areas. This implies that any bank should expect to get a majority of customers from the immediate proximity of the banking premises. In tune with this OPSBs of Tamil Nadu always locate their branches on the basis of easy accessibility. Out of the 240 customers contacted, 72% have opined that the central location of the branches is the most convenient aspect of banking with these banks.

A prospective customer forms his first impression of a branch on how it looks like. The exterior of a branch (essential evidence) should be such that the prospective client is impressed and get attracted. A nice layout (peripheral evidence) creates good impact on the people. As such OPSBs of Tamil Nadu have given a facelift to the existing branches. Modern interiors, centralised airconditioning and excellent facilites are taken care of in case of both old and new branches. These aspects improve the marketability of their products, according to the branch managers/officials of these banks.
Customer's opinion regarding the general environment / facilities in the bank branches are incorporated in Table 4.16.

Table 4.16 makes it clear that satisfied customers outnumber the dissatisfied customers with regard to the facilities in the branch premises of the chosen banks. The extent of dissatisfaction is the highest in case of telephone facilities followed by parking space. Cost consciousness of banks in order to sustain profitability prevent them to allow liberal telephone facilities to the customers. Escalating real estate prices prevent them to go in for spacious parking facilities.

The extent of dissatisfaction is higher in case of the customers of LVB. Out of the 40 customers contacted 28 (70%) criticised the branches for a clumsy layout, uncomfortable banking halls, lack of basic amenities etc.,

**TABLE 4.16**

**GENERAL ENVIRONMENT OF THE BANK - CUSTOMERS' OPINION**

<table>
<thead>
<tr>
<th>Environment</th>
<th>Adequate (No. of respondents)</th>
<th>Inadequate (No. of respondents)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Waiting lounge</td>
<td>150 (62.5)</td>
<td>90 (37.5)</td>
</tr>
<tr>
<td>Fans / Coolers/ A/C</td>
<td>168 (70.0)</td>
<td>72 (30.0)</td>
</tr>
<tr>
<td>Drinking water</td>
<td>188 (78.3)</td>
<td>52 (21.7)</td>
</tr>
<tr>
<td>Parking space</td>
<td>144 (60.0)</td>
<td>96 (40.0)</td>
</tr>
<tr>
<td>Furniture</td>
<td>204 (85.0)</td>
<td>36 (15.0)</td>
</tr>
<tr>
<td>Telephone facilities</td>
<td>120 (50.0)</td>
<td>120 (50.0)</td>
</tr>
<tr>
<td>Lighting facilities</td>
<td>211 (87.9)</td>
<td>029 (12.1)</td>
</tr>
</tbody>
</table>

* Figures in parentheses refer to the percentage to the total

Source: Primary data
7) AGGRESSIVE PRICING POLICIES

Pricing of products and services based on scientific analysis of costs of such products and services is one of the fundamentals of sound business. Any business undertaking with commercial consideration should have a cost plus pricing formula. The extent of cost plus depends on market conditions. In a monopoly market, the cost plus will be the maximum and in a competitive market, it will be the minimum. If differentiation from competing products and a distinctive position in the customer’s mind are the twin trophies that the market strive for, price is their most powerful weapon.

The Indian banking system is now moving from a regulated and protected environment to a liberalised and competitive environment. Therefore the pricing of products have also undergone some changes. However pricing of each and every service rendered by banks based on scientific analysis of cost of such services is yet to take roots in the Indian banking system.

Pricing of bank services may be discussed under two main heads:

1. Pricing of deposits and advances which is generally known as the interest rate policy.
2. Pricing of subsidiary services rendered by banks.

INTEREST RATE POLICY OF THE OPSBs OF TAMIL NADU

Till the advent of reforms banks in India were governed by the administered interest rate policy of the RBI both in case of deposits and advances. The rates of interest and other terms and conditions on which banks accept deposits and lend money were prescribed by the RBI in view of the powers conferred upon it under sec 21 and 35 of the Banking Regulation Act. RBI used to classify deposits, especially fixed deposits into different categories as per the period of maturity and different rates of interest were prescribed for each category. Similarly for advances also, the rate of interest was determined by taking into account the size of the loan, period and
purpose of borrowing. The RBI used to revise these rates from time to time keeping in view the needs of the prevailing situation.

