CHAPTER-1

INTRODUCTION

1.1 INTRODUCTORY ASPECTS OF THE STUDY

The financial system of India has changed considerably and drastically since the 1990s. Reforms in India played a turning point role in changing the face of the great financial system of India. Banks have always played the most significant role in the economy. Being part of financial system, banks bring about equilibrium in the economy. It’s a fact that banking in India is somewhat moderately consolidated, with almost the top ten banking players accounting for approximately 60 per cent of the total industry which is a good proportion. The Indian banking industry is majorly dominated by public sector banks which is an interesting fact. The Indian economy’s liberalization and movement towards globalization in the early 1990s and even today has resulted in the conception and emergence of so many banks belonging to the private sector. This has sparked and marked a boom and cracker in the country’s banking sector in the past three decades. This research work is basically an attempt to study the attitude and
perception of customers and bank employees towards various innovations in Indian Banking sector with special reference to Eastern Uttar Pradesh. With the advent of technology, many new, improved, upgraded and user friendly banking services have come up. After introduction of reforms in Indian economy, special attention was given to improvise banking sector with the help of technology. With this came various services like internet banking, mobile banking, ATMs, Electronic fund transfers, Plastic money, customer care services, hi-tech advertising, coin dispenser machines, green banking, anywhere banking, etc.

1.1.1 Overview of Banking Sector in India

From the old and passed historic times in India, a substrate banking system has prevailed. “The businessmen better known as the ‘shroffs’, ‘seths’, ‘sahukars’, ‘mahajans’, ‘chettis’ etc. had been carrying out the business of banking, lending and investment since long back in ancient time phase. These indigenous and substrate bankers included shroffs with huge businesses, who took up and practiced the large and specialized kind of business even greater than the business of banks. The origin of western type commercial Banking in India can be traced back to the long time back of 18th century. The story of banking begins from Bank of Hindustan which was established in the year 1779 and it was the first bank established in Calcutta under the European management system. In the year 1786, General Bank of India was established. Three Presidency banks were set up under the charters made from the British East India Company; Bank of Calcutta, the Bank of Bombay and the Bank of Madras.” These banks worked as quasi central banks in India for many years. In 1921 these 3 banks merged with each other and Imperial Bank of India got birth. It is now today’s the soul of Indian banking, State Bank of India. The name was changed after India’s Independence in 1955. State bank of India is the oldest Bank of India. In a major process of nationalization, 7 subsidiaries of the State Bank of India were nationalized by the then Prime Minister, Indira Gandhi’s regime with national objectives.” In the year 1969, 14 major private commercial banks were nationalized. This was followed by a second phase of nationalization phenomenon in 1980, when the Government of India acquired the ownership of 6 more banks, which ultimately brought the total number of Nationalized Banks to 20. The private banks at that time were allowed to function side by side with nationalized banks and the foreign banks were made and allowed to work under strict rules and regulation. After the two important phases of nationalization in India, the 80% of the banking sector came under the public sector / government ownership. Nationalization of 7 more banks with deposits over Rs.
200 Crores was done in 1980. The public deposits in these banks increased by almost 800%, because the government ownership gave the public faith and trust which were two important elements. The third phase of development in banking in India started in the early 1990s when India commenced its economic liberalization.”

The structure of banking industry in India can be traced through the functions and activities performed by banks interrelated with the economy. The prominent and absolute role of the Reserve Bank of India as the central bank governs other banking structures in the economy. Reserve Bank of India monitors and controls the entire banking system of the Indian economic activity. These activities of the Reserve Bank of India do not deal with the government or public mechanisms. This helps the Reserve Bank of India to retain its independent status of functions. The Reserve Bank of India acts as a banker to the Government and maintains the deposit and other business activities of other banks that have been allowed to operate in the economy. It is responsible for formation, implementation and regulation of monetary and credit policies. Public sector banks still dominate commercial banking structure in India. State Bank of India and its group and nationalized banks account for largest number of branches across the regional area of the country and also in terms of deposits mobilized and loans sanctioned. Besides, they also perform a lead role in the implementation and execution of developmental programs of the government in rural areas, for small borrowers and weaker sections of the society.

“In recent times private sector banks have also registered some significant improvement in their banking activities providing the much needed competition in the banking sector. Foreign banks focus their activities mainly in urban areas. Banking institutions being financial intermediaries provide money in the economy through credit creation and facilitating liquidity. Through performance of various financial activities, banks are able to generate credit many times more than the initial deposits they receive from the public, but subject to regulations relating to cash reserves to be maintained and customers’ cash requirements. The resources of banks are generated and procured primarily through a variety of deposits, both short time and long term from the public. The ability of the bank to generate more deposits depends on the interest rate offered and the marketing skills of the bank. Shorter duration and higher interest on deposits will add to the operational risk of the banks. The Indian banking system has the RBI at the apex as the main ruling body. It is the central bank of the country under which there are the
commercial banks including public sector banks, private sector banks, foreign banks and local area banks.” It also includes regional rural banks as well as cooperative banks. Basically, two broad categories of scheduled commercial banks are there under RBI which is into retail banking:

1) **Public Sector Banks:** – Public sector banks are those banks in which majority of stake are held by the government. Example: State Bank Of India, Punjab National Bank, Syndicate Bank, Union Bank of India etc.

2) **Private Sector Banks:** – These are those banks in which majority of stake are held by private individuals. Example: ICICI Bank, IDBI Bank, HDFC Bank, AXIS Bank etc.

