CHAPTER 1
RESEARCH DESIGN

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1.1 Introduction

Evolution of Banking:

Banks and the business are age-old phenomenon having their roots in early stages of civilization. Prof. Marshall has referred the activities of many changes in the temples of Olympia and Greece during the period of 2000 B.C. Greek temples played the role of depositories for peoples’ surplus funds were centers for money changing and lending transactions. In Rome, Bankers were called Tabernoe Argentorioe.

Indian history can be long traced back to Indus-valley civilization where trading has been done on barter system. In India, the ancient Hindu Scriptures refer to the money lending activities in the Vedic Period. During the Ramanaya and Mahabharat eras, banking had become full-fledged business activity and during the Manu Smriti period which followed the Vedic period and Epic age, the business of banking was carried on by the members of the Vaish community.

During the Moghal period, metallic money was issued and the indigenous bankers added more line of money changing to their already profitable business. They started exchanging money, circulating in one part of the country with the money current in another part of the country making good margin for them. The indigenous bankers could not however, develop to any considerable extent the system of obtaining deposits from the public, which today is an important function of a banker.

The word “Bank” is derived from the Greek word BANKQUE which means a bench or Italian word BANCO meanings thereby a heap or mound. According to Macleod, the meaning of word “Bank” is heap or mountain and it indicates towards joint fund collected by many
persons. Greek word BANQUE referred to a bench at which, money lenders and money changers used to sit and display their coins.

In Italy, the first bank called the ‘Bank of Venice,’ was founded in 1157 AD to provide financial support to the Government of the State of Venice. In the beginning of the 15th century, the ‘Bank of Barcelona’ had been established in 1401 followed by the ‘Bank of Genoa’ in 1407. As the Center of Commercial activity shifted from Mediterranean to North Western Europe, a public deposit and cleaning bank, the Amsterdam Wissel bank was established. Amsterdam occupied a leading position as financial center during the seventeenth and early eighteenth centuries during which innovative banking techniques were used.

In USA the first bank in the modern sense, The Bank of North America, was established in 1781 at Philadelphia which issued paper money convertible into Gold and Silver. In 1791 The First Bank of United States was established by the chapter of the congress, owned by foreigners. The second Bank of United States was set up in 1816 where in the one-fifth of the stock was held by Federal Government.

In England, the credit for development of banking business goes to the custom of goldsmiths during the period of Queen Elizabeth I. Commercial banking commenced only after 1640, when goldsmiths started receiving deposits from the public for safe custody and issued receipts for the acknowledgement which were being used as bearer demand notes later on. The Bank of London was established in 1694 to lend financial support to the government. It had been later converted into National Central Bank and had been given right to issue bank notes in 1707. During the same period two more banks had been established by the Charter of the King-Bank of

The English traders, who came to India in the 17th century, established some contracts with the indigenous bankers by borrowing funds from them. In 1786, the English Agency houses had established the Bank of Bengal at Calcutta. With the advent of modern banking conducted on western lines, the indigenous bankers lost further importance. The English Agency houses in Calcutta and Bombay were the bankers of the East India Company and the European merchants in India. They had no capital of their own and depended mainly on deposits from the public for finance. These agency houses failed as they combined banking with trading.

The Outh Commercial Bank was established in 1881 under the Joint Stock Companies Act, 1850. It was in 1860 that the principle of limited liabilities was first applied to Joint Stocks Banks. It was followed by Punjab National Bank in 1895 and the Peoples Bank in 1901. Inspired by the Swadeshi Movement, several other banks came into existence namely Bank of India Ltd. (1906), Canara Bank Ltd. (1906), Bank of Baroda Ltd. (1908) and Central Bank of India Ltd. (1911). On the basis of recommendations of the Hilton Young Commission (1926), a bill was introduced in 1933 which resulted in establishment of Reserve Bank of India in April, 1935 as the Central Bank of the Country.

**Post Independence Period:**
The first major step taken immediately after independence was that of nationalization of Reserve Bank of India in September, 1948. It was a right step on the part of the Government to improve the prestige and authenticity of the Reserve Bank of India as a Central
Bank of the country. In 1949, a comprehensive banking legislation was enacted in the name of Banking Regulation Act, 1949 giving wide ranging powers to the RBI in relation to all major aspects of banking business. The SBI and group banks had the objective of implementing the social objectives of Government having rural orientation. However, the Government was not satisfied with the contribution of other private sector banks towards social welfare and equitable and purposeful distribution of credit. In fact, it was observed that most of the commercial banking was concentrated in urban areas and catering to the needs of certain class of customers.

**Nationalization of Banks:**
Indian government initiated the scheme of social control in 1967 and it was thought appropriate to have social ownership over the banks to achieve the desired social objectives. On 19th July 1969, 14 major Indian Scheduled Commercial Banks, each with deposits of over Rs. 50 crores, were nationalized by the Government with a view to serve the better needs of development of the country in consonance with national priorities.

**Banking Reforms:**
On 15th April 1980, after eleven years from the first phase of nationalization, six more private sector banks having deposits of Rs. 200 crore or more were nationalized. Nationalization of banks were a bold and major economic step in the process of banking reforms in India resulting into evolution of public sector banks controlling over 90 percent of banking business in India.

During this period, the RBI effectively used the mandatory powers to create a strong, viable banking system as well as comprehensive banking operations. Also, sincere efforts were made to restore public confidence in banking system such as setting up Deposit
Insurance Corporation to provide protection to depositors. Banking policies and practices were framed in such a way to align with Five Year Plans. In order to accelerate rapid industrialization, commercial banks increased the financial assistance to the industry in the form of long term lending and through direct subscription to the securities of corporate enterprises. Small scale industries, exports and agriculture were the important but neglected sectors of the economy. In the year 1969, RBI introduced the Lead Bank Scheme (LBS) where in a particular bank had to play a leading role in order to intensively develop and finance small farmers and small scale industries. The major scheduled banks, mostly in the public sector were to act as coordinator between cooperative banks, the commercial banks and other financial institutions and also to maintain co-operation with district authorities.