In April 1992, the RBI started the policy of gradually deregulating term deposit interest rates. On 22nd April 1992, the RBI permitted banks to prescribe their own rates of interest on fixed deposits of different maturities, but the maximum rate of interest was not to exceed 13% per annum. The maximum rate of interest was gradually reduced till it reached 10% per annum on September 2, 1993. But it was again hiked to 12% with effect from 18th April 1995. In October 1995 deposits with maturities of over 2 years were freed from the ceiling rate prescription while deposits of 46 days and upto 2 years remained subject to the ceiling rate of 12%.

With effect from July 2, 1996 banks were given greater flexibility in determining the interest rates and maturity period of their term deposits. The minimum period of term deposits was reduced to 30 days from 46 days and the ceiling rate was reduced to 11% from 12% which was made applicable to deposits upto 1 year (instead of 2 years). The ceiling rate was further reduced to 10% with effect from 21st October 1996. In April 1997, the ceiling on these deposits was linked to Bank Rate minus 2 percentage points. In October 1997, the above ceiling was also withdrawn and interest rates were totally freed from RBI's regulations.

In its credit policy for 1998-99 announced on April 29, 1998 the RBI has provided greater freedom to banks as regards the interest rate on fixed deposits. The minimum period of maturity of term deposits has been reduced from 30 days to 15 days. Hitherto a restriction was imposed on banks that they must offer the same rate on deposits of the same maturity irrespective of the size of such deposits. This restriction has now been removed and banks are allowed to prescribe their interest rates varying with the size of the amount of deposits.

The rates determined by banks from time to time are applicable only to fresh deposits and on renewals of maturing deposits. Complying with the above, all banks can now prescribe their own term deposit interest rates.
OPSBS of Tamil Nadu have adopted an aggressive approach in pricing of deposits by cashing on the freedom given by the RBI. During 1992-1997, when partial deregulation was in vogue all six banks under study dared to offer the ceiling rate of interest even on deposits of the shortest maturity ie., 30/46 days. Once total freedom was given, they have begun to offer competitive rates on deposits of all maturities, as depicted in Table 4.17.

Table 4.17 makes it clear that aggressive pricing of deposits is one of the important strategies adopted by OPSBS of Tamil Nadu to market their deposit schemes. The rates of interest on deposits offered by all these banks on different maturities (except that of LVB for 15-45 days) is higher than that of State Bank of India, the market leader of deposits. Similarly these rates are better than that of the rates of interest offered by other PSBs too. However, all these banks other than CUB are not offering the highest interest rate on deposits of different maturities in the industry, considering the margin. CUB's rate of interest is the highest in the industry for deposits of the maturity of 15-27 days, 180-270 days, 271-364 days and 1 year to 2 years. It is relevant here to point out that the highest industry rate on other maturities are offered by Dresdner Bank (15-29 days) Lord Krishna Bank (35-45 days, 46-60 days and 61-90 days) State Bank of Mauritius (91-120 days, 2 years to less than 3 years, 3 years to less than 5 years) Global Trust Bank (120 - 179 days) and Bank of Ceylon (5 years and above).

Executives of the banks under study argue that they offer a rate of interest that is high enough to attract deposits from the clients of the PSBs and low enough to maintain the operating expenses at a reasonable level.

Reasons attributed by them for this competitive pricing strategies are:

1. Every deposit represents a saving or consumption deferred. It goes to add upto the capital resources available for investment. It therefore, is entitled to a return matching the scarcity value of capital in the economy. More, on maturity it should not have been eroded by inflation but remained intact. So, depositors, expect that interest
### TABLE 4.17

