CHAPTER I
INTRODUCTION AND DESIGN OF THE STUDY

1.1. INTRODUCTION

Banking is the key factor of all economic activities. Banking activities are in-fact considered so vital for the economic development of any country. Any changes in its process are deemed to have repercussions on the country’s growth. The banking system in India is currently changing its fibre and is undergoing sweeping and phenomenal changes. The three gates of changes namely liberalisation, technological innovation and globalisation have shifted the focus from security orientation to market orientation thereby making manpower the key factor. In this context, the Government is giving a re-look at the organisational preparation of the public sector banks so as to enable them to face competition on the national and global scenario. The Government has also relaxed the restriction on the entry of new private sector banks resulting in the establishment of a number of new private sector banks which have been hopefully posing greater challenges to the public sector banks.

Banking is a service industry which delivers its services across the counter to the ultimate customers. The activities of banking industry are all about ‘Relationship’. Hence human resource assumes a very important role in the banking industry. Banking Industry provides better services to the customer with a smile in order to cultivate and maintain long lasting relationship with their customers. Since technology is only an aid to human effort and not a substitute of it, banking is primarily a labour intensive service sector. It is a difficult task for the banks to sustain their effectiveness unless human resource management is given prime importance.

Human beings live together and work together as a community. Many social organisations are established for a collective living. An organisation is a collection of individuals who strive willingly together for a common goal. They
work as a group over a period of time. Among the social organisations, banks deserve the credit of being noteworthy. Banks have become the integral part of man’s life. Ancient man used caves as storehouse of his treasures. The anxiety of a man to preserve his belonging safely for the future is the core idea of banking.

The economic development of a country is judged by the possession of resources. Among the major resources like land, labour, capital and market, capital occupies a prime position. The monetary position of a country is decided by the unique organizations, named 'Banks'. Thus, Banks does play an important role in an economy.

1.2 THE BANKING SCENARIO

Change is the law of life. Banking is no exception. Winds of rapid change have been blowing in the recent past over the banking arena, which turns out to be a testing, challenging and exciting period. Change and innovation are the two important tools for the development of banking industry. But very often it is found that banks do not act in tune with the challenges posed by the changes. They tackle one issue after the other and by doing so they do not adjust properly to the changes.

All changes interact with each other. Banking edifice, which is more than 100 years in our country, have passed through many phases in the last century, such as social control, nationalisation, liberalisation, privatisation, globalisation and computerisation and so on. In the recent years, Indian banks are going through various functional and structural changes to keep pace with global changes.

The changes in the global market turn out to be challenges for the banking industry. The challenges are to be faced for the very survival and growth of the country.
As a result, share of business of public sector banks in recent years, had declined to 78 per cent in the banking system compared to 88 per cent in 1969. With market oriented reforms the process of disintermediation gains deep roots. This in turn poses risk and challenges for banks. With every bank drawing up ambitious plans, retail banking is suddenly one of the hottest businesses in towns.¹

In order to compete the new entrants effectively, Indian commercial banks need to tackle competition in addition to their existing simple banking business. If the challenging private banks easily win one round against the nationalised banks, the next round is likely to be fiercely competitive.

**Technology**

Technology has become one of the biggest drivers of change in the banking system. Information technology has opened new vistas and in turn has brought new possibilities to improve the productivity and performance in all spheres of banking.

The emerging electronic computer technology causes a paradigm shift in the way of doing business. Multi channel delivery strategy is inevitable for survival and growth with profits. India is expected to become the second largest market in Asia after China in terms of e-commerce in banking industry. The Indian banks need to harness technology more to keep pace in the increasingly competitive financial market place.²

In this area, private sector banks have a competitive edge over public sector banks. Another important dimension of this sector is that it is the best to integrate the technological upgradation in Banking sector with the brick and mortar industry as well as with conventional bastions of services industry banking.³
Innovations

Banks need to be innovative and proactive to find new ways, products and services to count. As the banks’ traditional intermediation role gets slowly eroded, innovative ways are constantly enhanced in redefining their products, creating new markets, reinventing competitive roles and most of all challenging the status quo. Innovation has become the core of banks’ existence and banks are finding it too difficult to come out of their traditional clutches.

Bank Computerisation

The computerisation in banks has proved a boon for achieving cost reduction, productivity improvement and performance enhancement. It lends active support to decision making through ready information and by achieving modern and sophisticated work culture.