**Growth of Private Sector Banks in India:**
During the first half of the twentieth century, the private sector had played significant role in the growth of Joint stock Banks in India. As a consequence, there were in total 566 private sector banks in 1951, of which 427 were non-scheduled and 92 were scheduled. There was not a single public sector commercial bank at that time. Prior to that, in 1935, the British Government in India had started a central bank called the Reserve Bank of India as a private sector bank. Later on, by enacting the Reserve Bank of India Act 1949, the Reserve Bank of India was taken over as state owned central bank.

The Government of India entered into the banking business on 1\textsuperscript{st} July 1955, with Nationalization of Imperial Bank of India and its conversion into the State Bank of India. Later on during the period 1959-60, seven subsidiary State Banks were also nationalized to form the SBI group. On July 19, 1969, fourteen major Indian scheduled banks were nationalized. The objective was to serve
better the needs of development of the economy in conformity with national priorities and objectives. On 15th April, 1980 six more private sector commercial banks with deposits over Rs. 200 crores were nationalized.

Table No: 1.1 Commercial Banking Structure in India during 1960-2003 (Figures in numbers)

<table>
<thead>
<tr>
<th>Sr. No</th>
<th>Bank Group</th>
<th>Number of Banks December 1960</th>
<th>Number of Banks December 1969</th>
<th>Number of Banks June 1995</th>
</tr>
</thead>
<tbody>
<tr>
<td>(I)</td>
<td>Public Sector</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1</td>
<td>State Bank of India (SBI)</td>
<td>1 (0.24)</td>
<td>1 (1.12)</td>
<td>1 (0.36)</td>
</tr>
<tr>
<td>2</td>
<td>Associate Banks of SBI</td>
<td>8 (1.91)</td>
<td>7 (7.87)</td>
<td>7 (2.55)</td>
</tr>
<tr>
<td>3</td>
<td>National banks</td>
<td>-----------------------------</td>
<td>14 (15.74)</td>
<td>19 (7.30)</td>
</tr>
<tr>
<td>4</td>
<td>Regional Rural Banks</td>
<td>-----------------------------</td>
<td>-----------------------------</td>
<td>196 (71.53)</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>9 (2.15)</td>
<td>22 (24.74)</td>
<td>223 (74.45)</td>
</tr>
<tr>
<td>(II)</td>
<td>Private Sector</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>5</td>
<td>Foreign Banks</td>
<td>16 (3.82)</td>
<td>15 (16.85)</td>
<td>29 (8.89)</td>
</tr>
<tr>
<td>6</td>
<td>Other Scheduled Commercial Banks</td>
<td>68 (16.22)</td>
<td>36 (40.44)</td>
<td>33 (8.76)</td>
</tr>
<tr>
<td>7</td>
<td>Non- Scheduled Commercial Banks</td>
<td>326 (77.81)</td>
<td>16 (17.98)</td>
<td>02 (1.09)</td>
</tr>
<tr>
<td>TOTAL</td>
<td></td>
<td>410 (97.85)</td>
<td>67 (75.26)</td>
<td>64 (18.25)</td>
</tr>
<tr>
<td>8</td>
<td>All Commercial Banks</td>
<td>419 (100.00)</td>
<td>89 (100.00)</td>
<td>287 (10.00)</td>
</tr>
</tbody>
</table>

Source: Banking and Financial systems, by Dr. D.M. Mithanin & Prof. E.Gordon, Himalaya Publication, Figures in brackets show percentage to total of all commercial banks
According to the RBI data in 1960 there were total 410 Private Sector Banks and 9 Public Sector Banks in India. In 1969 there were 67 Private Sector Banks and 22 Public Sector Banks in India. After 26 years, in 1995 there are 64 Private Sector Banks and 223 Public Sector Banks in India.

So, till 1960 there were 410 Private Sector Banks in India and in 1995 there are total 64 banks.

**Profile of Private Sector Banks in India:**

In order to analyze the performance of Private Sector Banks, particularly after the implementation of financial sector reforms (CFS 1991), a comparative analysis was made regarding deposit mobilization, investments made, advances made by the Private Sector Banks as well as other bank groups viz. Public Sector Bank and Foreign Banks. The total income and expenditure of these banks have also been analyzed to measure the earning capacity of banks. Their operating profits and net profits earned during the period have been comparatively analyzed so as to understand the comparative operating efficiency of the banks. Their comparative performance regarding, quality lending has been analyzed by studying the gross NPAs and net NPAs of the banks.