**RATE OF INTEREST ON TERM DEPOSITS OF DIFFERENT MATURITIES OFFERED BY OPSBS OF TAMIL NADU**

<table>
<thead>
<tr>
<th>Bank</th>
<th>Rate of interest with effect from</th>
<th>15-29 days</th>
<th>30-45 days</th>
<th>46-60 days</th>
<th>61-90 days</th>
<th>91-120 days</th>
<th>121-180 days</th>
<th>181-270 days</th>
<th>271-364 days</th>
<th>1 year to less than 2 years</th>
<th>2 years to less than 3 years</th>
<th>3 years to less than 5 years</th>
<th>5 years and above</th>
</tr>
</thead>
<tbody>
<tr>
<td>BOB</td>
<td>01.12.98</td>
<td>6.00</td>
<td>7.00</td>
<td>7.00</td>
<td>8.50</td>
<td>9.50</td>
<td>10.50</td>
<td>10.50</td>
<td>11.00</td>
<td>12.00</td>
<td>12.00</td>
<td>12.00</td>
<td>12.00</td>
</tr>
<tr>
<td>BOM</td>
<td>18.05.98</td>
<td>6.00</td>
<td>6.00</td>
<td>7.50</td>
<td>7.50</td>
<td>7.50</td>
<td>8.50</td>
<td>8.50</td>
<td>10.50</td>
<td>11.00</td>
<td>12.00</td>
<td>12.00</td>
<td>12.00</td>
</tr>
<tr>
<td>CUB</td>
<td>01.11.98</td>
<td>8.00</td>
<td>8.00</td>
<td>9.00</td>
<td>9.00</td>
<td>10.25</td>
<td>10.25</td>
<td>11.25</td>
<td>11.25</td>
<td>12.00</td>
<td>12.00</td>
<td>12.25</td>
<td>12.25</td>
</tr>
<tr>
<td>KVB</td>
<td>16.11.98</td>
<td>6.00</td>
<td>6.00</td>
<td>7.50</td>
<td>7.50</td>
<td>10.00</td>
<td>11.00</td>
<td>11.00</td>
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<td>12.00</td>
<td>12.00</td>
<td>12.00</td>
<td>12.00</td>
</tr>
<tr>
<td>KVB</td>
<td>04.01.98</td>
<td>6.00</td>
<td>7.00</td>
<td>8.00</td>
<td>8.00</td>
<td>9.50</td>
<td>10.00</td>
<td>11.00</td>
<td>12.00</td>
<td>12.00</td>
<td>12.50</td>
<td>12.50</td>
<td></td>
</tr>
<tr>
<td>TMB</td>
<td>16.11.98</td>
<td>5.00</td>
<td>5.00</td>
<td>7.00</td>
<td>7.00</td>
<td>7.00</td>
<td>8.50</td>
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<td>11.50</td>
<td>12.25</td>
<td>12.25</td>
<td></td>
</tr>
<tr>
<td>SBI</td>
<td>02.05.98</td>
<td>5.00</td>
<td>6.00</td>
<td>6.00</td>
<td>6.00</td>
<td>8.00</td>
<td>8.00</td>
<td>10.00</td>
<td>10.50</td>
<td>11.50</td>
<td>11.50</td>
<td>11.50</td>
<td></td>
</tr>
<tr>
<td>HIGHEST RATE IN THE INDUSTRY</td>
<td>8.00</td>
<td>9.00</td>
<td>10.00</td>
<td>10.00</td>
<td>10.50</td>
<td>11.00</td>
<td>11.25</td>
<td>11.25</td>
<td>12.00</td>
<td>13.00</td>
<td>13.00</td>
<td>12.50</td>
<td></td>
</tr>
</tbody>
</table>

*Source: Brochures of Banks and The Hindu Business Line dated 04.02.1999*
on deposits must yield at least the opportunity cost of capital plus some indexation to compensate for capital erosion due to inflation. Thus by offering a better rate of interest, these banks try to fulfill depositors’ expectations.

2. These banks are compelled to push up their deposit rate in the fear that future deposits could be under attack. This fear also stems from the grand success of several mutual funds and debt issues in the recent past. As credit offtake is slated to go up at any time now, lowering the rate of interest on deposits is a riskier affair. So these banks are not willing to cut deposit rates much, although spreads are tight, according to the officials in the Planning and Development Departments of these banks.

3. A higher interest rate on deposits boosts up the business base of banks. It aids them in chasing large volumes. Though such rates, especially on 15 days deposit reduces the scope for savings bank accounts, their funds management become more scientific as the liquidity needs are predetermined. Availability of short term investment avenues such as commercial paper facilitate proper matching of assets and liabilities also.

Pricing policy adopted by OPSBs of Tamil Nadu have brought fruitful results to them as the deposit base of these banks have grown impressively in the post-reform period, as statistically substantiated in chapter III. Customers are also amply satisfied as out of the 125 depositors met by the researcher, 77% have opted for depositing with these banks because of a better rate of return. However, one cannot deny the fact that spreads of these banks have been severely constrained on account of such attractive interest rate policy.