Changes in the Customers Attitude

In the recent years, there is a wide shift in the customers’ attitude. The future customer of the banks is more educated, well informed and price and quality conscious. They expect the duel excellence of services with international standards and with a personal touch of traditional Indian style.

The World is moving increasingly into a consumerist society where, regulators, judges and legal system continue to move to favour the individual consumers.4
Customer Driven Growth

Customer orientation and customer retention are the two important areas of concentration for the banks in future. One of the major threats to the banking industry is “Customer Defection”. Customer delight and ecstasy are going to be the name of the game in rendering customer services in bank. Door step banking, mobilise banking, and offer of unlimited convenience are fast developing. The bank, which comes to you approach, is a step further carried in customer focus.  

Deregulation

Establishment of Banks has come under considerable pressure due to increased competition and interest rate deregulation in recent years. Banks would be required to choose appropriate multi faceted activities to attract more customers into the banking system. With deregulation of interest rates, margins have thinned out. As such, profitability is also adversely affected.

Restructuring of Banks

Still global competition, rapid technological changes, volatile interest rate, entry of new private banks and economic and other conditions have created significant pressure on the stability and viability of Indian banks, which hitherto experience reduction in profitability, declining productivity, deterioration in quality of assets, overstaffing, obsolete technology etc.

Bank restructuring is not an option but an imperative in the changing scenario. Environmental changers have created the compulsion of Indian banks to re-position themselves so as to become cost effective and market oriented for their survival and growth.

In the backdrop of the transformed phase of financial sector reforms, banks in India spread across the country with cultural diversity and demographic variations. They need to have a fresh look at their organisational structure.
In the emerging scenario, with more and more global players operating in India, there has been an urgent need to serve the customers promptly and efficiently. It is incumbent upon the banks to evolve their own structure for efficient delivery of services to their customers. These changes make our banking industry to be the one in a race along with the international banking systems to meet the challenges of fast growing economy. Human Resource Development System in banks needs to be given a new trust. Large investment will have to be made both in information technology and human resource development for imparting knowledge and skills, which in turn would reduce response time and accelerate decision making.

**Consumer Satisfaction in Banks**

Banking industry, being a partner in the economic development process, takes its role as a very positive and constructive one. In the Indian context, banking, which is essentially a service industry, is becoming more and more competitive. For a commercial bank to be effective, one has to have not only knowledge of banking laws and practices, but also various others skills. Further one has to have the right approach, attitude and style of functioning.

With the growing diversification of activities in banks and greater involvement of people in banking, banks are called upon to face new challenges and innovation. This calls for developing appropriate programme which ultimately satisfies the needs of the customers.

Banks have been increasingly internationalised. More foreign banks, financial institutions and private sector banks have been found in India. Banking is a dynamic activity and a new area of diversification in business and need for new technologies are over emerging.

The banking scenario has been changed by the driving force of technology, people's expectations and global effects.
1.3. EVOLUTION OF BANKS IN INDIA

Indian Banking history can be broadly classified in three phases, namely pre-nationalisation period (preceding 1969), Post Nationalisation period (After 1969 and up to mid-eighties) and Modern Period.

1.3.1. Pre-nationalisation Period

The pre-nationalisation period or traditional Banking period was a strong “Accounting” orientation period of bankers down the line, which is distinct from a “Marketing” orientation period. The customers were presented with a set of pre-determined options of bank products with not much interest. With the limited banking network available at that time, perhaps the customers had little choice. The banking business kept prospering even with a limited client base and a set of inflexible rules and regulations. This period is popularly known as ‘Class Banking’ era of Indian banking as against the era of ‘Mass Marketing’.

Before the 20th century, lending money at a high rate of interest was widely prevalent in rural India. Money was lent to farmers at 40 or even 60 percent interest per annum against the mortgage of land and standing crops. For proper understanding of the beginning of modern Banking in India, a view of Calcutta Agency houses is essential. These firms undertook banking operations for the benefit of their constituents. The Bank of Hindustan, launched by a business firm was one of the earliest banks started under European direction in India. However due to the fatal merging of banking with commercial enterprise, this bank collapsed following the failure of its parent firm in 1832. The Indian government established three Presidency banks in India.