### Two Main Retail Banking Sectors under RBI

![Diagram](https://via.placeholder.com/150)

**Figure 1.1**

1.1.2 **Trends in Banking**

“Computerization and developments in information technology brought in new trends in banking business. One of the offshoots of this development is internet banking. This facility enables customers to access their accounts and perform a variety of bank transactions from anywhere. This saves time, cost and paper work for the banks as well as the clients. However internet banking has inherent risks such as security risk, technology risk and financial frauds. Banks also face legal risk since the jurisdiction in which the bank is operating could be different
from its registered place of operation. Another development in the banking sector is the introduction of virtual banks that do not have any physical presence and all banking operations are in electronic mode. The bank exists on a virtual ground with the internet address as the only link with its customers. New products have been introduced by the banks to cope with increasing competition and customer needs. They can be categorized into investment based products and innovative services offered by the banks. Investment products include offer of gold and silver coins, marketing of insurance products and floating of mutual funds, and issue of different types of credit and debit cards. Innovative services include establishing ATM facilities and providing ASBA (Applications Supported by Blocked Accounts) facility to investors applying for initial public offerings of the corporate sector. Technological developments enable banks to offer electronic fund transfer facility to meet their customer requirements.” The initiatives taken in right earnest and the direction traversed determine the market leaders and followers. In a scenario dictated by changing environment, banks need to clearly define their core competencies and accordingly invest in IT that will distinguish them from other master players to obtain competitive advantage. The onus is therefore on faster and timely implementation of customer friendly IT based products and delivery channels. In the present set up, competition and profitability have become key words for banks in India. Though these are mutually contradictory, banks have to balance the severity of the competition and continue to be in the reckoning by improving their profits. Technology has become a very important toll for banks to carve a niche for themselves and have an edge over competition. Technology has a significant influence on the banking sector. In fact, it started a new era in the banking operations. The application of various technological interventions in banks has reduced the scope of conventional banking with manual operations.

1.1.3 Various Innovative Services offered by Banking sector in India

a. Internet Banking

“There are not many creations that have altered the business and ways of banking as quickly and speedily as the internet banking revolution has done this. Internet banking is now taken as the term for new age banking system. Internet banking is defined as the use of the Internet to deliver banking activities such as funds transfer system, payment of bills, viewing of current and savings account balances, paying the mortgages and purchasing financial instruments and also certificates of deposits.” Singhal and Padhmanbhan (2008) have mentioned this meaning of
internet banking. “Internet banking system is a method in which a personal computer is linked by a network service provider directly to a computer system of a bank that acts as a host such that customer service requests can be processed and worked out automatically without the need for interference by customer service representatives. The system is capable and sufficient of distinguishing between those customer service requests that are capable of automated fulfillment and those requests which require managing by a customer service representative. The system is integrated with the host computer system of the bank so that the remote banking customer can access the other automated services of the bank. The method of the invention consists of the steps of feeding a customer banking request from a menu of banking requests at a remote personnel computer; transmitting the banking requests to a host computer over a network; receiving the request at the host computer; identifying the type of customer banking request received; automatic logging of the service request, comparing the received request to a stored table of request types, each of the request types having an attribute to indicate whether the request type is capable of being fulfilled by a customer service representative or by an automated system; and, depending upon the attribute, directing the request either to a queue for handling by a customer service representative or to a queue for processing by an automated system. (Jayshree Chavan, 2013)”

“Banking over the Internet has attracted attention from bankers and other financial services industry participants, the business press, regulators, and law makers in India and other countries. Among the reasons for Internet banking’s audience are the notion that electronic banking and payments will grow rapidly, more or less in tandem with proliferating electronic commerce; industry projections that Internet banking will cut banks’ costs, increase banks’ revenue growth, and make banking more convenient for customers; and some vexing public policy issues.”

**Internet banking portal of ICICI Bank**
This is the single most important benefit that outweighs any shortcoming of internet banking. Doing monetary transactions and payments right from the home or office at the click of a button.
without even having to step out is a facility none would like to forego. “Keeping a track of accounts through the internet is much faster and convenient as compared to going to the bank for the same. Even non transactional facilities like ordering check books online, updating accounts, enquiring about interest rates of various financial products etc. become much simpler on the internet.”

“Technology has made it extremely convenient for the bank as well as the customer to access to a host of wonderful services by simply logging in. These services include financial planning capabilities, functional budgeting and forecasting tools, loan calculators, investment analysis tools and equity trading platforms which are available as simple applications on the bank's website. Additionally most banks also provide the facility of online tax forms and tax preparation. Another important benefit of the concept of internet banking is that it is good for the environment as it cuts down the usage of paper, reduces pollution as people do not have to travel physically and also does not add emissions.”

“However the current trend of exclusively using the online mode to make all kinds of transactions has a few pitfalls which may prove costly in the long run unless guarded against from the beginning. Online transactions take a toll on the relationship with the banker which the traditional visit to the branch office used to foster. Personal relationship with the staff at the banks comes handy when requesting for faster loan approval or a special service which may not be available to the public. The manager has many discretionary powers such as waiving of penal interest or service charges or fee that were often taken advantage of by better acquaintance with the staff. Additionally personal contact also meant that the banker would provide essential financial advice and insights which are beneficial to the customer. There are many cut throat and complex transactions which are not easy to be sorted out unless there is a face to face discussion with the manager that is impossible with the assistance of internet banking. Solving the specific issues and complaints requires physical visit to the bank and cannot be accomplished through the internet. Further online communication is neither clear nor pinpointed to help resolve many complex service matters and issues. Some services like notarization and bank signature guarantee cannot be accomplished online. (BankBazaar.com, 2012)”
b. Mobile Banking

“Mobile Banking today can be considered as the most feasible, convenient and easy way to stay connected to your bank. “Mobile banking is a term used to relate to systems that permit customers of a financial institution to conduct a number of financial transactions with the help of a mobile device such as a mobile phone or may be a tablet. Mobile Banking refers to provision of banking and financial services with the help of mobile telecommunication devices. The scope of offered services may include facilities to carry on bank transactions, to administer accounts and to access customized information.” After the launch of mobile banking service in India, mobile banking transactions have seen some positive growth.” Still mobile banking has a long and patient way to go as majority of customers prefer and trust banking in traditional ways.

“The banking industry has enjoyed tremendous success in the application of high-end information systems and technologies. Technological advances have reshaped the size and nature of the financial industry, allowing it to extend beyond the traditional, brick-and-mortar concept of borrowing and saving. Internet banking, digital wireless banking and mobile banking are an extension of the technological progression that is now characteristic of the banking sector. Mobile banking involves the access to, and provision of, banking and finance services through mobile devices.”