**PRIME LENDING RATE OF OPSBs OF TAMIL NADU**

In tune with deregulation of interest rates on deposits, interest rates slabs on advances were reduced from 20 in 1989-90 to 3 in 1994-95 i.e., (a) upto Rs 25,000 and (b) upto Rs 2 lakhs and (c) above Rs. 2 laksh. With effect from 29th April 1998, the RBI has prescribed that the rate of interest charged on advances in the first two
slabs should not exceed the Prime Lending Rate (PLR) of the concerned bank. PLR is the benchmark lending rate of banks charged for first class borrowers. The availability of loans at PLR to a borrower depends upon his credit rating which in turn depends upon his character, capacity, capital and collateral. The cost of funds of banks, is no doubt another influencing factor in this context. PLRs of OPSBs of Tamil Nadu as on 1st January 1999 is incorporated in Table 4.18.

TABLE 4.18

PRIME LENDING RATES OF OPSBs OF TAMIL NADU

<table>
<thead>
<tr>
<th>Bank</th>
<th>PLR (in Percentage)</th>
</tr>
</thead>
<tbody>
<tr>
<td>BOB</td>
<td>14.5</td>
</tr>
<tr>
<td>BOM</td>
<td>14.0</td>
</tr>
<tr>
<td>CUB</td>
<td>14.5</td>
</tr>
<tr>
<td>KVB</td>
<td>16.0</td>
</tr>
<tr>
<td>LVB</td>
<td>14.0</td>
</tr>
<tr>
<td>TMB</td>
<td>14.0</td>
</tr>
</tbody>
</table>

Source: Primary Data.

Average PLR of all six banks under study works out to 14.5% as against 13% charged by SBI. This is because of their comparatively higher cost of funds. But such a higher rate does not discourage the borrowers to borrow, according to the bankers. As the PLR is only the rate of interest charged on advances to first class borrowers, in other cases the rate of interest is high; even this is not an hindrance for marketing of advances, they pointed out. Statistics support their argument as the average growth of advances of these banks in 1997-98 stands at 21% as against the industry average of 14.3%
On the borrowers side also, there are no grudges regarding the rate of interest; of the 105 borrowers interviewed, none has complained about the rate of interest as the availability of credit and flexible procedures are their priority.

**SERVICE CHARGES OF OPSBs OF TAMIL NADU**

Besides being purveyors of credit, banks provide various ancillary services to customers. Service charges on these facilities were kept common for all banks as desired by the IBA inorder to avoid unhealthy competition among banks. However many banks have felt that uniform service charges may lead to laxity and thereby deterioration in the quality of customer service. For this purpose the concept of bench mark rate was introduced in 1994. The benchmark rate is the minimum rate and individual banks are free to fix their own rate based on their cost of services.

OPSBs of Tamil Nadu in this context are adopting a discretionary pricing policy of subsidiary services ie., customers are not treated alike while levying service charges; the amount of commission, exchange and brokerage payable by a customer is influenced by the business potentials of the concerned customers. Banks such as BOB, CUB, KVB and TMB makes a clear distinction between the account holders and non account holders in this context. Even in the case of account holders a concessional treatment is given to high value clientele. The other two banks viz., BOM and LVB takes into account only the networth of the customers rather than existence of an account for determining service charges.

Customers' reaction to the service charges levied by OPSBs of Tamil Nadu were on the expected lines. All the 240 customers interviewed by the researcher are availing the miscellaneous services of these banks. They were of the opinion that the service charges are exorbitant in the post- liberalisation period. The extent of dissatisfaction is more in case of 60% of the customers. The remaining 40% who come under the category of the privileged lot (who are offered concessional facilities) pointed out that inspite of a discriminatory approach, their banks are charging too much in the post reform period, to maintain their spread. However all customers
conceded that as compared to public sector banks, the service charges of these banks are lower; quality of service also keep them cool to bear the cost.

Branch managers of the concerned branches of OPSBs of Tamil Nadu contacted by the researcher came out with the following reactions for the points referred to by the customers.

1. At present all banks are compelled to supplement the shrinking spread by non-interest income. So service charges are fixed by taking into account the operational cost, risk cost, capital cost and other related expanses. However they are guided by the guidelines of the IBA in fixing the benchmark rate. IBA approach in pricing of services tries to strike out a balance between customer satisfaction and profitability.

