CHAPTER – I
INTRODUCTION AND DESIGN OF THE STUDY

INTRODUCTION

Modern banking developed only after the Industrial Revolution. After the Industrial Revolution, with the increase in the size of industrial and business units, joint stock company form of business organization came into existence. This form of organization encouraged people with small means to become shareholders of big industrial and business enterprises. Still, there were certain sections of the public who were not prepared to invest their money on the shares of joint stock companies. But, they were willing to part with their surplus money, if they were assured of the repayment of their money with some interest thereon. So, naturally, there arises the need for the formation of financial institutions that could collect the surplus funds of the people on terms acceptable to them and make them available to the needy for productive purposes.

Accordingly, a large number of such financial institutions and joint stock banks were set up after the Industrial Revolution. So, joint stock banks or modern banks are of recent development. It was only in the 19th century that the modern commercial banking was developed in most of the leading countries in the world.

EVOLUTION AND DEVELOPMENT OF BANKING

Banking is as old as the civilization itself. Banking existed in Babylonia in 2000 B.C. The Babylonians had developed a system of banking under which they used temples for money lending. The Babylonians lent money against the security of gold and silver left with them for safe custody\(^1\).

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The English term ‘bank’ is derived from the Italian word ‘banco’, the Latin word ‘bancus’, the Greek word ‘banque’, or the French word ‘banque’, which means a bench.

In ancient Rome also, there existed the business of banking (i.e., the practice of granting credit). Banking business developed on the Greek pattern there. The banking business in Rome suffered serious damage on the fall of the Roman Empire, after the death of Emperor Justinian in 565 A.D. The business of banking was once again revived with the revival of trade and commerce in the middle ages. Though the business of banking was revived, during this period, the banking business was mainly confined to mere money lending. The money lending business was largely in the hands of the Jews and the Lombardly.

In England, banking business was developed during the region of Queen Elizabeth I. The goldsmiths used to receive the valuables and the funds of their customers for safe custody, and issued receipts for the valuables and funds accepted from the people. Initially, the receipts issued by the goldsmiths were just intended for the withdrawal of funds and valuables left for safe custody.

Even in India, banking (i.e., money – lending) was in existence from very early times. The ancient Hindu scriptures referred to the prevalence of money lending activities in the Vedic period. During the Smrity period, which followed the Vedic period, the business of banking was mainly carried on by the members of the Vaish community.

ANCESTORS OF MODERN BANKS

According to G. Growther the modern banks have three ancestors. They are

1. Merchant Bankers
2. Money Lenders
3. Goldsmiths
MERCHANT BANKERS

Merchant Bankers were, originally, traders in commodities. They were engaged in trade, internal as well as external. In course of time, besides trading, they undertook the financing of trade, especially the foreign trade.

MONEY LENDERS

Money Lenders were men of means and reputation. They used to lend their surplus funds to the needy at high rate of interest and earned large incomes. Soon, those who had surplus money to spare entrusted the same to the money lenders for investment. The money lenders borrowed money at lower rates of interest, and lent it to the needy at higher rates of interest. The difference between the two interests constituted the profits of the money lenders.

GOLDSMITHS

Goldsmiths functioned mainly in England. They were men of honesty, integrity and reliability. Further, they had facilities (i.e., strong iron safes) for the safe – keeping of valuable and money. So, people deposited their spare money with the goldsmiths for safe custody.