Deposit mobilization is an important indicator of fund raising capacity of a banking institution. During the period under consideration, Private Sector Banks’ share in total deposits of all banks has been 5.16 percent during the year 1993 which has subsequently and gradually increased to 17.17 percent during the year 2005. The annual average growth rate achieved in deposit mobilization is 28.68 percent. Public Sector Banks’ share in total deposits raised during 1993 has been 87.88 percent which gradually declined and has been 78.08 percent in the year 2005.
Table No: 1.2  Investment of Private Sector Banks vis-à-vis that of other banks groups

<table>
<thead>
<tr>
<th>As on 31st March</th>
<th>Private Sector Banks</th>
<th>Public Sector Banks</th>
<th>Foreign Banks</th>
<th>All Banks</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Rs. % Crore</td>
<td>Rs. % Crore</td>
<td>Rs. % Crore</td>
<td>Rs. % Crore</td>
</tr>
<tr>
<td>1993</td>
<td>5099</td>
<td>99851</td>
<td>11332</td>
<td>116282</td>
</tr>
<tr>
<td>1994</td>
<td>7222</td>
<td>132953</td>
<td>13954</td>
<td>154129</td>
</tr>
<tr>
<td>1995</td>
<td>9485</td>
<td>150452</td>
<td>12269</td>
<td>172206</td>
</tr>
<tr>
<td>1996</td>
<td>11776</td>
<td>162691</td>
<td>12869</td>
<td>187336</td>
</tr>
<tr>
<td>1997</td>
<td>18390</td>
<td>191054</td>
<td>16629</td>
<td>226073</td>
</tr>
<tr>
<td>1998</td>
<td>26620</td>
<td>227102</td>
<td>21417</td>
<td>275139</td>
</tr>
<tr>
<td>1999</td>
<td>36494</td>
<td>276802</td>
<td>26337</td>
<td>339633</td>
</tr>
<tr>
<td>2000</td>
<td>50794</td>
<td>333414</td>
<td>29664</td>
<td>413872</td>
</tr>
<tr>
<td>2001</td>
<td>61891</td>
<td>394107</td>
<td>35757</td>
<td>491755</td>
</tr>
<tr>
<td>2002</td>
<td>97805</td>
<td>454509</td>
<td>35094</td>
<td>587408</td>
</tr>
<tr>
<td>2003</td>
<td>107323</td>
<td>545636</td>
<td>40795</td>
<td>693754</td>
</tr>
<tr>
<td>2004</td>
<td>134801</td>
<td>625678</td>
<td>41587</td>
<td>802066</td>
</tr>
<tr>
<td>2005</td>
<td>138968</td>
<td>678637</td>
<td>42518</td>
<td>860123</td>
</tr>
<tr>
<td>AAGR (%)</td>
<td>32.72</td>
<td>17.48</td>
<td>12.39</td>
<td>18.33</td>
</tr>
</tbody>
</table>

Source: RBI Reports on Trend and Progress in Banking, Various Issues
(AAGR=Average Annual Growth Rate)
According to the RBI report average annual growth rate of Private Sector Banks is 32.72 percent while Public Sector Banks’ average annual growth is 17.48 percent. So, we can see that Private Sector Banks’ average annual growth rate is higher than Public Sector Banks. And if we compare the growth rate of Private Sector Banks with all other banks’ rate it is much higher. Thus, this table shows the growth of Private Sector Banks in India.

**Selection of sample Banks:**
There are 25 old Private Sector Banks and about 15 new Private Sector Banks in India. However the number has varied during the period of study.

Following four banks have been selected from above mentioned private sector banks group for the purpose of study.

1. HDFC Bank Limited
2. AXIS Bank Limited
3. ICICI Bank Limited
4. Kotak Mahindra Bank Limited

**Profile of selected private sector banks:**

1. **HDFC Bank:**
HDFC Bank Limited has incorporated in August 1994 and has commenced business operations in January 1995. The Bank has been promoted by Housing Development Finance Corporation (HDFC) Group having significant presence in financial markets since 1977. The HDFC group holds 22.1 percent of the equity of the bank. The ADS Depository (American Depository) holds 19.4 percent and Foreign Institutional Investors hold 31.3 percent of the equity of the bank. The banks’ American Depository Shares have been listed on the New York Stock Exchange (NYSE).
The bank’s registered office is located at Mumbai. The bank has presence in various segments of financial markets and services. It has 1,725 branches spread over 780 cities in India and a network of 4393 ATMs. The bank has established a mission to be a world class bank. Its business philosophy is based on four core values - customer focus, operational excellence, product leadership and people. Its objective is to achieve healthy growth in profitability consistent with bank’s risk appetite.

2. AXIS Bank:
Axis Bank Limited is the first of the new private sector banks in India which has commenced operations since 1994. The bank has been jointly promoted by UTI Trust of India, Life Insurance Corporation of India, General Insurance Corporation of India and its associates. Unit Trust of India (UTI) is the largest mutual fund of the country, holds 27.72 equity of the bank whereas the public holding is to the extent of 72.28 percent.

The bank’s registered office is located at Ahmedabad. The bank has presence in retail and corporate banking. It has a wide network of 1042 branches and 4474 ATMs as on 30th June 2010 throughout the country. This is one of the largest ATM networks in the country. The bank’s business policy has been rested on core values such as customer satisfaction, maximization of stakeholders’ wealth, success through team work, integrity and people. The Bank today is capitalized to the extent of Rs. 407.44 crore with the public holding (other than promoters and GD Rs.) at 54.51 percent. The Bank has strengths in both retail and corporate banking and is committed to adopting the best industry practices internationally in order to achieve excellence.
3. ICICI Bank:
ICICI Bank is India’s second largest bank with total assets of Rs. 3,634 billion at March 31, 2010 and profit after tax Rs. 40.25 billion for year ended March 31, 2010. The Bank has a network of 2,035 branches and about 5,518 ATMs in India and presence in 18 countries. ICICI Bank offers a wide range of banking products and financial services to corporate and retail customers through a variety of delivery channels and through its specialized subsidiaries in the areas of investment banking, life and non-life insurance, venture capital and asset management. The Bank currently has subsidiaries in the United Kingdom, Russia and Canada, branches in United States, Singapore, Bahrain, Hong Kong, Sri Lanka, Qatar and Dubai. International Finance Centre and representative offices in United Arab Emirates, China, South Africa, Bangladesh, Thailand, Malaysia and Indonesia. Bank’s UK subsidiary has established branches in Belgium and Germany.