2. Most of the customers have a myth that banks have to provide free or subsidised services. No doubt, banks even today provide range of services free of cost. Such services include collection of local cheques, dividend and interest warrants, gift cheques, travellers' cheques etc., Further, facilities are also extended at concessional rate like transfer of funds, handling low value remittances, collection etc. Customers have to recognise that better service is possible only through payment of reasonable service charges.

3. The pricing policies of OPSBs of Tamil Nadu in case of subsidiary services is always customer centered and based on the principle of what the traffic will bear. With liberalisation and increased competition product differentiation and pricing based on product differentiation are the prerequisite for taking position in the market. Thus these banks attempt to offer services at a price lower than that of PSBs without sacrificing the quality of service.

Though the arguments of the bankers are acceptable, time has come to make the costing and pricing of products/services of these banks more transparent. Pricing should be based on scientific costing which would be acceptable to customers at a given level of customer service.
8) PROMOTIONAL STRATEGIES OF OPSBs OF TAMIL NADU

Promotion includes all marketing activities aimed at stimulating demand. It involves those activities which aim at customer information, customer education and customer communication. Promotional aspects of marketing are particularly relevant in a service industry like banking where the product is intangible. Banks essentially sell benefits. For this they have to organise effective promotional measures which seek to inform, educate and actualise the markets.

Promotional measures of banks include:

Advertising: It is well accepted by marketers that even if products/services are designed to target customer’s wants with pin-point precision, it is only the communication with the customer that will inform her that the marketers are trying to provide value to her. Advertising is the most potent form of communication. Advertising by banks involve the use of press, electronic media, hoardings, signboards etc.,

Publicity: In contrast to advertising, publicity is normally free in the sense that no media costs are involved. Here banks convey the message through exhibitions, seminars, unpaid news reports, brochures, pamphlets etc.,

Personal Selling: This involves personal communication with the clients/prospective clients in contrast with the mass impersonal communication of advertising. This direct face to face contact with the customers provides an immediate feedback to the banks. Such a personalised approach also referred to as direct marketing builds up a relationship between the bank and the client even before a transaction commences. Personal selling assumes more significance in a liberalised banking environment, as banks are offering the same products, and an aggressive approach in the form of direct marketing helps them to expand their client base. Few banks have exclusive marketing cadres of employees to do this job. In other cases, the primary responsibility of door to door banking is vested on the branch managers/officers.
Societal banking obligations: Banking like other business entities also owe their existence to the society. Banks are financial intermediaries between the savers and investors, imparting mobility to financial assets for striking out balance between demand for and supply of loanable fund. While doing so, they attempt to ensure balanced regional development. But in a country like India the credit absorptive capacity of backward areas especially the rural ones is limited due to infrastructural constraints and the banks come under the attack of credit drain. The unorganised sector on the otherhand, with its inflated rates of interest paves way for rural indebtedness thus forcing the ruralites to curb their productive endeavours. As such, banks as socially responsible citizens are obliged to go in for concessional lending to the weaker sections of the society. Apart from this societal lending, known as priority sector advances, they undertake other society friendly activities such as health awareness camps, improving civic amenities in a given location, (such as construction of bus shelters, traffic islandes) creation of banking awareness, (sponsoring seminars /discussion on matters of topical interest) promotion of sports and games etc., These societal obligations not only help them to discharge their responsibility towards the society but also act as image building exercises, thus promoting the business base of a bank.

Given the above background, promotional strategies of OPSBs of Tamil Nadu are narrated below:

1. Personal selling is the rule of the game in the business of banking. OPSBs of Tamil Nadu under study vigorously resort to personal selling for augmentation of their volume of business. Management of these banks believe that every employee in a bank branch is a salesman and the process starts on the entry of a customer into the premises of the bank. A warm reception, identification of customers’ needs, appropriate description of product features, expeditious delivery and effective after sales service are the ingredients of a personal selling programme in the branch level. As such training programmes meant for employees aim to create product awareness and to enhance the communication / convincing skills of employees. Door to door canvassing of business is also popular among these banks wherein the
responsibility is vested with the officer cadre of employees. But, most of the personal selling activities is confined to deposits, the executives confided.

