SYNOPSIS

"Money and banking is the centre around which all economic science clusters."

"Banks are not mere purveyors of money but also in an important sense manufacturers of money."

INTRODUCTION

The essence of banking consists in accepting deposits for the purpose of lending and making a profit out of the difference in lending and borrowing rates. A modern bank performs multifarious functions and services and is rightly described as 'department store of financial services'. Commercial banks draw community savings into organized sector and allocate them among different economic activities according to the priorities laid down by planning authorities in the country. Other financial institutions in the Service Sector may offer a few of these services, but only a commercial bank offers them all within the context of a single organization. By opening branches at various unbanked under banked regions of the country, the commercial banks provide an opportunity to save to the public. The higher the number of bank branches in the economy, the higher will be the amount of deposit mobilization, ceteris paribus. Thus banking system has a great role to play in the process of country's economic development and social transformation.
In an industrial commodities market, the products are goods, whereas in a money market, the products are funds. With regard to banking industry, "deposits" and "loans" form two important products. For successful marketing of the above two products, the banker must recognize and implement the marketing concept. Bankers have traditionally been operations oriented, but only recently have they become customer oriented. That is, they started realising the importance of the philosophy of the marketing concept which focusses the integrated marketing efforts towards satisfaction of needs and wants of target consumers. If marketing is doing its job, two values, viz., satisfaction to the customer and profit for the bank should be equally balanced. Therefore, in a commercial bank, along with deposits and credits, customer service also play a key role. Hence these three parameters have been referred to as Marketing parameters in the thesis.

Review of literature on marketing and other management functions in commercial banks in particular and service sector in general revealed that major volume of research has been conducted on theoretical aspects. Main areas that have been investigated are: various strategies for effective marketing management and organization, improvements in productivity and quality of customer service, suggestions for the introduction of new systems and techniques in bank operations etc. Very few field studies have been undertaken
in commercial banks, worth mentioning are banks selection decisions using determinant attribute analysis, survey on marketing activities in service sector, reorganization and redesign of marketing in City bank, effectiveness of bank premiums and effects of introduction of electronic funds transfer system on banking. In the Indian context, major volume of research has been on theoretical problems in commercial banks and include areas such as, marketing strategies, customer service, bank information systems, deposit mobilization, credit planning using `Service Area Approach'. Very little work has been done in the service sector. Hence it is clear that there is ample scope for conducting research mainly focussed on the field studies on marketing parameters (deposits, credits and customer service). Therefore, an attempt has been made to undertake attitude surveys on deposit mobilization, customer service and also on the recently introduced `Service Area Approach' method of credit planning. Review of literature, indicated that credit planning, which is critical to the management of banks has not been thoroughly analysed. Also appropriate models have not been suggested for deposit forecasting and credit planning. Therefore, an attempt has been made to examine the above issues. Literature survey also revealed that commercial banking development study at all India, Andhra Pradesh State and Cuddapah district level in terms of banking parameters,
indicators and growth rates has not been conducted so far. An attempt has been made to undertake this study also.

OBJECTIVES OF RESEARCH

The main objectives of research work are as follows:

* To critically analyse the commercial banking development (structure, growth and performance) at all India, Andhra Pradesh State and Cuddapah District levels and to make a comparative study.

* To analyse and evaluate the opinions and attitudes of bank customers on various factors of deposit mobilization in commercial banks and to investigate the factors responsible for the selection of the type of bank (i.e., either a private sector bank or a public sector bank). To study the extent of deposit planning and forecasting in commercial banks and to suggest an appropriate model for deposit forecasting.

* To critically examine the existing method of credit planning in commercial banks at the district level and to suggest an effective model for credit planning. To critically analyse the recently introduced method of credit planning, 'Service Area Approach' for its effectiveness.