ICICI Bank’s equity shares are listed in India on Bombay Stock Exchange and the National Stock Exchange of India Limited and its American Depositary Receipts (ADRs) are listed on the New York Stock Exchange (NYSE).

4 Kotak Mahindra Bank:
The Kotak Mahindra Group is one of India’s leading financial institutions, offering complete financial solutions that encompass every sphere of life.

Kotak Mahindra Bank Ltd. is a one stop shop for all banking needs. It offers personal finance solutions of credit cards distribution of mutual funds to life insurance products. Kotak Mahindra Bank offers transaction banking, operates lending verticals, manages IPOs and provides working capital loans. Kotak Bank has one of the largest
and most respected Wealth Management teams in India, providing the widest range of solutions to high net worth individuals, entrepreneurs, business families and employed professionals.

The Kotak Mahindra Group has been one of India’s most reputed financial conglomerates. In February 2003, Kotak Mahindra Finance Ltd, the group’s flagship company was given the license to carry on banking business by the Reserve Bank of India (RBI). This approval created banking history since Kotak Mahindra Finance Ltd. is the first non-banking finance company in India to convert itself into a bank as it is one of the fastest growing bank and among the most admired financial institutions in India.

Kotak Mahindra Bank has over 245 branches and a customer base of over 8 lakhs spread all over India, not just in the metros but in tier II cities and rural India as well.

**Concept of Innovative Technology:**

Indian banking is in the limelight today, or more apt description would be that it is under a searchlight. With the gathering momentum of demand on the part of the politicians for ‘nationalization’ or ‘social control’ of banks, Indian banks have been subjected to a glaring publicity from all quarters including the banks themselves. Arguments for and against nationalization or social control of banks have been advanced and in the context, the achievements and failures have been put forward and debated. The dust and bin raised by these arguments have now settled down as Government has since extended their hands of services with the help of innovative technology like computers and networking of banks.
Private Banks like Axis, ICICI, HDFC and Kotak Mahindra Bank are not only failing in this competition but we can say that they are rather ahead of them. Today when we enter in the banks; we can see computers with every employee of the bank. But merits and demerits of this innovative technology are yet to be analyzed.

**Meaning of Innovative Technology:**
The word “Innovate” means to renew, to alter for the better. Innovative means newer, fresher and (rather) latest. Innovative Technology means such technology which is used as newer technology than the traditional ones.

Banking business was maintained manually before 15-20 years. Computers and their latest technology have changed the whole scenario of banking industry. Demate account, NRI services, Roaming current account; International services through ATM card, Master card, Phone Banking, Net Banking, Online Business, e-mail alert, sweep-in, portfolio investment etc. are some of the new words than the traditional ones. Computers and I.T. have changed the whole scenario of banking business.

Private sector banks means banks other than the 27 public sector banks and co-operative banks declared as “Commercial Banks” after nationalization of banks occurred on 19th July 1969. ICICI, HDFC, AXIS, Kotak Mahindra bank etc... are some of the leading private sector banks.

Bank that may be a commercial bank, a co-operative bank or a private bank its attitude towards its customers has been changed basically. Now customer is a decisive factor. He selects in which bank, he has to open his account and invest his money. Before a decade, a customer was neglected, now customer is the king, he is
a master, he is a driver. He has many alternatives to select for his investment. Now banks remain open on Sunday also. The staff and their agents make contact by phone to their customers. They offer their better services at the customers’ doors.

There are certain points that can be noted here for this basic change:
Rise of private banking and their public-oriented attitude, customers’ awareness towards their savings, property, depositing alternatives. Latest technology i.e. computers and internet, Communication technology i.e. e-mail, mobile phone Government policy Surplus funds with the banks, which is also a product of government policy. Today, the customers can see cut-throat competition among commercial banks, co-operative banks and private banks by rendering their best services to their customers through their constantly innovative staff, products and latest technologies to attract customers. And in this competition private banks are rather ahead. They have persuaded public i.e. customers by their action to see and take advantages offered by them. Now day to day banking becomes more hassle-free due to private bank’s innovative services.
1.2 Review of previous studies:

Frequent innovations in the development of sophisticated technologies pave ways for the emergence of an ultra-modern lifestyle, which brings an attitudinal change in the prospects. The level of expectations considerably opens doors for dissatisfaction of late; we are living in an age of technology where electronic banking has been found gaining popularity by the world over. This has made possible a basic change in the nature and character of customers’ services. Concerns have been expressed about the banking system. However, most of the periodicals, seminars, discussions etc... devote few pages to the new emerging concept, innovative technology used for marketing services by private sector banks.

Much of the literature is addressed either to the nationalization of commercial banks or to certain aspects of operation of banks. Particularly, over the past decade, a great deal of effort has gone into explaining the need of innovative technology used for marketing services by banks.

Not with standing the fact, that several studies have been made on the various aspects of private sector banks, no comprehensive study has so far been made on the innovative technology used for marketing services.

There is inadequate literature concerning it. The literature available is mostly in journals and mere chapters in books devoted to innovative technology. Literature is also available from the reports of a number of commissions, working groups, research institutes and other private survey organizations. There are few studies which have attempted to analyze some aspects of the marketing services of private sector banks. Besides these studies, a few scattered efforts have also been made by individual scholars. However
research studies focusing on innovative technology used for marketing services by private sector banks is not yet available. Whatever, available in the published material is not enough. As the need is increasingly recognized this research study is undertaken. It is essential to look into the banking scene in the developed nations especially with regards to innovative technology used for marketing services by private sector banks.

In India, all the banks are operating in a similar atmosphere, offering similar price, having similar location and with similar working hours. And yet the only way to know their difference in growth rate is to understand the individual bank’s efficiency in terms of customer service, their marketing services approach public relations and image building.