The first of the three was the Bank of Bengal, which obtained its charter in 1809. It received the power to issue notes in 1823. The bank was given the power to open branches and to engage in inland exchange. The two other presidency banks, the Bank of Bombay and the Bank of Madras were established in 1840 and
1843 respectively. As the notes issued by the presidency banks were not popular, these were replaced by government paper money in 1862.

The three Presidency banks were subsequently united as the Imperial Bank of India which is now the State Bank of India in 1921 by the Imperial Bank of India Act 1920. This Act did not empower the bank to issue notes, a function, which remained with the Government of India. However, the Imperial Bank of India was allowed to hold government balances and to manage public department and clearing houses till the establishment of the Reserve Bank of India (RBI) in 1935.

The State Bank of India Act was passed in 1955 and the function of the Imperial Bank of India was taken over by the newly constituted State Bank of India (SBI). The latter is the largest bank in India with the maximum number of branches.

Towards the end of the 19th century, and the beginning of the 20th century, some joint stock banks emerged. The Allahabad Bank Ltd., was among the first to be established in 1886. The Punjab National Bank Ltd., was found in 1895 followed by Bank of India Ltd. in 1906, Canara Bank Ltd., Bank of Baroda in 1908 and the Central Bank of India in 1911. These banks along with some other major banks were nationalised in 1969 and 1980.

1.3.2. Post-nationalisation Period

The post-Nationalisation Period or development banking period changed dramatically with the nationalisation of 14 major commercial banks in 1969. The magnitude of banking development effort undertaken by public sector banks during this period remains mismatched by the banking industry any where else in the world. A large number of deposits and loan schemes were devised during the period for different sections of society, frequently at the insistence of the Government in furtherance of National priorities. The banker was still operating
in the seller’s market. The banker of this period never thought to ascertain what
the customer wanted. All he did was to present a few options to the customer who
simply accepted it. He pushed his range of banking products hard enough
amongst the customers’ in order to achieve the pre-determined levels of deposits
and advances fixed by his superiors. The discipline of bank marketing did travel
some distance as marketing tools like market segmentation, product
diversification and expansion were experimented. For example the State Bank of
India came out with its market segmentation scheme. Innovative loan products
like Integrated Rural Development Programme, Differential Interest Rate System,
Crop Loan etc were extensively marketed.  

Indian banking activities were initiated as a revolutionary attempt by the
government, to safeguard peasants from the clutches of poverty created by greedy
moneylenders. The exorbitant rate of interest charged by the money lenders made
poor farmers chronic debtors leading to the condition, born in debt, live in debt
and die in debt.

For a country’s development, finance plays a vital role. Plans for the
development of the masses are carried out achievable when the credit flow and
financial security are ensured adequately.

The strong decision to nationalise the 14 banks in 1969, brought in a new
thrust for India’s economy. The Government set up five Regional Rural banks in
1975 to keep credit available for weaker sections. With the support of the
government, banks have grown well and catered to the needs of people in a
number of ways. It is clear that in the Indian situation, banks will continue to play
a unique role as in the case of many large sized developing economics.
1.3.2. Modern Period

The Modern Period or The Bank Marketing Period gave an impression that commercial banks in the country have adopted marketing orientation. There was a growing awareness that marketing is an essential tool of a banker. This period is marked as the evolution discipline of bank marketing in India.

The new concept of bank marketing assigns weightage to customer satisfaction. The changed concept aims at having a full view of customer’s needs, fulfilling the identified needs in the best possible manner by required services, identification of potential customers, and conducting the activities at the branches on the basis of market segmentation. The matching of services with marketing is meant for formulation of overall marketing strategies that suit the tastes, temperament, needs and requirements of customers.

Banking is a service industry, marketing wide range of services to persons called customers. Speedy, timely and courteous services to customers are the essence of banking business. The maturity of such service very much depends on the quality of customer service and the satisfaction that the customers derive from such services. Bank must continuously assess their performance in this regard and must continuously strive to satisfy the new and emerging customer. The improvement in customer service is a necessary feature for the progressive growth of the banking industry. Till recently, no Indian banks have made a systematic study of customer services in all its aspects. This is probably due to the fact that hitherto banks have been operating in seller’s market and public opinion are not articulated or organised.

The services rendered by banks in India can be classified into two categories. They are traditional service and new service.
Traditional services include maintenance of different types of accounts, grant of advances through cash credit, overdraft and loan account, collection of cheques, bills of exchange and other instruments, issue of reference and final guarantee of promissory note.