1.1. IMPORTANCE OF THE STUDY

In a banking environment where the customer has come to the central stage, regular and comprehensive appraisal variety of bank services in relation to the perceptions of customers are much importance. Because of the information explosion, today’s customer is more knowledge and his expectations are very high. In order to satisfy the growing expectations of the customers, banks have ready to render customer needed services and their satisfaction. The first step to marketing is to identify the needs of the customers and his level of satisfaction about the existing bank services. Modern days Financial Institutions are vital role for Economical Development. Among the Financial Institutions and Banking sector also key important role for development in almost all areas.
Customer satisfaction could not be measured in terms of quantifiable and accurate manner. The researcher has attempted to study the Banking sector services in the different dimensions. The empirical studies have proved that marketing of bank services had not been fully adopted in India in all its aspects. In certain areas like service quality, selection of bank, deposit mobilisation, market segmentation and publicity were undertaken. Customer satisfaction, the Sine qua non of marketing of bank service has been given adequate emphasis only recently. So studies are required to identify customers’ needs and preferences in order to develop innovative bank services of their choice in a fast changing environment characterised by information and technological revolution. The study, relating to marketing of bank services, will provide an insight into the weak areas of customer services and can make corrective steps. The study area is selected in the Karur District. Moreover, the study will be of more useful to bankers in framing their future market strategies in the same District.

1.2. STATEMENT OF THE PROBLEM

Competition has been the key factor in the growth of marketing all over the world irrespective of the kind of product or market. The same is true with regard to the marketing of banking services also. Because of the socio-political and economic situations prevailing in India, the banks seldom think of the necessity of applying marketing techniques in their day-to-day operations in the past. Indian banks are highly regulated by Reserve Bank of India in various ways which have made marketing a difficult task and more often challenging.

Since people have a wide choice of services they are more conscious of convenience and cost, safety and speed, respect and quality, courtesy and elegance. Successful banks in India will be those that have rigorously defined strategic focus and total commitment to high quality of customer service. The business relationship between a bank and its customer is not a one time transitory relationship; it is relatively permanent and enduring one, which requires to be nurtured with good quality of service. This is one of the paramount importances in an age of relationship marketing.
In order to survive in a highly competitive and market driven environment, Indian banks have to prepare themselves to face the market fundamentals effectively. Their success depends upon the speed and quality of service rendered to customers. For maintaining high service quality, banks have to come closer to their customers to monitor and react to the pace of change in their needs and expectations. So an objective assessment of the standard of customer service, customer satisfaction is a pre-condition for the success of Indian banks.

The bank has provided a lot of services to their customers. Yet, they haven’t reached the expected level of the customers. Hence, an attempt is made to study the customer’s satisfaction from the services provided by The Karur Vysya Bank Limited in Karur District. In this connection, the following questions are raised to identify the marketing of services to the customers of The Karur Vysya Bank Limited in the study area.

1. To what extent the customers are utilising the services of The Karur Vysya Bank Limited in the study area?
2. What is the level of attitude towards the services offered in The Karur Vysya Bank Limited?
3. What are the factors influencing the customers in utilising the services of The Karur Vysya Bank Limited?
4. What is the level of satisfaction accrued by the customers in utilising the services?
5. How will you assess the relationship between the account holders and bank employees?

1.3. SCOPE OF THE STUDY

In this global scenario, every public sector and private sector banks or foreign banks has introduced many customer oriented services apart from the regular banking activities. The study has been undertaken mainly to highlight the customer perception towards bank services and scheduled bank of The Karur Vysya Bank Limited at Karur.
1.4. OBJECTIVES OF THE STUDY

1. To measure the level of attitude towards service offered by The Karur Vysya Bank Limited.
2. To measure the growth pattern of service provided by the banks in India.
3. To analyse the factors influencing the utilisation of bank services.
4. To assess the relationship between the account holder and bank employees.
5. To know the perception of the customers regarding the service quality.
6. To identify the problems and offer suitable suggestions based on the findings of the study.

1.5. METHODOLOGY

The validity of any research depends on the systematic method of collecting the data and analysing the same in sequential order. In the present study, an extensive use of both primary and secondary data was made. For collecting primary data field survey technique was undertaken in the study area. First-hand information pertaining to behaviour, satisfaction, benefits accrued by customers and problems faced by the customers while utilising the services of The Karur Vysya Bank Limited in the study area, data were collected from four hundred sample respondents.