The Talwar Working Group appointed by the government of India in 1977, examined the customer services rendered by the banks. According to the report submitted by the group “The service presently rendered by banks needs and is capable of vast improvement.” In its report it had recommended measures to improve customer services in banks. And if there is some improvement in the services today it is because of the adoption of most of the important recommendations.

The All India Bank Depositors’ Association, Mumbai Branch, had submitted a Memorandum to the Estimates Committee of the 8th Lok Sabha with regard to customer services and security systems in Banks. The All India Bank Depositors’ Association felt that the services rendered were inefficient and sloppy in manner. The common complaints found were: delays and discourtesy in counter services; passbook not updated regularly; inordinate delays in clearance of cheque; absence of decision-making even in simple
matters at branch level. Besides the usual complaints, the association had found that there was no sense of either urgency or business efficiency in transactions. Except acceptance of cheque for deposits, other counter transactions took a long time. Even when issuing cheque books, customers were told to come a second time. The association has also concluded the reason for the delays. In trying to convert ‘class banking into mass banking’ the manual system had broken down. Appropriate modern technology was not introduced and there was no customer consciousness. The association had asserted that the banks totally failed in the task of customer education and counselling. They were also not happy with the unilateral increase in the service charge. When ironically the Finance Minister had declared the “Year of the Customer,” the Association felt that the reason, “costs have gone up”, was weak. As regards customers’ grievances, it was commonly found that branch managers did not take decisions, particularly where staff behavior or lapses were concerned.

The Goiporia committee appointed by the Reserve Bank of India (1989) has recommended several measures for implementation by banks, for improving the quality of customer services. Some of the recommendations are briefly summed up as under:
(a) Fixing of hours of staff 15 minutes before the start of business hours.
(b) Issuing of drafts/banker cheque-single window service.
(c) Reimbursement of interest to the collecting bank by the paying bank, when such delays in collection can be attributed to the paying bank.
(d) Answering of business hours up to an hour before the closing of working hours, for non-cash transactions.
The above major recommendations of the committee will no doubt have a far reaching impact on the functioning of the banks. Some of the recommendations are in fact revolutionary in nature and if these measures are implemented, the work culture in the banks would definitely undergo a sea change.

According to Thompson, Berry and Davidson (1998) “Successful and high performance banking in the future will be achieved by managing markets through the systematic utilization of planning procedures”. They lay stress on the ‘market place’ where changes take place. It is where largely uncontrollable external changes occur that affect banking to varying degrees. This concept is also tantamount to the reality that “customer is the business”. They point out that the market approach to planning serves mainly as unifying element that channels decision making in a coordinated manner towards critical focal points. In this sense, planning becomes a systematic allocation of ‘human’ and ‘financial’ resources in a way that satisfies customer needs and wants at a profit.

Mohinder Kumar Jain (1994) mentioned that the improvement in bank marketing does not necessarily mean the improvement in customer service. Bank marketing basically lays stress on the successful promotion of bank products, while customer service lays stress on the more important banker-customer relationship and the efforts to improve it. It is noticed that in Europe and USA, bank marketing is fully developed. Customer service is the ‘in thing’ now and a lot of importance is given to it in these nations. However, it would be unfair not to mention the role of marketing management of customer service in banking industry. Marketing concept would imply that banking should focus its attention on customers and try to satisfy their need. This will provide the banks a better chance for
customer service, cost efficiency, organizational effectiveness and meaningful management planning.

Lal and Patnaik (1988) are of the view, that bank marketing, an approach should be made regard to market segmentation, in order to improve the marketing of banking services. They say that, “Indian banks have followed the market segmentation approach to a limited extent. The massive field survey carried out by the NIBM, at the instance of the IBA has found some market segments, such as illiterates and production workers, which are neglected by Indian banks. The survey emphasized the need or developing proper market strategies to exploit these potential market segments”. Lal and Patnaik have given some suggestions for a sound and successful marketing strategy for the banks with regard to market segmentation.

S.B. Mathur (1999) stated that “Sky is the limit for marketing. Sky is the limit for quality. The days of getting easy walk-over in the business of banking are now over. Business in banking goes where it is invited but stays for a long time where it is well treated with the fine tune to marketing management of its customer services.”

R.L. Nandeshwar (1992) has defined that the last decade has witnessed the very significant changes in the banking system. What is more, the scale and scope of banking operation have undergone substantial changes, in response to the changes that have been taken place in the social, political and economic environments. In the process of growth, the banking system, however, developed certain rigidities and deficiencies hampering operational efficiency.
Sayers R.S. Steles (1964), we can define bank as an institution whose debts are widely accepted in settlement of other people’s debts to each other.

According to S.B. Gupta (2000), a bank is an institution that accepts deposits of money from the public withdraw able by cheque and used for lending. Thus, there are two essential functions which make a financial institution a bank:

i) Acceptance of chequable deposits or money from the public and

ii) Lending, the word lending is used here broadly to include both direct lending to borrowers and indirect lending through investments in open market securities.

Graham Bannock, William Manser (2004), Banking – The business of taking deposits and making loans. As a financial intermediary, banks may offer a whole range of other financial services e.g. Insurance, Credit Cards, Foreign Exchanges but their distinguishing characteristics in their role in the money supply through creation of deposits.

Section 5(1) (b) of the Banking Regulation Act, 1949 defines ‘banking’ as the accepting, for the purpose of lending or investment, of deposits of money from public, repayable on demand or otherwise and withdrawable by cheque, draft, and order or otherwise. The above definition brings out two important functions of banks: acceptance of deposits and lending of funds. These two functions are the core activities of banking.