“SMS banking is the future of banking technology and SMS banking would play an important role in the creation of a cashless economy, what is left is for us to recognize this fact and utilize it. (Rotimi, Awodele, Bamidele, 2007) A sharp increase in use of smartphones has led to a sudden surge in mobile banking transactions — almost four times in a year in value terms. Leading the pack is ICICI Bank, the country’s largest private-sector lender, which has reported a three-fold rise to clock more than Rs 1,000 crore worth of transactions in a month, the first time by a bank in India ICICI Bank’s share in the country’s mobile banking payments is the largest. Abonty Banerjee, general manager and head of digital channels, ICICI Bank, says financial transactions on mobile devices are rising steadily. “In the first quarter of this financial year, we have already logged Rs 2,635.37 crore worth of mobile banking transactions, close to half the Rs 5,741 crore seen in full 2013-14. Also, compared with the June quarter of last year, we have almost tripled our value of mobile transactions — from Rs 941 crore to Rs 2,635.37
croe. Similarly, the value for June alone was Rs 1,000 crore, compared with Rs 333.23 crore in the month last year.” Even other banks have seen significant jump in transactions on the mobile platform. HDFC Bank, India’s second-largest private lender, has also seen its transactions growing about three times — to Rs 795.6 crore in June this year from Rs 266.3 crore in the month last year. Axis Bank witnessed a five-fold increase during the same period — from Rs 115.8 in June 2013 to Rs 586.1 crore. In the month, the total value of mobile transactions across banks grew to Rs 3,985 crore from Rs 1,147 crore a year ago. While private-sector banks have led the charge in tapping the digital opportunity with better technology, State Bank of India (SBI) is one of the few state-run lenders that have seen meaningful traction. (Anand, 2014)”

Mobile banking is a service which provides the banking facilities with help of mobile phone. It helps us to know about our account information with the help of SMS. Mobile banking not only give the account information but it provide transaction and payment facilities also such as bill payment and shopping payment and other bank services also can be provide with the help of mobile banking so mobile banking is very useful for us and provide all facilities from anywhere and anytime time with the help of mobile baking. “According to the mobile banking services it can be divide on two types first one is SMS banking, SMS banking refers to provide the account information through the SMS whenever you use transaction from your account it alert you about your transaction whenever you transact from your account with your ATM or at the transaction at the shopping time it will alert you via SMS this facilities help us with any unauthorized transaction and alert about transact amount, time and place of transaction which helps to detect the unauthorized transaction. Second one is Application based banking this is refers to provide the banking facility via mobile with the help of mobile application this facilities are available in smart mobile phone by downloading application of banking services we can use it. It provides to access and manage our account with the help of mobile banking.” So according to above classification we can say that mobile banking provide banking services in two way first one is SMS facility and application services. “A cornerstone of Mobile Commerce is built by Mobile Banking, the ailment of bank-related financial services via mobile devices. It comprises of services in the field of accounting, brokerage and financial information. Mobile Banking is increasingly being employed by many banks around the world to generate additional revenues, reduce costs or to increase customer satisfaction, often with very promising results.”
“Mobile banking provides banking services to inaccessible (mountainous and remote) areas. It provides financial services to clients, allowing them the flexibility of accessing their account details from anywhere in the world.” Mobile banking has some limitations when compared to other types of banking systems, such as Internet banking. “Mobile devices are limited in processing speeds, screen sizes and battery life. Mobile banking, like other types of traditional and online banking systems, is susceptible to security breaches. Some banks limit mobile banking services to balance inquiries, transaction alerts and service requests to limit and reduce security vulnerabilities and protect sensitive financial data from falling into the wrong hands.”

c. ATM Services

“ATMs are electronic machines, which are operated by a customer himself to deposit or to withdraw cash from bank. For using an ATM, a customer has to obtain an ATM card from his bank. The ATM card is a plastic card, which is magnetically coded. It can be easily read by the machine. Automated Teller Machine is a computerized telecommunications device that provides the customers of a financial institution with access to financial transactions in a public space without the need for a human clerk or bank teller.”

“On most modern ATMs, the customer is identified by inserting a plastic ATM card with a magnetic stripe or a plastic smartcard with a chip that contains a unique card number and some security information, such as an expiration date. Security is provided by the customer entering personal identification number (PIN). (Adepoju and Alhassan, 2010)”

Automated Teller Machine in operation
Automated teller machines (ATMs) were the first well-known machines to provide electronic access to customers. With the advent of Automatic Teller Machines (ATM), banks are able to serve customers outside the banking hall. ATM is designed to perform the most important function of a bank. It is operated by a plastic card with its special features. The plastic card is replacing cheques, personal attendance of the customer, banking hour’s restrictions and paper-based verification. ATMs have made hard cash just seconds away all throughout the day at every corner of the globe. ATMs allow you to do a number of banking functions – such as withdrawing cash from one’s account, making balance inquiries and transferring money from one account to another – using a plastic, magnetic-strip card and personal identification number issued by the financial institution. The Indian ATM industry has seen explosive growth in recent times. ATMs represent the single largest investment in the electronic channel services for the Banks. In India, HSBC set the trend and set up the first ATM machine here in 1987. Since then, they have become a common sight in many of our metros. Automated Teller Machines (ATMs) have gained prominence as a delivery channel for banking transactions in India. Banks have been deploying ATMs to increase their reach. While ATMs facilitate a variety of banking transactions for customers, their main utility
has been for cash withdrawal and balance enquiry.” Clearly, industry watchers forecast a bright future for ATMs in India. “While the ATM is a great service for customers, for the banks it means immense savings on the cost of operations. (Singh & Komal, 2009)”

![Parts of ATM](http://money.howstuffworks.com/personal-finance/banking/atm3.htm)

**Figure 1.5**

(Source: http://money.howstuffworks.com/personal-finance/banking/atm3.htm)

d. RTGS & NEFT

Payment and settlement system plays an important role for any country as it helps to improve the country’s GDP. “Thus Reserve Bank of India (RBI) has taken several initiatives for developing a safe, secure, efficient and convenient system in the country.” With advancement in the technology, one of such initiative taken is the facility for inter-bank funds transfer. It is a service that allows you to easily transfer funds electronically to other banks in India.