1.5.1. Sampling Designing

In Karur district there are forty banking companies are functioning. Among them there are twenty one public sector banks, fifteen scheduled banks and four co-operative banks. Among the fifteen scheduled banks the researcher has specifically selected The Karur Vysya Bank Limited for the purpose of the extensive study. Because, The Karur Vysya Bank Limited is one among the leading scheduled banks in India. The Karur Vysya Bank Limited is functioning with nine branches in Karur District. Researcher has selected all the nine branches for the study.
1.5.2. Sampling Technique

In this study simple random sampling technique has been followed.

The selected sample respondents in the study area are shown in Table No. 1.

**TABLE NO. 1**

**SELECTION OF SAMPLE RESPONDENTS**

<table>
<thead>
<tr>
<th>S. No</th>
<th>Branch Name</th>
<th>Number of Respondents</th>
<th>Total Respondents</th>
</tr>
</thead>
<tbody>
<tr>
<td>01.</td>
<td>Aravakuruchi</td>
<td>45</td>
<td>45</td>
</tr>
<tr>
<td>02.</td>
<td>Gandhigramam</td>
<td>45</td>
<td>45</td>
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<tr>
<td>03.</td>
<td>Karur Central</td>
<td>45</td>
<td>45</td>
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<tr>
<td>04.</td>
<td>Karur Main</td>
<td>45</td>
<td>45</td>
</tr>
<tr>
<td>05.</td>
<td>Karur West LNS (Lakshmi Narayana Samuthiram)</td>
<td>45</td>
<td>45</td>
</tr>
<tr>
<td>06.</td>
<td>Kulithalai</td>
<td>45</td>
<td>45</td>
</tr>
<tr>
<td>07.</td>
<td>Thanthonimalai</td>
<td>45</td>
<td>45</td>
</tr>
<tr>
<td>08.</td>
<td>Veerarakkiyam</td>
<td>45</td>
<td>45</td>
</tr>
<tr>
<td>09.</td>
<td>Vengamedu</td>
<td>45</td>
<td>45</td>
</tr>
<tr>
<td></td>
<td><strong>Total</strong></td>
<td><strong>405</strong></td>
<td><strong>405</strong></td>
</tr>
</tbody>
</table>

*Source: Primary Data*

Among the total of 405 questionnaires, 5 questionnaires were rejected due to vague and inadequate of answers. Finally, 400 respondents have been considered for the study. The geographical area of the study is confined to Karur District in Tamilnadu.

The sample size is determined by the formula, 

\[ N \frac{N}{1+NE^2} \]

Where,

- N – Number of Account Holder and
- E – Margin of Errors 5%
There are nine branches of The Karur Vysya Bank Limited in Karur district. The sampling size has been selected as 400 respondents. The data thus collected are properly organized in suitable tabular form. The respondents were selected on a simple random basis from the branches.

1.6. DATA COLLECTION

Primary Data

In order to fulfill the above objectives set out a sample study is undertaken by using a well framed questionnaire and to collect the questionnaire / interview schedule after filled by respondents as well by the researcher. The respondents were selected with the varying nature. Based on the important aspects of demographic variable like age, gender, education, occupation, income, marital status, etc. for this study.

The structured questionnaire and interview schedule were pre-tested and suitable modifications were carried on.

Secondary Data

The primary data were supplemented by a spate of secondary source of data. The secondary data pertaining to the study were gathered from books, e-books, internet, leading journals and from resources of the well equipped libraries in the various sources.

Discussions and Informal Interviews

In order to know the general working pattern of the services, several rounds of discussions were held with research experts and knowledgeable persons in the relevant field.

Tools of data collection

By virtue of a mass of data collected from the research survey as well as data from secondary sources collected and presented in the present report, descriptive and analytical research were considered the most appropriate for this
study. The researcher has used closed and open ended questions in the questionnaire or interview scheduled to collect the primary data.

**Construction of Questionnaire**

The key aspects of the present research to be studied were identified from the preliminary interviews with some selected respondents. The questionnaire so drafted circulated among some research experts and research scholars for a critical view with regard to wording, format, sequence and the like. The questionnaire was re-drafted in the light of their comments.

**Pre-Test / Pilot Study**

Pilot study was conducted with 50 samples. Based on the pilot study the questionnaire / interview schedule was modified and formulated.