From the customers' point of view, out of the 125 depositors contacted, 53% appreciated the personal selling efforts of their Bank in deposit mobilisation. As the banks have begun to offer deposits of different maturities with varying rates of interest, the employees play an useful role in helping them to choose a deposit plan. Door delivery of documents, prompt despatch of renewal advice and periodical intimation of revision of rates of interest are the other salient features of the personalised service of these banks, according to the customers contacted. 11% of the depositors reacted that the role of employees is inadequate in the creation of awareness about schemes. Another 36% of the depositors opined that they have never recognised the personalised approach of the bank employees during the course of their transactions.

2. Following are the activities undertaken by OPSBs of Tamil Nadu under the head ‘Advertisement and Publicity’.

* Advertisement through the press- in newspapers, magazines, journals, house magazines etc.,
* Radio advertisements
* Audio visual media such as television, films, cinema slides etc.,
* Hoardings
* Pamphlets and brochures
* Gift articles such as diaries, calendars, key chains etc.,
* Construction/maintenance of fountains, traffic islands, police umbrellas, gardens, clock towers, bus shelters etc., at public places.
* Organisation of health awareness camps

All banks under study have undertaken some specific society friendly activities and the related cost is included under the head publicity as narrated below:

1. BOB is sponsoring inter bank cricket tournament annually.
2. BOM maintains rapport with the local populace by sponsoring seminars in academic institutions and encouraging banking research.
3. CUB is conducting all India cricket tournament styled 'City Union Bank Trophy' for the last ten years.

4. KVB has constructed a block of class rooms in the Government High School, Karur.

5. In order to find solution to the vexing problem of environmental pollution in Karur due to the presence of a large number of dying units, the LVB has brought pollution control authorities, owners of dyeing units, pollution treatment experts and pollution treatment equipment manufacturers for mutually beneficial interaction in the form of a seminar.

6. TMB periodically conducts eye care camps in the villages located around Tuticorin.

Amount spent by these banks under the head 'Advertisement and Publicity' during 1991-98 is presented in Table 4.19. It makes it clear that advertisement and publicity expenses expressed as a percentage of operating expenses of these banks has increased reasonably during 1991-98 highlighting the competitive playing field. KVB is the largest spender in this context, followed by TMB. Fluctuations in the trend of advertisement expenses as a percentage of operating expenses coincide with the pressure on the margins of the banks and the resultant austerity measures undertaken by them.

The impact of advertisement and publicity given by OPSBs of Tamil Nadu can be gauged by the extent of product awareness created among the customers. Out of the 240 customers chosen for the study 40 happened to be rural customers, who pointed out that the leaflets, brochures banners etc., of their banks in Tamil helped them to gain some preliminary knowledge regarding deposit schemes/rate of interest/other special features. Out of the remaining 200 customers, 70% are acquainted with the advertisement in press apart form brochures and leaflets.
### TABLE 4.19
ADVERTISEMENTS AND PUBLICITY EXPENSES OF OPSBs OF TAMIL NADU DURING 1993 - 1998

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>BANK</td>
<td>Expenses (Rs in crore)</td>
<td>Proportion to operating Expenses</td>
<td>Expenses (Rs in crore)</td>
<td>Proportion to operating Expenses</td>
<td>Expenses (Rs in crore)</td>
</tr>
<tr>
<td>BOB</td>
<td>0.33</td>
<td>1.91</td>
<td>0.36</td>
<td>1.82</td>
<td>0.42</td>
</tr>
<tr>
<td>BOM</td>
<td>0.44</td>
<td>1.44</td>
<td>1.16</td>
<td>2.78</td>
<td>1.73</td>
</tr>
<tr>
<td>CUB</td>
<td>0.22</td>
<td>1.90</td>
<td>0.23</td>
<td>1.85</td>
<td>44</td>
</tr>
<tr>
<td>KVB</td>
<td>0.45</td>
<td>1.88</td>
<td>0.66</td>
<td>2.19</td>
<td>1.43</td>
</tr>
<tr>
<td>LVB</td>
<td>0.70</td>
<td>3.21</td>
<td>0.67</td>
<td>2.42</td>
<td>0.70</td>
</tr>
<tr>
<td>TMB</td>
<td>0.54</td>
<td>2.24</td>
<td>0.67</td>
<td>2.14</td>
<td>0.55</td>
</tr>
</tbody>
</table>

*Source: Annual Reports of Banks*