Mithani D.M. and Gordon E. (2002) have described a bank as a profit seeking business firm, dealing in money and credit. It is a financial institution dealing in money in the sense that it accepts deposits of money from the public to keep them in its custody for
safety; so also, it deals in credit i.e. it creates credit by making advances out of the funds received as deposits to needy people. It, thus, functions as a mobilizer of savings in the economy.

Madhumathi R. and Lakshmi Kumar (2003) in their research paper entitled “Multifactor Evaluation and Forecasting of Bank performance in India” have analyzed the commercial banks operating in India with respect to their financial ratio. The study through factor analysis reveals the most important factors a bank needs to consider and deliberate on. Further, cluster analysis brings out three clusters into which a bank can fall in, namely, niche banks, sound banks and mass banks and justifies the same with its distinguishing features. The analysis also discloses to a bank the strategy it needs to follow for long run sustainability.

Chowdhari Prasad and K.S. Srinivasa Rao (2004) in their paper have attempted to undertake SWOT analysis and other appropriate statistical techniques to rank 30 private sector banks using four parameters – efficiency, financial strength, profitability and size and scale. The authors have carried out Analysis of variance (ANOVA) for each of these four parameters using F-test as a parametric case. They have found that private banks are professional, dedicated and efficient. They have strong financials and comply with capital adequacy requirements and prudential norms. Their major weaknesses identified are confinement to limited area, limited number of branches, higher employee turnover ratio, etc. However, with high level of autonomy and faster decision making processes, cost effective services they have cautioned private sector banks, mergers and takeover threat from other large banks and entry of foreign banks as possible areas of threat.
Das Abhiman, Nag Ashok and Ray Subhash (2005) in their article entitled “Liberalisation, ownership and efficiency in Indian Banking” have carried out empirical study analyzing various efficiency scores of Indian Banks for the period 1997 to 2003 using Data Envelopment Analysis (DEA). They have found that Indian banks are still not much differentiated in terms of input oriented or output oriented technical efficiency and cost efficiency. It has an implication that even within the existing environment; a bank can still improve its profitability significantly, by adopting the best practice observed within the section. They have also inferred that asset size, ownership structure and listing on stock exchange have positive impact an average profit efficiency and to some extent an average revenue efficiency. Finally, they have concluded that the reform process have impacted performance of Indian banks in a positive manner.

Consumer satisfaction is basically a psychological satisfaction, it should be taken in the effort of quantitative measurement, although a large quantity of research in this area has recently been developed by Berry C Bart Allens and Brodeur between 1990 and 1998 defined ten ‘Quality Values’ which influence satisfaction behavior, further expanded by Berry in 2002 and known as the ten domains of satisfaction. These ten dominos of satisfaction include: Quality, Value, Timeliness, Efficiency, Ease of Access, Environment, Inter-department Teamwork, Frontline Service Behaviors, treatment to the customer and Innovation for continuous improvement and organizational change measurement as an integral model.

Another work done by Parasuraman, Zeithaml and Berry (Leanard L) between 1995 and 1998 provides between the customer’s expectation of performance and their perceived experiences of
performance “This provides the measure with a satisfaction GAP” which is objective and quantities in nature.

Shiv Bhola (2007) has observed in field survey report the Marketing Services of Public Sector Banks in Lucknow are not as competitive as private sector banks.

Mehta H.N. (2006) has observed that, “Public Sector Bank customers are satisfied towards timing and working hours of their bank compared to Private Sector Banks. So, Private Sector Banks need to improve customer care facilities”

Sharma K.K. (2002) referred to the Mainer research project for the Department of Commerce University of Jaipur he tried to understand in his survey satisfaction level of bank marketing services and to know about the hidden charges applied by “banks for that the loyalty of customer towards these bank sustain or not.”

Prof. M.S. Vardani and Deepali Singh (1999) attempted to examine the status of relationship marketing in India, based on the perception of cross-section of marketers as a technique for developing lifetime customers. They suggested ways to marketers in order to win their customers’ heart and also to develop value-laden strong relationships with them.

Marketing advocates for long-term mutually beneficial relationship between consumers and banks. It is data based marketing that emphasizes the promotional aspects of marketing link to database efforts (Bickert, 1992). Another relevant viewpoint considers relationship marketing only as customer relation with a variety of marketing tactics is used after for customer bonding or staying in touch once sale is made (Vovra, 1992).
A more popular approach with recent application of information technology is to focus on individual or one-to-one relationship with customer that integrates data base knowledge with long run customer retention and growth strategy (Papers & Rogers, 1993).

In 1985 Jackson defined marketing as marketing-oriented strong, lasting relationship with individual accounts.

From strategic viewpoint of marketing, (Berry 1983), Stress that attracting new customer should be viewed only as an intermediate step in the marketing process. Gronroons (1990) and Gumesson (1987) take a broader perspective and advocate the customer relation ought to be the focus and dominant paradigm of marketing. Morgan and Hunt (1994) drew upon the distinction made between transactional exchanges and relational exchanges.

A more customer centric perspective results in lower cost of acquisition of customers and some increase in switching costs for customers (Schmarzo and Haper, 2000). The relationship centric approach requires that the organization should accumulate knowledge about customer activities and preferences in order to engage in a value added relationship. It is far cheaper to keep an existing customer than to find a new one. (Turban lee, King and Chung, 2000)

Peter Drucker and Theodore Levitt (1990) suggested that obtaining, keeping and maximizing customers is the only way to increase business profitability.

Marketing and customer treatment as well as related media and communication plans need to be determined for target customers.
The specific value proposition of the plans should be that loyalty and customer value will enhance profits. (Chaudhry, 2000; Schmarzo & Haper 2000)

Dr. Rogers focused on how organization can use websites and technology to retain customers, enhance relationship and boost market share (NZ Info Tech, 2000).