**Frame work of analysis**

The core of the research study being “Marketing services to customers towards KVB in Karur District”, the study centres around the dependent variable viz, the level of satisfaction perceived by the customers while utilizing the services and their relationship with their perspective independent variables.

**Approach to the customer preferences**

The difference in the extent of utilising the services from Karur Vysya Bank between the different types of respondents based on their age, gender, marital status, educational qualifications, occupation, family size, annual income level, experience in utilising the services and level of satisfaction perceived by the consumers was studied by means of percentages averages ranges standard deviation, two-way table, chi-square test are found necessary. In addition to these other statistical tools of ANOVA for customer satisfaction index and regression analysis were also used in this study.
1.7. HYPOTHESES OF THE STUDY

Based on the objectives the following hypotheses were framed.

1. The level of satisfaction of customers does not vary significantly based on different groups of personal variables namely, age, gender, occupation, education, income, residence, frequency of visit to bank and years of association with the bank.

2. The opinion about service charges is not significantly associated with the personal profile of the respondents namely, age, gender, occupation, education, income, residence, frequency of visit to bank and years of association with the bank.

3. The opinion score on customer service does not vary significantly based on different groups of personal variables namely, age, gender, occupation, education, income, residence, frequency of visit to bank and years of association with the bank.

4. The opinion score on service rendered does not vary significantly based on different groups of personal variables namely, age, gender, occupation, education, income, residence, frequency of visit to bank and years of association with the bank.

5. The opinion score on rapport with customer and opinion score on bank employees do not vary significantly based on different groups of personal variables namely, age, gender, occupation, education, income, residence, frequency of visit to bank and years of association with the bank.

6. The perceptions regarding different dimensions of service quality—tangibility, reliability, responsiveness, assurance and empathy do not vary significantly based on different groups of personal variables namely, age, gender, occupation, education, income, residence, frequency of visit to bank and years of association with the bank.

7. There is no significance correlation between the service quality dimensions and service related variables namely, customer service, service rendered, rapport with customer and opinion score on bank employees.
The above research hypotheses were aged analysis in the simple statistical hypotheses and are discussed in the analysis and interpretations chapter.

1.8. AREA OF THE STUDY

The area of the study in Karur District in Tamilnadu.

1.9. PERIOD OF THE STUDY

The study covers the period of four years from 2011-2012 to 2014-2015.

LIMITATIONS OF THE STUDY

The study undergoes the following limitations. The survey was conducted only in Karur District in Tamilnadu. Hence, the results arrived at from the study may or may not be applicable to other districts. Further, the survey method which was adopted for collecting the data in this study had its own limitations.

Some respondents gave information about their economic background like wealth details, from their memory as they had no proper account for them. The respondents only provide approximate information gave at the time of data collection. Necessary cross verifications were made to reduce in information, wherever doubts arose.
CHAPTER SCHEME

The present study has been divided into six chapters.

- The **first chapter** gives a brief description about marketing of bank services and includes Introduction, Importance of the study, Statement of the problem, Scope of the study, Objectives of the study, Hypothesis, Methodology, Sampling Design, framing of Questionnaire, Methods of collection of Primary Data and Secondary Data, Statistical Tools applied, Area of the study, Period of the study and Limitations of the study.

- The **second chapter** presents the Review of Literature available in the marketing of bank services. This chapter also covers the various empirical studies of different authors with different study period.

- The **third chapter** deals with the profile of the study area which covers the historical perspectives, progress, performance and functions of The Karur Vysya Bank Limited.

- The **fourth chapter** highlights the evolution of bank marketing.

- The **fifth chapter** contains analysis and interpretation. In this chapter, attempts have been made to analyse the factors that influence the bank customers’ level of satisfaction through marketing of bank services by The Karur Vysya Bank Limited.

- In the **sixth chapter** the key findings are recapitulated. Based on these findings, a few suggestions have been made for improving the marketing services to customers in Karur District by The Karur Vysya Bank Limited.