**Payment Systems Functioning In India**
The methods through which funds can be transferred are NEFT and RTGS. NEFT (National Electronic Funds Transfer) and RTGS (Real Time Gross Settlement) are the two main fund settlement mechanisms used by banks in India to conduct one to one transactions. These transfer protocols are maintained by the Reserve Bank of India. “RTGS stands for real time gross settlement, which means that it enables money to move from one bank to another on a real time and gross basis. Simply put, real time means the beneficiary bank receives the instructions for fund transfer immediately and gross means that it is not bunched with any other transaction and settlements of funds transfer instructions happen individually. Since the funds settlement takes place in the books of the Reserve Bank of India (RBI), keep in mind that the payments are final and irrevocable. NEFT stands for National Electronic Funds Transfer and is a payment system which facilitates one-to-one funds transfer. Like RTGS, NEFT also transfers funds from one bank, but unlike RTGS the settlement takes place in batches (that may include transfers from various individuals) rather than individually. The batches are settled in hourly time slots.”

Both RTGS and NEFT are schemes started by RBI for the benefit of the customers which allow accounts holders in the banks to electronically transfer the funds intra-bank. In the case of RTGS, settlement in on 'Real Time' basis whereas in case of NEFT the settlement in on batch basis and net basis. “The remitting customer has to furnish the following information to a bank for initiating a RTGS or NEFT remittance:

- Amount to be remitted
- Customer’s account number which is to be debited
- Name of the beneficiary bank and branch
The amount will be credited to the account number provided. Thus it is important to provide the beneficiaries account number carefully. Once the funds are credited, the confirmation message is sent by the bank either by email or through SMS.

“Generally NEFT and RTGS transaction charges vary from bank to bank. However RBI has set the limit for maximum fees which can be charged by the banks. Thus banks have their own charge list, falling within RBI limit. RTGS charges depend both on the amount and the time of transfer unlike NEFT whose charges purely depend on the amount transferred. Currently NEFT operates in hourly batches and it has 11 settlements from 9am to 7pm on weekdays and 5 settlements from 9am to 1pm on Saturdays. However RTGS transactions are processed continuously throughout the business hours of 9am to 4:30pm on weekdays and 9am to 1:30pm on Saturdays. For any reason if the transaction fails, the beneficiary bank returns the amount within 2 hours and the transaction is reversed. The same amount needs to be transferred to the customer within 30 minutes of receiving the funds. This process works quickly for RTGS transactions compared to NEFT.” (Ronak Shah, 2015). As far as NEFT is concerned there is no minimum and maximum limit for the amount that can be transferred. However for RTGS transaction, the minimum amount that can be transferred is Rs. 2 lacs and there is no cap on the maximum amount. It is generally meant for large transactions. Thus if you want to transfer large sums of money real time RTGS is better but for small amounts where there is not much urgency NEFT is a Better Option. Both these systems do not have any geographical restrictions. The bank branches can be located anywhere in the country to enable the transaction. However not all banks provide the RTGS and NEFT facility.

“RTGS will reduce the systemic risk that exists in the present settlement systems like cascading effect on banks due to failure of one bank to meet its settlement commitments. It improves confidence of outside agencies like World Bank in Indian Economy. It offers immediate and irrevocable settlement and provides for high value interbank funds transfer. It has the potential
to formulate new products by individual banks based on RTGS. The beneficiary branches are expected to receive the funds in real time, soon after the funds are transferred by the remitting bank. Thus it is highly beneficial to the banks. Further, customers can get new banking services based on reliable high value funds transfer system. RTGS is supposed to be the faster one as it is done in real time. “This is the fastest possible money transfer system through the banking channel. Once the funds are credited to the account of the beneficiary bank, the remitting customer gets a confirmation from his bank either by an e-mail or by a short message on the mobile. Thus, it is highly beneficial for the customers as well. (Rajababu, 2010)”

e. Plastic Money Services

Anthony Sampson said in his book, The Money Lenders, “it had begun modestly in February 1950, when the manager of a small loan company, Frank McNamara, established the Diners Club, which provided select members with credit at twenty-two restaurants in New York.” (p. 244)

During the same time period as the advent of high technology electronics, another major change has taken place in the world of economics that will also help to usher in a cashless society and the Mark of the Beast. This rather quiet change has involved the creation of a new form of currency—cards or plastic money—as a substitute for traditional paper money and coins, and it has already totally altered the way the world does business. In recent years the use of “Plastic Money” has gained a lot of popularity. Yes, it is Plastic Money in the form of debit or credit card that you carry in your wallet which gives you an easy access to your money.

Recent evolutions of the technology for financial transactions pose interesting questions for policy makers and financial institutions regarding the suitability of the current institutional arrangements and the availability of instruments to guarantee financial stability, efficiency and effectiveness of monetary policy (Arnone and Bandiela, 2004). Money is the most important and useful inventions made by man. “The word ‘Money’ has been derived from the Latin word “Moneta” which denotes the Roman goddess Juno in whose temple money used to be minted (Crowther, 1972).” “Plastic money is a term that is used predominantly in reference to the hard plastic cards we use every day in place of actual bank notes. They can come in many different forms such as cash cards, credit cards, debit cards, pre-paid cash cards and store cards.
Money is always regarded as an important medium of exchange and payment tool. Initially barter system was used as the significant mode of payment. Over the years, money has changed its form from coins to paper cash and today it is available in formless form as electronic money or plastic card (Ramasamy, Guru, Nair and Vaithilingam, 2006).

The use of plastic cards in India has no doubt in rise from last few years but there is still a great potential left for the bankers to introduce more attractive services in order to lure the customers on one side and increase their profits on the other.

Multiple Plastic Money Cards in Economy

Figure 1.7
There are different types of plastic money available in the market today. Such as Credit cards, Debit cards, add-on cards, charge cards, co-branded cards, affinity cards or Diners Club cards. More and more Indians are using them as a convenient mode of payment.