Some other auxiliary services include safe custody of deeds, securities, safe deposit value, purchase and sale of securities, collection of interest on securities, debentures and dividend on shares, collection of pension bills, remittance of funds execution trustees, personal tax assistance, preparing Income tax, Sales tax, wealth tax returns, investment facilities, credit transfers, credit cards, traveller’s cheques, and gift cheques, emergency vouchers and sales of Unit trusts of India. The services are offered by banks are given in the following Figure 1.1.

**FIGURE 1.1**

**PARADIGM SHIFT OF BANKING INDUSTRY**

1. Serving the customer 1950’s to 1960’s
2. Satisfying the customer 1960’s to 1980’s
3. Pleasing the customer 1980’s to 1990’s
4. Delighting the customer 1990’s to 2000 AD
5. Retaining the customer 2000 AD and beyond
1.4. INNOVATIONS IN THE MODERN BANKING PERIOD

In this Modern Banking Era, there are plenty of innovations invented and implemented for the sake of the customers. Among them, the following major three have been given briefly.

1.4.1 Electronic Banking

Electronic banking is fast replacing the traditional paper-based banking. The National West Minister Bank in New York U.S.A. wants to demonstrate that services performed and delivered by human beings could be predictable and reliable. It advertises in television channels and attracts customers. The Lloyds Bank in United Kingdom sends questionnaires every month to around 550 customers at each of its 60 branches. This enables the banker to measure the quantum of customer satisfaction.

1.4.2. Electronic Data Interchange

Electronic Data Interchange (EDI) services are the newest expression of the efficiencies that are realised through electronics. EDI, the electronic delivery of invoice and payment billing information among trading partners, enables participants to automatically integrate accounting and payments. It is Chicago Bank in the United States that first identified that small customers who used Branch Teller Service produce little profit. As a result, it has started charging customers who use teller services. The results have been positive. Less than one percent of these customers are lost as a result of the charges. Some switched over to automatic services. Others are happy to pay for what they are using.

Barclay’s Bank offers the customers a variety of banking options. The customers can use conventional branch service or can bank via the telephone, the personal computer, or the Internet. Each route is charged differently. Barclay’s
bank seeks to ensure that the customer is not confused with the array of options. First Direct Bank (A Subsidiary of Mid Land) has targeted customers with high disposable incomes and reasonable risk profiles that not need to go into bank branch. With low bank charges and excellent telephone based services, it has won over 6 million of the U.K.’s most profitable customers.\textsuperscript{11}

1.4.3. Factoring

‘Factoring’ is the commonly used innovation in the field of bank marketing in India. With the view to examine the feasibility and mechanics to start factoring organisation. Reserve Bank of India has constituted a study group. The recommendations of the group regarding the constitution, organisation setup, scope of activities and related matters are accepted by the Reserve Bank of India.

State Bank of India is the first public sector bank to launch factoring services through its subsidiary, the SBI Factoring Commercial Services Ltd. While SBI subsidiary has been entrusted with the operations in Western region comprising of Maharastra, Gujarat, Madhya Pradesh, Goa and Union territory of Dadra, three more banks have adopted factoring services in the Southern, Northern and Eastern Zones. The Banks are Canara Bank, Punjab National Bank and Allahabad Bank respectively. The Reserve Bank of India has chosen City Bank, the leading innovation holders, to operate financial services in Delhi, Bombay and Madras. Instead of opening branches, City Bank has introduced tele-banking. The customers are given password, and operations of accounts are made easy. Even the customers who are far away from the bank’s branches can also make use of this facility.

1.4.4. Real Time Gross Settlement

The acronym “RTGS” stands for Real Time Gross Settlement. RTGS system is a funds transfer mechanism where transfer of money takes place from one bank branch to another bank branch on a “Real Time” and on “Gross”
basis. This is the fastest possible money transfer system through the banking channel. Settlement takes place in "Real Time" which means payment transaction is not queued or staggered subjecting the transaction for any waiting period. The transactions are settled as soon as they are processed. "Gross Settlement" means the transaction is settled on one to one basis without bunching with any other transaction. Considering that the money transfer actually takes place in the Books/System of Reserve Bank of India, the payment is taken as final and irrevocable. Hence the said product is aptly named as Corp Bullet in our Bank.