* To analyse and evaluate the opinions and attitudes of bank customers on various parameters of customer service and to find out the determinants of bank selection decisions. To evaluate the opinion of bank staff on parameters of customer
service and marketing functions and to make a comparative study between their opinions and customers' opinions on certain service parameters.

RESEARCH METHODOLOGY

The present work used a marketing research approach to achieve the objectives stated above. Both primary and secondary data sources have been used in the work.

In the study on commercial banking development, data from secondary sources have been used. Some of them are publications of Reserve Bank of India, State Level Banker's Committee, Bureau of Economics and Statistics, Lead District Office, etc. Using demographic data and parameters of banking, various indicators have been computed. Linear, compound and exponential growth rates have been computed for the bank parameters and indicators using the past data with the help of computer software package. Analysis of banking development has been carried out at all India, Andhra Pradesh State and Cuddapah district levels in terms of the above parameters, indicators and growth rates. At the district level, bank groupwise analysis has been carried out. A comparative study has been conducted at the above three levels and also in terms of bank groups at the district level. Conclusions have been drawn from the analysis and findings.

The study on deposit mobilization in commercial banks, various parameters of it mobilization have been
carefully identified and selected. For conducting attitude survey, the pilot and main questionnaires have been designed by following the principles of questionnaire design. Two public sector banks and one private sector bank have been chosen for the study. Actual sample size for each bank has been arrived by administering the pilot questionnaire to 50 customers of each bank and substituting the results of pilot study in the appropriate formulas of sample size determination. The sample sizes for the three banks have been 162, 87, and 110, making a total of 359. The attitude survey has been conducted by administering the main questionnaire personally to the above sample of bank customers. The questionnaires have been administered using the technique of "simple Random Sampling". The questionnaires have been carefully processed and analysed and various statistical tests have been conducted for the analysis of differences, investigation of associations and for testing hypotheses. Results, findings, conclusions and suggestions are presented.

Examination of extent of deposit planning and forecasting in commercial banks has been carried out. After analysing the nature of the deposit forecasting problem, keeping in view the available forecasting models, an appropriate model has been suggested. The model has been illustrated using the data from secondary sources like
Critical analysis of the present system of credit planning has been carried out and suggestions have been made. This has been carried out with the help of data available from banks and through discussions with bank managers. An appropriate model for credit planning has been suggested after careful examination of the nature and structure of the problem. The model has been illustrated using the data from secondary sources. Study on the 'Service Area Approach' for its effectiveness has been conducted by adopting the technique of 'Convenient Sampling'. A sample of 40 bank branches uniformly representing various commercial banks and different blocks of Cuddapah district has been chosen out of 150 bank branches available in the district. A carefully designed questionnaire covering various facets of 'Service Area Approach' has been personally administered to the above sample. The questionnaires have been processed and analysed. Findings, conclusions and suggestions are presented.

For the study on customer service in commercial banks, different parameters of customer service have been carefully identified and used. For conducting attitude survey, the pilot and main questionnaires have been designed by following the principles of questionnaire design. Two public sector banks and one private sector bank have been chosen for the study. Actual sample size for each bank has been arrived by
conducting a pilot study with the help of a questionnaire to 50 customers of each bank and substituting the results of pilot study in the appropriate sample size formulas. The sample sizes for the three banks have been 58, 154 and 232 making up a total of 444. The main questionnaires have been administered personally to the above sample of bank customers using the technique of 'Simple Random Sampling'. For the attitude survey on bank staff on certain parameters of service and marketing, a different questionnaire has been administered to them by following 100% sampling since the total number of staff in all the three banks has been 20 only. All the questionnaires have been carefully processed and analysed and various statistical tests have been conducted for the analysis of differences, investigation of associations and for testing hypotheses. A comparative study between the opinions of bank customers and staff has also been carried out for some important service parameters. The results, findings, conclusions and suggestions are presented.