Debit Card- Debit card is linked to the account of the card holder i.e one who owns the cards. They are usually issued by Banks and financial association. When ones use a debit card the money is immediately deducted directly from one’s account associated with card. One can buy things as long as there is money in account. A debit card is a way to “pay now”. The amount you can spend, or withdraw, through your card cannot exceed this limit.

Credit Card- Credit Card is a small plastic card that is issued by financial institutions such as banks. As the name Credit when one buys using credit card, one is buying by taking loan. One needs to pay back later. There is a limit to which one can buy on credit card. You need to repay the amount bought on credit by a due date.

Smart Cards- “Smart Cards or Stored Value Cards is relatively new payments technology. It is a plastic card, with or without magnetic stripe, capable of storing, retrieving and manipulating data and used in variety of applications. A customer needs not to have currency in his pocket as value or amount is stored in the card itself by transferring it from his account, due to this feature it is regarded as electronic purse. The emergence of Smart Card arises in order to issue multipurpose cards which function as credit cards, debit cards and ATM cards so that it suits all types of customer base and their choice. These are generally the reloadable cards in which money is loaded into it by transferring the required amount from customers account via ATMs, telephone or internet.”

Charge Cards- Charge cards work a lot like credit cards – you buy now and pay the money back on your monthly repayment date – but with a charge card you absolutely have to pay off the balance every month. You can’t run up a bill and pay it back later. Generally these are only for people on high incomes or for business use. There are also a few basic charge cards, but they don’t have much advantage over credit cards. They often come with extra perks such as cash back, air miles or rewards. If you don’t pay your bill the fees can be much higher than credit card interest – and your card may be cancelled.

f. Green Banking
“Enterprises are now increasingly interested in establishing and implementing strategies that will help them to address environmental issues and also pursue new opportunities. The reasons for going green are manifold, and the key among them are: increasing energy consumption and energy prices, growing consumer interest in environmentally-friendly goods and services, higher expectations by the public on enterprises' environmental responsibilities and emerging stricter regulatory and compliance requirements. Further, enterprise will increasingly feel the effects of environmental issues that impact their competitive landscape in ways not envisaged earlier. Currently, in India, the concept of green banking is catching up and banks are actively looking for ways to portray themselves as a Green Bank.”

“Green Banking is an umbrella term referring to practices and guidelines that make banks sustainable in economic, environment, and social dimensions.” It aims to make banking processes and the use of IT and physical infrastructure as efficient and effective as possible, with zero or minimal impact on the environment.

There are various activities which banks can take up as a part of green banking. Banks may formulate innovative financial solutions and redesign the existing ones so as to incorporate environmental perspectives. Banks may provide loans with concessions to corporates or individuals who undertake environment-friendly projects such as projects employing sun, wind equipment, manufacturers of fuel-efficient automobiles Banks can introduce green funds for customers who would like to invest in environment-friendly projects Banks can involve themselves in carbon credit business, wherein they can provide all the services in the area of clean development mechanisms and carbon credit business Banks can support projects ranging from community cleanups to national initiatives on climate change, water, air, biodiversity and more. Green banking can be an avenue to reduce pollution and save the environment aiding sustainable economic growth. Green Banking is a multi-stakeholders’ endeavor where banks have to work closely with government, NGOs, regulator, consumers, and business communities to reach the goal. The market for green banking has strong growth potential, especially in India. At present, many bank customers are taking advantage of green or social banking products. “To be credible, banks must first demonstrate expertise in the area of sustainability. For this reason, partnerships with specialized
rating agencies or non-governmental organizations (NGOs) can be useful. Such partnerships build credibility and make it easier to access new investment projects. In addition, banks must observe sustainability guidelines in their lending and investment practices. To make a sustainable product attractive, banks must manage their customers' savings in a sustainable and transparent manner. This means that banks must come up with organizational structures and processes that keep traditional and sustainable business separate. However, the topics of green and social banking should not be considered purely as marketing tools. If they are, banks will quickly lose the trust of their customers.”

1.1.4 Recent Changes in the Banking Sector in India

Payment Banks:
The purpose of establishing the payments banks is mainly further financial inclusion by providing small savings accounts and payments/remittance services to migrant labor workforce, low income households, small businesses, other unorganized sector entities and other users. “The guidelines for licensing of payment banks were announced in November 2014 and the Reserve Bank of India gave an in-principle approval to 11 of the 41 applicants. The various participants are Reliance Industries, Aditya Birla Nuvo, Vodafone, and Airtel. The RBI will move to give such licenses more regularly in the future. "The 'in-principle' approval granted will be valid for a period of 18 months, during which time the applicants have to comply with the requirements under the guidelines and fulfill the other conditions as may be stipulated by the Reserve Bank," the RBI stated. The goal behind creating these payment banks is to bring about financial inclusion, by making it easier for anyone to get a bank account. That's also why the cash limit in the accounts is set to just Rs. 1 lakh - it might seem like a very low limit to most people reading this, but if you're typically outside the banking system, then it is a fairly comfortable amount. The real effect will come to remittances within the country, as it will become easier for people to send money home to smaller towns and villages while working in the city. “A payment bank is a differentiated bank that will undertake only certain restricted banking functions that the Banking Regulation Act of 1949 allows. These activities include acceptance of deposits, payments and remittance services, internet banking and function as business correspondent of other banks. Initially, they are allowed to collect deposits up to Rs 1 lakh per individual. They can facilitate money transfers and sell insurance and mutual funds. Besides, they can issue ATM/debit cards, but not credit cards. They cannot set up subsidiaries to
undertake non-banking financial services activities. More importantly, they are not allowed to undertake lending activities at all. Because it will bring unbanked masses under the ambit of formal banking and also expedite financial inclusion. The spread of banking will also make the poor financially literate and help fight poverty. Finance minister Arun Jaitley termed it a significant and important step from the RBI. We also feel that the payment banks will have to make significant investments in developing and maintaining an agent network. Vodafone already has over 90,000 m-pesa agents for the same. Another barrier that these payment banks will have to cross is that of trust. Even with the telecom companies such as Airtel and Vodafone, consumers are likely to have trust issues. Most people in India use a pre-paid connection and it is not uncommon to hear from them that the operator deducted a balance for a wrongful reason."