1.3 Statement of the problem:
The general aim of reviewing the related study is to develop a thorough understanding and insight into the work already done and areas left untouched or unexplored.

Review of literature reveals that a large number of researches have been conducted on marketing services of banks in India. However, only few researches have been conducted so far on the innovative technologies used in private sector banks. Innovative techniques require a lot of awareness among rural and uneducated people. It reveals that there still exists a need to highlight some of the aspects of innovative techniques of banks. Hence a research on the problem “An Empirical Study of Innovative Technology used for Marketing Services by Selected Private Sector Banks of Anand & Baroda Districts” has been undertaken.

This study will examine the innovative techniques like ATM, debit card, credit card, net banking, e-banking, etc… This research is regarding various types of innovative techniques adopted by selected private sector banks for marketing banking services.
1.4 Scope of the study:
The focal point of the study is to examine the innovative technology used for marketing services by selected private sector banks of Anand & Baroda districts. Innovative techniques are very important & necessary for marketing services for banks.

This study attempts to sketch a picture of the innovative techniques of private sector banks. The study attempts to critically examine and compare the various aspects of innovative techniques of selected private sector banks.

The study attempts to find the importance of innovative technology for marketing services showing how the customers are benefited by it.

The study attempts to examine traditional and modern concepts of marketing, services marketing and banking services.

The study also highlight RBI rules about innovative technology and profile of Anand and Baroda districts like urban and rural population, education, literacy, business, industry and occupations of the region.
The study also examines the problems faced by the banks in using the innovative technology and the limitation of it.

At the same time the study examines the problems faced by the customers especially from rural area and illiterate customers in using the services offered by the banks through innovative technology. For this a survey of both urban and rural customers is undertaken with the help of questionnaires.
1.5 Objectives of the study:

1. To study the innovative techniques available with the Private Sector Banks to serve the customers.
2. To study the reasons for the development of the innovative techniques.
3. To study how the innovative techniques are used by Private Sector Banks for marketing the services.
4. To study the responses of the customers to innovative techniques.
5. To study the problems faced by illiterate and rural customers in using innovative techniques.
6. To study the problems faced by the Private Sector Banks in the use of innovative techniques.

1.6 Hypothesis to be tested:

1. The innovative techniques used by the Private Sector Banks help them in marketing the banking services.
2. The innovative techniques enable the Private Sector Banks in providing more efficient and effective services to the customers.
3. The customers of the Private Sector Banks are satisfied with the innovative techniques used by the Banks.
4. The illiterate and rural customers face some problems in using innovative techniques of the Private Sector Banks.
5. The Private Sector Banks have some problems in smooth functioning of the innovative techniques.
1.7 Significance of the Study:

From last decade, banks are using more and more innovative technology. Among those banks, some are very efficient and some are slow to implement the technology. The technologies are very helpful to customers as well as banks also. The technologies have made customers transactions easy with banks and banks also get so many benefits from technologies. Private sector banks are ahead to adopt and implement innovative technology. An attempt is made in this study to show that how innovative technology is useful for marketing banking services for private sector banks. Customers also can get a view of comparative services of banks. So, the present study is undertaken to know and analyze the innovative technology used by private sector banks which is significant in the era of Globalization and Liberalization.

In this way the study of these services rendered by private banks will be significant. To the people and users who will be availing better services through the new technologies.

Now days the world economy is growing at a faster rate with it India’s economy is growing at a faster rate. Banking is a very important part of the economy. Banking services reflect the current scenario of economy. One can see how the banks are changing their services more suitable to the customers. Banks are ahead to change them according to new scenario. Things are changing fast due to technology. According to new technology banks change their work system to provide better services to the customers. Before these technology banks were working manually and it was taking too much time. You can say wastage of time. Customers had to spend lots of time for banking. Sometimes they had to take leaves from their jobs, just for performing their banking transactions. And other side bank staff also had to spend so much time to perform their
same duties which now they can do in very less time. Now customers can use bank services at any time and at any where. This only happened due to innovative technology. Customer can enjoy banking very smooth and hassle free way. They need not spend hours for banking. On other side bank staff also has not to spend lots of time for one transaction. They can serve many customers in very less time as compared to previous days. Due to innovative technology, bank staff can store their records and details of customer very efficiently. It is very safe and they can get and use it in very less time. And for that they do not need to do hard work. It became very smart and easy way to work. Fraud cases are reduced due to adoption of innovative technology. There are many security check point, which are almost impossible to crake and do any financial crime. So, this is also a very important significance of the innovative technology. In this study, efforts are made to describe that which bank is providing which services with the help of innovative technology. A customer can ask bank to get any banking service or he can take help to use that service from bank staff. Generally the bank publishes about its services but some time due to some reasons some customer can not get that information or if they get but they do not know how to use the particular service. This study will show the services, which are provided by banks. If a person does not know about those services; so he can go to bank and ask to staff how to get or use those service. Thus, this study will reduce the distance between bank services and customers. Banks will also be able to attract more and more customers.

Banks update themselves according to new era of innovative technology. So, they make them comfortable to provide better services to customers.
1.8 Geographical area to be covered:
This study covers the Anand and Baroda districts. Data will be collected from urban as well as rural areas of both districts.

1.9 Reference Period:
The study covers the period of the initial stage of innovative technology in banks till complete implementation of innovative technology in all private sector banks. The year 1999-2000 has been remarkable as the first phase of implementation of innovative technology in banks and after that time banks and customers have started to use this innovative technology in a routine mode. Therefore, the period of the study is a decade i.e. from 1999-2000 to 2010.