An RTGS is an effective platform for inter-bank transfer of funds with adequate supporting devices, the implementation and the success largely depend on the adaptation to compatible systems by all the participants.\textsuperscript{12}

1.5. MARKETING OF BANKING SERVICES

Marketing concept asserts to identify consumers needs before the product is produced so that the product developed can meet the needs. It can be said that the consumer is the pivot around which the whole marketing system revolves. Modern marketing therefore begins with an understanding of consumer needs. The real problem is to learn what a consumer needs. The real problem is to learn what a consumer takes into consideration when he chooses a particular brand. All the behaviour of human beings during the purchase may be turned as buyer's behaviour. Factors influencing the consumer behaviour are internal like needs, motives, perceptions and attitudes as well as external. The major external factors are family social group, culture economics, business influence etc. These influences are depicted in Figure 1.2.
Hence the ultimate objective of every consumer should be to come with new products that will serve the consumer and replace the old products which became obsolete with the passage of time and consumer likes and dislikes. Thus it is high time to think about reframing marketing mix of banking service.

**The First ‘P’ - Product**

The first among the P’s of bank marketing is product mix. A product is an overall concept of objects or processes which provide some value to customers. Goods and services are subcategories which describe two types of products. Thus the term product is frequently used in a broad sense to develop either manufactured goods or products and services. According to Philip Kotler, a product is anything that can be offered to a market for attention, acquisition, use or consumption. It includes physical objects, services, personalities, places, organizations and ideas. Stanton says, a product is a set of tangible and intangible attributes including...
packaging, colour, price, manufacturer's prestige, retailer's prestige and manufacturers' and retailers' services which the buyer may accept as offering satisfaction of wants and needs. Market is often defined in terms of both products and services. Marketing executives and theoreticians generally have focused their attention on products under the assumption that services are marketed in much the same way.

The Bank offers three types of products. They are Deposits Schemes, Credit Schemes and Services.

**The Second 'P' - Price**

Price in the case of service, different terms are used for different services like fees for legal service, fare for transport service, commission agency services, premium for insurance service, interest for the use of money. Two characteristics, which have great impact on determining the prices of services are perishability and intangibility. In banking industry, price is the amount of money that will determine the exchange rate of bank product or services between the bank and customers. Price determination of the banking products or services is subject to regulation either by the Government or by the Reserve Bank of India. It is a unique feature of the bank price that the products are mostly designed by the banker while the price is determined by the RBI and Government of India. Due to this, there is uniformity in the price of bank product throughout India. Hence the chance of competition on the basis of price is almost nil. As a part of the economic liberalisation programme of the Government, pricing in Indian banking is steadily being deregulated.

**The Third 'P'- Place**

The most important element in distribution strategy relate to this issue of location of the banks to render their service. Distribution means delivery of the products or service at the right time and at the right place. The place where the banking products or service are delivered is an important element in bank
marketing. Technology has also been deployed by banks for implementing their place strategy.

**The Fourth 'P' - Promotion**

The promotion is to inform and remind individuals and persuade them to accept, recommend or use of a product service or idea. Promotion is a demand stimulating aid through communication. Any marketing promotion campaign has two objectives. They are to inform the prospective customer and then to persuade him. Due to the inherent intangible nature of services, the customer of banking service relies more on subjective impression rather than concrete evidence. When a bank comes out with a new product, it makes us target customer segment aware of it only through marketing promotion. It may be in various forms like press advertisement, sales campaign, word of mouth, personal interaction directly mailing. Making the customer may be enough if the product is unique or in great demand. But this may not be so always. So the second fundamental objective of a promotion campaign is to persuade the customer to buy the product in preference to other similar products available in the market.

**The Fifth ‘P’ – Procedure**

The procedure is crucial to the bank marketing strategy. It gives value to the buyer and an element of uniqueness to the product. It is very significant because it provides competitive advantage to the bank. The importance of procedure in bank marketing strategy is based on 'value chain concept'.

**The Sixth ‘P’ - People**

The Indian banking industry is not an exception to the modem forces of changes and competition. Many new ideas and strategies have been introduced since the introduction of the new economic policy. Like any other service industry,
banking is a labour intensive industry. The human factor plays a pivotal role in the running of the business.