Though these cases are on the downward, but it should be noted that most telecos still don't enjoy unflinchingly trust of their customers. Overall, we would like to conclude by saying that dishing out licenses to payment banks is a big step forward. It will be important for the government to come with a regulatory framework that supports them and also helps in infusing consumers' trust in the same. So far, payment banks will not really be welcomed with open arms but let's hope that the companies involved will make the most of the opportunity available and think of innovative ways in which technology can be used, to take this initiative in the right direction. In-principle approval will be valid for 18 months, after which the entities will be given formal licences, provided they fulfil conditions stipulated by RBI, which said the 11 were chosen from among 41 entities that applied for these licences. This includes telecom companies Vodafone and Airtel; non-banking financial company Cholamandalam Distribution Services Ltd; large conglomerates Reliance Industries and Aditya Birla Nuvo; and individuals Vijay Shekhar Sharma, founder of Paytm, and Dilip Shanghvi, Managing Director of Sun Pharmaceuticals. The Department of Posts, Fino Paytech, Tech Mahindra and National Securities Depository Ltd also made the cut. Of the 41 entities that applied for a licence, the prominent names that did not make it in this round include Future Group Founder Kishore Biyani, Videocon d2h and MG George Muthoot. Payments banks differ from conventional banks as they are not allowed to lend to customers or issue credit cards. They can, however, accept deposits of up to ₹1 lakh and can offer current and savings account deposits. They can also issue debit cards and offer internet banking.”

Small Banks:
The Reserve Bank of India’s decision to allow 10 players to set up small finance banks out of the 72 applicants may seem conservative. “But by permitting eight microfinance institutions (MFIs) to set up small banks, the RBI has chosen wisely, keeping in mind the goal of financial inclusion and extending finance to small businesses and low-income households, under-served by traditional commercial banks. Having a bank account for the purpose of savings and remittances has always been the central objective behind banking. With more than half the population in India still unable to access such basic services, the need for institutions with greater penetration and wide distribution models has, to some extent, been met with the issue of payments banks licenses.” But opening of accounts alone does not guarantee financial inclusion. “The missing piece is providing credit to poorer sections of society; and this could be well served by MFIs that have been able to reach out to remote hinterlands. Small banks are the last bricks in the wall of financial inclusion that has been cemented by the Reserve Bank of India (RBI) and comes close on the permission to entities to set up payments banks. Small banks are a concept where the entity is allowed to collect deposits and use the funds for specific purposes with a focus on priority sector lending. Further, assuming that the small bank starts with a capital of Rs 100 crore, the equivalent amount for an existing bank in FY14 would be Karur Vysya Bank, which had a balance sheet size of around Rs 51,000 crore, of which total advances were Rs 34,000 crore. Intuitively, one can visualise the potential scale that can be built on this size of capital over a period of time.” The basic concept involves a certain matrix in terms of lending. In fact, 75% of adjusted bank credit has to be for the priority sector that includes small farmers, micro units, etc. Further, there is a clause which says that 50% of total loans should be going to borrowers where credit is up to Rs 25 lakh. In addition, the prudential norms of CRR and SLR have to be met. Hence, for every Rs 100 of deposits collected, Rs 25.5 would be set aside for pre-emptions. Of the Rs 74.5 left, Rs 56 has to be to the priority sector (assuming adjusted bank credit is the base). Further, Rs 37.25 of total loans has to be less than Rs 25 lakh.” “By definition, small finance banks can undertake almost all operations of a normal commercial bank, albeit on a smaller scale. The RBI clearly restricts these banks to operate in low-income segment, by stipulating that 75 per cent of the total credit extended by these banks should be given to borrowers who qualify to be in the priority sector as defined by the central bank. Thus the new set of banks will be forced to operate among low-income segments and not chase big borrowers. Logically, they have to work out viable models to stay in the competition. This can
give a major boost to financial inclusion and credit-expansion to unbanked areas given that in
this case financial inclusion wouldn’t be a charity forced by regulation like the existing
commercial banks. In this case it would be the mainstay of the business. That’s good news for
the Indian poor. Small finance banks are similar to regular commercial banks except that their
scale of services will be much smaller. These new type of banks should generate at least 75% of
their business from the priority sector (largely agriculture) and mainly from areas where large
banks are not present. Besides, 50% of their loans should be of ticket sizes under Rs 25 lakh.
Licences for payments banks, which were issued recently on the other hand, are those
specialized small banks which can only receive deposits and offer remittance services, but
cannot give loans. The payments banks are also not allowed to hold a balance of more than Rs 1
lakh per customer in their bank accounts.”

**Bandhan Bank:**

Bandhan came into being on 23 August 2015 and is headquartered in Kolkata. Finance Minister
Arun Jaitley inaugurated the bank in at the Science City Auditorium in Kolkata. “The
inauguration ceremony was attended by policy makers, regulators and luminaries from financial
sector. Besides its founder, Chandra Shekhar Ghosh, Singapore Sovereign Wealth Fund GIC,
World Bank’s International Finance Corporation (IFC), North Eastern Financial Inclusion Trust,
Financial Inclusion Trust, Bandhan Employees Welfare Trust and Small Industries
Development Bank of India (SIDBI) are the main investors of the bank. It is an Indian banking
and financial services company headquartered in Kolkata, West Bengal. Bandhan, which started
as a micro-finance company in 2001, received banking licence by Reserve Bank of India in
2014. As Bandhan became the first microfinance company to transform into a bank, India got
its first private bank in 11 years. Before this, Kotak Mahindra Bank and YES Bank were the last
to grab private bank licenses in February 2003. Kotak was first to get off the block in 2004,
followed by YES Bank in the same year. Bandhan has 67 lakh microfinance borrowers and their
accounts have been formally transferred to the new entity, creating around Rs 10,000-crore
strong loan portfolio to start with. Bandhan is likely to face a challenge to establish itself in the
banking industry. Along with the competition that it has to face from the existing commercial
banks, it will also have to compete with the 11 payment banks that have recently got licence
from the RBI. Also, RBI is likely to grant licence to another set of new banks by the next month
to establish small finance banks. Moreover, Bandhan Bank will have to look after the investors’ interests for profit as well rather than just focusing on small investors. Now only time will tell whether Bandhan will be able to successfully transform itself in to a full-fledged commercial bank.”