1.10 Research Methodology adopted:
Research design was prepared for the research. It dealt with the nature of research and success of data collection and total plan of the research.

A Sampling:
The researcher has planned to focus on innovative technology of private sector banks.

The four private sector banks were taken as a sample for the study. Therefore questionnaires were prepared for bank managers and customers of these selected private sector banks and data was collected through questionnaires. The questionnaire has been divided in some categories like area, professions, occupations, sex, literates, illiterates, computer illiterates, age groups.
B Tools for collection of data / Sources of Data:
This study is based on primary data. A preliminary survey was made in selected private sector banks of Anand and Baroda districts. Necessary information was obtained from bank managers. Regarding this research work two questionnaires were constructed one for bank customers and the second for the bank managers. The questionnaires were made for following private sector banks of Anand and Baroda districts.
* HDFC Bank
* ICICI Bank
* AXIS Bank
* Kotak Mahindra Bank
With the help of questionnaires of customer, some information like customer’s awareness about bank products, their opinion regarding it, their problems regarding using newly launched services, their expectations from bank and many more were obtained. This questionnaire also dealt with the requirements of customers, their satisfaction.

The second questionnaire dealt with manager. It gave some basic information about their banks like the services provided by bank, the most used service and with which service customer is not comfortable. With the help of this questionnaire, the attributes of innovative techniques for marketing services could be found. The problems of adopting innovative technology are also seen. Manager’s views and suggestions regarding new products or technologies to improve marketing of banking services based on innovative technology also could be obtained.

The second source of data for this study is secondary data. For that books, banking and financial magazines, web sites, journals, bulletins and annual reports of banks are used.
C Plan of Analysis:
The data collected from various sources have been analyzed and interpreted using various statistical tools such as Average, Standard Deviation, Correlation, Coefficient of Variance, Analysis of Variance etc... For smooth interpretation and presentation of analyzed data, pie charts and graphs have been extensively used.

D Time Schedule:
The plan of research was divided into four stages to cover various topics of research.

Stage 1: This stage covers theoretical aspects of problems and prospects of Account Holder or Customer with the help of reference books and periodicals. Review of literature of Private Sector Banks done by former researchers, visits to individual visitors and such company offices to understand account holder or customers’ problems and prospects.

Stage 2: Preparation of questionnaire, interview schedule, collection of data and required information from bank & account holders

Stage 3: Analysis of collected data

Stage 4: Observation, inferences, recommendation, suggestion and conclusion.
1.11 Limitations of the Study:

This study of “Innovative Technology used by Selected Private Sector Banks of Anand & Baroda Districts” is mainly based on innovative technology which is used in banks. The innovative technology is introduced in banks in the recent years. So, we can not get data and information of many years. We have to use data and information which is available in the recent years. The study will cover the time period of 3 years i.e. from 2008 to 2010. So, during these years’ and previous years’ data only can be used.

This study is mainly based on data, which are mostly available from banks. Due to heavy work load bank’s data was not available in proper time period. Some bank staff was not co-operative to give proper data or information. Bank employees’ attitude may affect this study. The study also depends on secondary data published in annual reports, magazine, web-sites, journals and other literature of selected banks. Only published data and data collected through questionnaires are analyzed and interpreted.

The researcher did not have any access to the internal records of the banks. Here, in this study we assume that people know the innovative technology and they use it frequently.

Whatever information and data received can not be entirely true. Due to lack of communication or understanding some information may be misinterpreted. Some time some assumption will be used and it is possible that the assumption may not be correct. Some information and data can be misguided also. The opinions of customers and managers had their own opinions.

We have taken data from 500 customers of the banks. These 500 customers do not reflect the real picture of whole Anand and Baroda
districts. So, sample is limited. It also may be that some respondents do not understand the questions. So, it can affect the study.

1.12 Chapter Scheme:
The study has been divided into eight chapters.

**Chapter-1: Research Design**
The chapter describes introduction, review of previous studies, statement of the problem, scope of the study, objectives of the study, hypothesis to be tested, significance of the study, geographical area to be covered, reference period, research methodology adopted, chapter scheme and limitations of the study.

**Chapter-2: Conceptual Discussion**
The chapter deals with conceptual discussion on traditional and modern concepts of marketing, services marketing, banking services, marketing of banking services and I.T. used for marketing banking services.

**Chapter-3: Innovative Technologies in Banks**
The chapter covers the historical background, I.T. in banks in India, RBI rules & norms about I.T., funding for I.T. by RBI, I.T. types-merits, demerits, limitations of I.T. from the point of view of banks and customers, cost & benefit to banks, viability of I.T. and functioning/ procedure of each I.T. and the requirements thereof.

**Chapter-4: Profiles of Anand and Baroda Districts**
The chapter covers the urban and rural population of the region, business, industry, occupations of the region, education/literacy,
no. of banks, their types, branches in urban, rural and semi urban area and RBI norms.

**Chapter-5: Private Sector Banks Selected for Study**
The chapter examines the criteria’s for selection, I.T. used by each private sector bank, I.T. in urban and rural branches of selected banks, comparative table of I.T. facilities and increase in business and customer due to I.T. of each selected private sector bank.

**Chapter-6: Analysis, Interpretation and Presentation of Data**
The chapter describes the data from management of the private sector banks, branch managers of the private sector banks and customers.

**Chapter-7: Attainment of Objectives and Hypothesis Testing**

**Chapter-8: Summary, Inferences, Recommendation and Conclusions**
The chapter includes detailed summary of findings from preceding chapters, major concluding remarks and suggestions. It also sets out future research prospects in the area of marketing services of private sector bank.

**Appendix, Model Questionnaire and Bibliography**