The point being stressed here is not simply the need of human approach towards people in banks. It is also not only about making available necessary knowledge and skill for servicing the customer better, but the central point stressed here is that there is a need to market banking products to own grassroot level people before marketing these products effectively to customers.

1.6. STATEMENT OF THE PROBLEM

In the recent years of the banking industry, competition is getting increasingly intensified with the advent of the liberalisation, privatisation and globalisation. New entrants are overflowing into the industry. Globalisation has fiercely aggravated competition environment. More number of foreign banks has found place in most of the cities and towns in our country. With the setting up of more number of local area banks the competition in rural area is also expected to gain momentum.

In this emerging scenario with more and more global players operating in India, there has been an urgent need to serve the customers properly. The changing dynamics of the customers' expectations, their demand for quality services at competitive prices and the various options available to them have replaced the banks from sellers market to buyers market.

Further, with the advent of banking sector reforms, the scenario of banking in the 1990s has totally changed. In order to improve efficiency, accountability and high degree of customer service, competition has been induced by granting licence for banking business to new operators like private banks, local area banks, foreign banks, regional rural banks and cooperative banks. In such a competitive environment, the ability of a bank to achieve growth rate depends on identifying the needs of customers properly, effective products and services, providing better
amenities and facilities, exploring new distribution channels and evolving effective marketing strategies so as to meet the continuously changing customer needs.

Customers who contact any bank require two things. They need a solution to a problem related to investment/credit. They want to feel some way ‘Special’. Now-a-days, customer preferences keep on changing at a rapid speed and their demands are insatiable. In order to cater to the changing preferences, bankers are bound to provide the services suitable to their needs to survive.

Customers are the king of the present day banking, since the banks are providing tailor made services to the changing needs of the customer to face the competition from rival banks. Customers are not ready to accept any delay in service today and are in need of information to take instant decisions. Therefore, customers’ satisfaction is more important in servicing. Customers are not homogenous in their behavioural patterns, attitudes, needs and expectations.

Therefore, there is a need to undertake a study of this nature to analyse the attitude level of different types of customers towards banking services and also to study the perception of the employees and customers towards banking products.

1.7. SCOPE OF THE STUDY

The study has been undertaken to highlight the perception of employees and customers of public sector banks and the satisfaction of customers towards the banking services of public sector banks. The present study covers only the public sector banks operating in the study area. The private sector banks, local area banks, foreign banks and the co-operative banks are not covered by this study.
1.8. OBJECTIVES OF THE STUDY

The following are the major objectives of the study:

1. To study the different concepts of marketing of banking products in the public sector banks.
2. To study the profile and present scenario of banking products in the study area.
3. To examine the relationship between the satisfaction of customers and their characteristics variables.
4. To study and compare the perception of the bankers and customers towards the marketing of banking products provided by public sector banks.
5. To study the areas of concern towards marketing of banking products in customers’ services.
6. To offer suitable suggestions on the basis of the findings of the present study.

1.9. HYPOTHESES

The following are the hypotheses framed for the present study keeping in mind the specific objectives of the study:

1. There is no relationship between the profile of variables and level of satisfaction.
2. There is no significant difference in observation of bankers and customers about the deposit schemes.
3. There is no significant relationship between the views of the bankers and customers about the credit schemes.
4. There is no significant relationship of observation between bankers and customers about the services.
5. There is no significant association between bankers and customers about promotion strategy.
6. There is no significant relationship between the views of the bankers and customers about the procedure strategy of banks.

7. There is no significant relationship between the observation of the bankers and customers about the people strategy.

8. There is no significant association between the observation of the bankers and customers about the overall services of banks.

1.10. OPERATIONAL DEFINITION OF CONCEPTS

**Commercial Bank:** A business that trades in money, receiving and holding deposits, paying money according to customers’ instructions, lending money, etc.

**Relationship Banking:** This is a new approach to the marketing of bank services. The emphasis here is on viewing the customer as a long term business relationship, rather than confining attention to particular transactions. Banks take on the role to establish a firm relationship wherein the customers confine all their banking transactions to them.

**Automated Teller Machine (ATM):** ATMs are automatically functioning computerised systems mainly meant for cash withdrawal. They are conveniently located and function 24 hours.

**Single Window:** Under this system, customers will not be required to move from one counter to another, as each of the designated counters offers all kinds of services such as cash and cheque deposit, withdrawals, handling term deposits and the issue of drafts.