MUDRA Bank:
Mudra Bank stands for Micro Units Development Refinance Agency (MUDRA). The main objectives of Mudra Bank are, to encourage entrepreneurs and small business units to expand their capabilities and operations, to reduce over indebtedness and to provide formal system of credit (finance). Agriculture & Self-employment will be the focus areas of Mudra Bank. “Mudra bank was formed with a mandate to refinance and regulate micro finance institutions and give financial assistance to small units that are typically excluded from the mainstream banking system. Loans from Mudra Bank will help to bridge the shortfall in loans for small businesses, who are unable to get institutional credit. It also provides credit of up to Rs 10 lakh to small entrepreneurs, benefitting small manufacturing units, small shopkeepers, fruits and vegetable vendors, truck operators, hawkers, artisans in rural and urban areas. It will also act as a partner with State and regional-level coordinators to grant financial assistance to last-mile financiers of small and micro business enterprises. It Offers a Credit Guarantee scheme for providing guarantees to loans being offered to micro businesses.”

1.2 OBJECTIVES OF THE STUDY
The study is based on the following objectives:

i. To study customers’ and bank employees’ attitude and perception towards mobile banking services offered by Private and Public Sector banks in Eastern U.P.

ii. To study customers’ and bank employees’ attitude and perception towards internet banking services offered by Private and Public Sector banks in Eastern U.P.

iii. To study customers’ and bank employees’ attitude and perception towards NEFT and RTGS services offered by Private and Public Sector banks in Eastern U.P.

iv. To study customers’ and bank employees’ attitude and perception towards ATM banking services offered by Private and Public Sector banks in Eastern U.P.
v. To study customers’ and bank employees’ attitude Plastic Money services offered by Private and Public Sector banks in Eastern U.P.

vi. To study customers’ and bank employees’ attitude towards other innovative banking services offered by Private and Public Sector banks in Eastern U.P.

vii. To compare innovations undertaken by Private and Public Sector banks for benefit of retail banking customers of Eastern U.P.

1.3 HYPOTHESES

Following hypotheses have been framed in this study:

1. Ho1: Customers are not satisfied with mobile banking services offered by Public and Private Sector banks in Eastern U.P.

2. Ho2: Customers are not satisfied with internet banking services offered by Public and Private Sector banks in Eastern U.P.

3. Ho3: Customers are not satisfied with ATM banking services offered by Public and Private Sector banks in Eastern U.P.

4. Ho4: Customers are not satisfied with RTGS and NEFT banking services offered by Public and Private Sector banks in Eastern U.P.

5. Ho5: Customers are not satisfied with Plastic Money services offered by Public and Private Sector banks in Eastern U.P.

6. Ho6: Customers are not satisfied with other innovative approaches adopted by Public and Private Sector banks in Eastern U.P.

7. Ho7: Employees are not satisfied with mobile banking services offered by Public and Private Sector banks in Eastern U.P.

8. Ho8: Employees are not satisfied with internet banking services offered by Public and Private Sector banks in Eastern U.P.

9. Ho9: Employees are not satisfied with ATM banking services offered by Public and Private Sector banks in Eastern U.P.

10. Ho10: Employees are not satisfied with RTGS and NEFT banking services offered by Public and Private Sector banks in Eastern U.P.

11. Ho11: Employees are not satisfied with Plastic Money services offered by Public and Private Sector banks in Eastern U.P.
12. Ho12: Employees are not satisfied with other innovative approaches adopted by Public and Private Sector banks in Eastern U.P.

1.4 METHODOLOGY OF THE STUDY

The study revolves around the core idea of understanding the attitude and perception of bank customers and bank employees towards various innovative products and services adopted by public and private sector banks. The primary objective of this research is to study the attitude of customers and bank employees towards innovations in retail banking with special reference to selected banks in urban areas of Eastern Uttar Pradesh during reform period. As the study being undertaken was for academic purposes and considering the time factor, deductive methodology was considered a feasible choice. “Inductive research involves the search for pattern from observation and the development of explanations – theories – for those patterns through series of hypotheses (Bernard, 2011).” In this research study, “exploratory research was carried out in the initial stages to obtain adequate information. An important factor that aided in the collection of the data is the fact that the Retail Banking industry is a very organized sector with detailed information available through company literature, annual accounts and reports, and online resources.” Descriptive analysis for this study was also carried out. First a literature review was undertaken to identify variable influencing customer and employees’ attitude and satisfaction with regard to innovative banking products and services. Secondly, focus group discussions were held with customers and some bank employees and variables were identified which affect customer and bank employee attitude with respect to mobile banking, internet banking, ATM banking, Plastic money services, RTGS and NEFT, innovative advertising and other services and products. Thirdly, a questionnaire was constructed and piloted. Lastly, a population and sampling procedure was established and methods of data collection and analysis determined. Data analysis and interpretation is the most crucial part in research study. It is very important to study each and every aspect of research in depth. In this study, various tables, charts, figures, graphs and other statistical tools were used to systematically analyze and interpret the information gathered. An advanced statistical software package (SPSS version 16.0) has been chosen for analysis. Factor analysis was used to find out important correlated few variables with respect to bank customers and bank employees towards. Results of the factor analysis were put through the Cronbach’s Alpha reliability test. Apart from this Cross Tabs, mean, frequency, and
percentage for demographic and other characteristics were used. The research findings will be tabulated and illustrated with the help of bar diagrams, pie charts and other graphical representation tools. The hypotheses were tested using ANOVA. For a smooth and accurate analysis of the data, advanced statistical analysis software SPSS, version 16 is used.

1.5 COLLECTION OF DATA USED IN THE STUDY

Data Collection is an important aspect of any type of research study. Inaccurate data collection can impact the results of a study and ultimately lead to invalid results. The study required various research instruments at different stages of research. Data can be collected through secondary research or primary research, or through a combination of both. In this research study, information was collected from both primary and secondary sources. Survey method was used to collect information from bank customers and employees. For this research self-developed structured questionnaires were floated to the chosen sample. Two questionnaires were designed to meet the objectives of the study. One questionnaire was for bank employees and other questionnaire was for customers. The first questionnaire designed for bank customers consisted of two parts. Part A consists of questions to collect demographic data of the respondents. The demographic data in this part is gathered through questions on Age, Gender, Yearly Income, Occupation, Highest Qualification and Type of bank with which the customer is associated. The second part is Part B which has been designed to explore the bank customers’ attitude and perception towards innovative banking products and services. The second questionnaire was designed for bank employees. This was divided into two parts; Part A to get employees’ demographic data and Part B to get view and their perception on various innovative services and products provided by their banks to the customers. Questions on Age, Gender, Yearly Income, Highest Qualification, Type of bank of which the respondent is employee and Work experience are framed to gather data about personal profile of the respondent. Part B consists of questions on variables; Mobile banking, Internet banking, ATM banking, RTGS and NEFT services, Plastic Money services and other innovative products. Bank employees have their own perception and attitude towards services provided by banks. In all 35 items have been framed which cover various innovative services and products provided by their banks. The responses again are measured on a five-point Likert Scale. The statements response continuum ranged from 1 to 5, where; 1 is for Strongly Disagree, 2 is for Disagree, 3 is
for Neutral, 4 is for Agree and 5 is for Strongly Agree. Questionnaires were administered manually at various branches at Lucknow, Gonda, Basti, Bahraich, etc. with the permission of bank staff for employees’ data. Similarly, questionnaires were circulated among various age group bank customers through e-mails, manually, etc. Overall, 700 questionnaires were distributed among customers, out of which only 510 could be used for analysis. To collect bank employees’ data, 400 questionnaires were distributed, out of which only 306 could be worth used. Branches of banks to get data of bank employees were selected on convenience sampling basis.

1.6 LIST OF CHAPTERS

The thesis has been presented in the format as laid down by the university with separate pages for the following - cover sheet, title, acknowledgements, abstract, contents, list of tables and figures. The thesis has been chaptalized in the following manner:

Chapter-1: Introduction- This chapter is introductory in nature. This chapter introduces the areas under research, the reasons for choosing the particular area of research, objectives of research, methodology of research, data collection, data analysis, limitations, and implications of research in brief. Along with this, the chapter also gives an introduction to various aspects of banking considered relevant for research.

Chapter-2: Overview of Banking in India- The second chapter gives the insight of banking sector in India. It provides a glimpse of history, structure, role, and importance of banking in India. Besides this, a brief aspect of reforms has also been mentioned.

Chapter-3: Review of Literature- This chapter brings about and highlights the work, studies, articles, information relevant to various innovative banking products and services like mobile banking, internet banking, ATM banking, Plastic money services, RTGS and NEFT services, technology in banking, etc.

Chapter-4: Research Methodology- The various methods and approaches used for carrying out the research forms the major part of the fourth chapter titled Research Methodology.

Chapter-5: Data Analysis and Interpretation- The fifth chapter presents the processed data using tables and charts. The hypothesis has been confirmed or rejected in this chapter using statistical methods.
Chapter-6: Conclusion and Recommendations- Findings, conclusions and recommendations form the last chapter of the research. It includes a discussion, about the whole study, the managerial implications, limitations and the future implication of the study.

Apart from the above-mentioned sections, the thesis also includes a reference list at the end of each chapter and a full-fledged bibliography at the end. Sample questionnaires and certain useful appendix have also been included.

1.7 IMPLICATIONS OF THE STUDY
It is proposed that this thesis will be beneficial for banks as well as for the customers. The results and conclusions drawn may be used to ensure more effective strategies in banks. It can be used to ensure better, new and improved banking services to the customers. The findings could also be useful in knowing how the various discussed variables influence the behavior of bank employees and customers and how they can adapt these variables in a positive manner.

The study also reflects the satisfaction, attitude, views and opinions of bank employees and customers towards various innovative practices adopted by retail banks in urban areas of eastern Uttar Pradesh. This helps in understanding how customers and bank employees have adopted various innovative banking products and services and this would help in making effective strategies for future growth. This study will also be of much help to academicians, researchers and policy makers and management in retail banks and in financial institutions. Ultimately, this could lead to benefits for banks, their customers and the Indian economy as a whole.

1.8 LIMITATIONS OF THE STUDY
In any study, certain constraints are faced. In this research study as well, there were many limitations which affected the extent and scope of study. Following are the main limitations related to this research work:
  i. The study undertaken covers only Urban Eastern Uttar Pradesh regions. Presently there are ample numbers of banks operating in the entire state of Uttar Pradesh. But for the purpose of this research, only some cities in Eastern Uttar Pradesh are selected. The research deals with only Public and Private Sector banks operating in Eastern U.P. Although, many foreign banks have also come up and doing well in cities in U.P., but for this study, foreign banks have not been taken for collecting data.
ii. The research takes into consideration banking services like mobile banking, internet banking, plastic money services, NEFT and RTGS, ATM banking and some more services which are taken up by banks to attract and retain more customers.

iii. Time constraint has been a major aspect in the study. Due to time scarcity faced by bank employees, they could not give much time on responding to the questionnaires and giving information about various innovative banking services. In case of customers, fewer problems were faced, but in certain areas, customers were not able to give sufficient time in responding.

iv. As far as the sampling method is concerned, limitations relate to the different types of errors inherent in surveys, such as the non-response error and the inability or unwillingness of respondents to respond. Same was faced during the course of secondary data collection as due to the privacy policy of banks, all desired secondary data could not be generated for the purpose of secondary research analysis therefore alternative sources were explored and used for meeting the research objective. Due to the difficulty to find bank customers, data was generated from 510 customers. Also in case of bank employees, only 306 bank employees could be approached.

v. Another obstacle that was faced in the study was related to lack of education and traditional norms with respect to women. During survey, problems were faced with respect to questionnaires filling by women in areas of Basti, Gonda and little bit of Lucknow. Many women were not ready to even reply and even give consent to look into the matter.
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