**Bank customer:** An individual who avails any of the facilities relating to deposits and loans, and maintains an account with a bank is a bank customer. An individual who does not deal with the banker in regard to the essential function of a banker like acceptance of deposits and lending of money but avails of any other service offered by the banker, is not a bank customer.
**Product:** Products mentioned in this research work are Remittance, collection, deposits, letters of credit, foreign currency, consultants, merchant banking, investment counselling, advances, loans, bills discounting, guarantees, credit cards and trusteeship.

**Place:** Place includes the location of branches at strategic points, off-site ATMs, on line banking etc.

**Price:** Price includes the interest, commission, dividends, shares, bonds, Non-Performing Assets (NPA).

**Responsiveness:** Responsiveness means Promptness with which employees are willing to offer service. The customer feels that he is considered important and is being paid due attention.

**Courtesy:** Courtesy means politeness and respect while dealing with customers.

**Credibility:** Creditability is the trustworthiness and believability of the service provider.

**Collateral:** Collateral refers anything that acts as a security or a guarantee for a loan.

**Mortgage:** A mortgage means a loan, usually to buy property, which serves as security for the loan.

**Overdraft:** Overdraft means an arrangement by which a customer withdraws more from an account than has been deposited in it, up to an agreed limit. Interest on the debt is calculated daily.
**Safe Deposit Locker:** Safe Deposit Locker is a secure box in a bank where customers can keep valuable objects.

**Internet Banking:** Internet banking is a technology-driven service offered by banks. Here, the customer can obtain his account details through internet. To access the details, the customer is provided with a password.

**Mobile banking:** Mobile Banking is another technology driven service where the customer is able to access his account details using his mobile phone.

**Credit cards:** Credit cards are plastic cards issued by a bank or finance company that guarantees payment for goods or services purchased by the cash-holder, who pays back the bank at a later date.

Through credit cards, a customer can get almost all services like shopping, remittance of hotel bill, purchase of air and railway tickets, etc. by paying a nominal service charge to the concerned bank. The customer should pay back the amount with service charge after a specified period.

**Credit standing or credit rating or creditworthiness:** A lender’s estimation of a borrower’s present and future solvency.

### 1.11. METHODOLOGY AND TOOLS FOR DATA COLLECTION

The study is a blend of both primary and secondary data. The primary data relating to the study were collected with the help of the specially prepared interview schedule. Separate schedules were used for the employees and the customers.
Sampling technique

The study area selected for this research work is Virudhunagar District. The Virudhunagar District has been selected since there is a heavy concentration of banks functioning in that area as shown in Table 1.1.

**TABLE – 1.1**

Number of Bank Branches in Virudhunagar District
(as on 31st March, 2010)

<table>
<thead>
<tr>
<th>S.No.</th>
<th>Nature of Banks</th>
<th>No. of Branches</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>I. Public Sector Banks</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1.</td>
<td>State Bank of India</td>
<td>16</td>
</tr>
<tr>
<td>2.</td>
<td>Nationalised Bank:</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Indian Overseas Bank</td>
<td>17</td>
</tr>
<tr>
<td></td>
<td>Other Nationalised Banks</td>
<td>46</td>
</tr>
<tr>
<td></td>
<td><strong>Total Public Sector Banks (A)</strong></td>
<td><strong>79</strong></td>
</tr>
<tr>
<td><strong>II. Private Sector Banks</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>4.</td>
<td>Old generation Private Banks</td>
<td>26</td>
</tr>
<tr>
<td>5.</td>
<td>New generation Private Banks</td>
<td>06</td>
</tr>
<tr>
<td></td>
<td><strong>Total Private Sector Banks (B)</strong></td>
<td><strong>32</strong></td>
</tr>
<tr>
<td></td>
<td><strong>Total (A) + (B)</strong></td>
<td><strong>111</strong></td>
</tr>
</tbody>
</table>

Of the different public sector banks operating in the study area, only the State Bank of India and Indian Overseas Bank were selected purposely for the present study since SBI happens to be the biggest commercial bank in the country and the IOB is the lead bank in the study area. Moreover, these two banks are found to be having more branches covering almost all places of the study area. All the branches of these two banks were selected using Census method. However, the stratified random sampling technique was used to select the employees of the branches as shown in the Table 1.2.
TABLE – 1.2
Total Employees and Sample Design

<table>
<thead>
<tr>
<th>S.No.</th>
<th>Type of Employees</th>
<th>SBI</th>
<th>IOB</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Total Number of Employees</td>
<td>Sample Selected</td>
</tr>
<tr>
<td>1.</td>
<td>Top-level Manager</td>
<td>48</td>
<td>36</td>
</tr>
<tr>
<td>2.</td>
<td>Middle Level – Officer</td>
<td>112</td>
<td>83</td>
</tr>
<tr>
<td>3.</td>
<td>Lower level – Clerks</td>
<td>176</td>
<td>131</td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>336</td>
<td>250</td>
</tr>
</tbody>
</table>

These altogether 500 employees were selected using stratified random sampling at the rate of 250 from each bank.

Further, the researcher had selected 500 sample customers, 250 customers from each bank by adopting judgement sampling method for the study in order to ascertain the level of satisfaction of customers towards various banking products.

Secondary data

The secondary data were collected from Journals, Books, Reports, RBI Bulletins, Indian Overseas Bank’s Annual Credit Plan and reports and articles from Indian Banker’s Association Bulletin.

Collection of Primary data

The data required for this study had obtained from primary and secondary sources.
Primary data were collected through personal interview method with a pre-tested schedule. Two schedules were separately prepared for bank employees and customers. Before taking the main survey tentative interview schedules were prepared and administered to 20 employees and 20 customers on a pilot study basis, in order to test the correctness of the interview schedule. It helped the researcher to delete the unwarranted questions and to add a few relevant questions. The modified final schedules were prepared and used for collection of data.

The selected employees (from banks) and customers were contacted in person and the objectives of the study were clearly explained to them and their cooperation was secured.

After completing the data collection a thorough check-up of the data was made and necessary editing was done. A master table was prepared indicating the necessary data for analysis. With the help of the master table the data were transcribed on transcription cards. After that the classification table was prepared for further analysis and interpretation.

1.12. PERIOD OF STUDY

The secondary data were obtained for the five years from 2007-08 to 2011-12. The primary data for the study were collected during the period 2010-2011.

1.13. TOOLS OF ANALYSIS

The processing of data was done by the researcher with the help of a computer. In order to quantify the qualitative statements relating to banking services, scoring technique was adopted for the present study.
To examine the significant difference in views of employees and customers towards banking services, t-test was employed.

Spearman’s Rank Correlation coefficient was used to find the relationship between the observations of the employees and customers about different components of services.

To examine the relationship between the profile variables and attitude and customers’ satisfaction, Chi-square value was used.

The Likert Type scale was used to measure the score values of customers’ satisfaction.

The mean (\(\bar{X}\)) and Standard Deviation (S.D.) were computed for score values in order to find the level of satisfaction.

1.14. LIMITATIONS OF THE STUDY

The study is mainly based on the primary data collected from 500 employees and customers. It had excluded co-operative banks and other scheduled and commercial banks.

1.15. CHAPTER SCHEMES

This thesis entitled “Marketing of Banking Products and Customer Satisfaction – A Study with Reference to Public Sector Banks in Virudhunagar District” has been organised and presented in seven chapters:

Chapter I - Introduction

This first chapter introduces the subject and deals with history of banking, statement of the problem, scope of the study, objectives, hypotheses, operational
definition of concepts, methodology and tools for data collection, period of study, limitations and chapter schemes.

Chapter II - Review of Literature

This second chapter discusses the review of literature related to attitude of customers and employees of banks.

Chapter III - Profile and Banking Services of the Study Area

This third chapter highlights the profile and present scenario of banking services of the study area.

Chapter IV - Characteristics of the Selected Customers and Their Satisfaction towards Customers’ Services

This chapter analyses the characteristics of the selected customers and their satisfaction towards customers’ services.

Chapter V - Perception of Bankers and Customers towards Marketing of Banking Products

This fifth chapter deals with the comparative analysis of bankers and customers perception towards banking products.

Chapter VI – Areas of Concern of Depositors and Borrowers in Customers’ Services

This sixth chapter discusses the areas of concern towards banking products in customers’ services.
Chapter VII - Summary of Findings, Suggestions and Conclusion

This final chapter presents the summary of findings, suggestions and conclusion.
References