TOOLS OF ANALYSIS

Tools of analysis used at the appropriate sections of the thesis for data analysis, interpretation and testing the hypotheses include: Kolmogorov - Smirnov one sample test, Median test, Mann - Whitney U test, Spearman's Rank correlation co-efficient, Pearson's correlation co-efficient, percentages, ratios, Kruskal - Wallies test, co-efficient of
contingency test, Multiple regression model, F-test, t-test, Linear programming model, Frequency distribution, linear growth rate, compound growth rate, exponential growth rate, co-efficient of variation, Measures of Central Tendency and Measures of dispersion.

SUMMARY OF FINDINGS AND CONCLUSIONS

The research study brought to light many useful findings and conclusions, a condensed version of the same is presented here.

COMMERCIAL BANKING DEVELOPMENT

The basic changes in the structures of commercial banks in India are characterized by the dominance of scheduled banks and expanding role of public sector banking. Commercial banking has changed substantially after independence due to increasing nationalization and tighter government control over banking operations, the main objective of which has been overall development in different sectors of economy with more emphasis on rural development. During the period 1969-90, the overall banking development in the country has been encouraging, which is evident from the transformation observed in various parameters like deposits, credits, bank offices and indicators like per capita deposits, per capita advances, average population per office, deposits per office, advance per office and also from linear growth rates computed for the above parameters and indicators. The percentage of
rural offices to total offices in the country rose substantially which is in tune with the objectives of nationalization of banks. Though percentage of urban and metropolitan offices reduced in the above period, its linear growth rate has been found to be more than the growth rate achieved for rural offices.

In the region-wise spread of bank offices, Southern region has been found to be leading in both the years and it showed a general encouraging trend of commercial banks to set up more offices in this part of the country. In Northern region only negligible improvement has been observed, whereas North-eastern region evinced maximum growth in terms of bank offices when compared to all the other regions viz., Western, Eastern and Central regions. In the year 1990, there has been more uniform distribution of bank offices in all the regions compared to the year 1969.

In Andhra Pradesh though there has been a general encouraging trend in the above period, in the case of bank offices, deposits, advances; indicators like per capita deposits, per capita advances, deposits per office and advances per office have actually shown a relatively poor performance compared to corresponding all India figures. But surprisingly, linear growth rate wise all these indicators have shown better performance than all India figures. The percentage growth of rural offices, semi-urban offices and urban and metropolitan offices compared well with the all
India figures. Telangana Zone though extremely under developed in banking in 1969 compared to the other two zones has been found to be leading in terms of deposits and advances in the year 1990. This has been mainly due to major contribution by Hyderabad district. But in terms of bank offices, Coastal Andhra Zone has been found to be leading. Observation of district-wise performance revealed that Cuddapah district maintained its last position in both the years, in terms of absolute values of bank parameters. But in terms of linear growth rates, the overall district performance compared well with all India level and Andhra Pradesh State level figures. The co-efficients of variation of the parameters of banking of all districts in Andhra Pradesh have shown a good reduction over the above period, indicating more uniform and consistent distribution in recent years.

Bank group-wise performance of commercial banks in the Cuddapah district indicated that Rayalaseema Grameena Bank has been found to be leading in bank offices. State bank group has been found to be leading in deposits and advances and priority sector advances. In terms of per capita deposits and per capita advances and also in terms of deposits per office and advances per office once again State Bank Group has been found to be leading. Study on growth rates of bank parameters and indicators following linear, compound and exponential patterns of all the three levels
revealed that Cuddapah district has been found to be at an accelerated pace compared to the other two levels. Growth rates of linear, compound and exponential patterns of the semi-urban offices and urban and metropolitan offices have been found to be consistent compared to growth rates in rural offices, which has been mainly due to changes in the policies of Reserve Bank of India and Central Government on rural banking.

DEPOSIT MOBILIZATION AND FORECASTING

Study on the preference of customers to open account in public sector or private sector banks revealed that majority of the bank customers opted for opening account in public sector banks. The reasons attributed for their choice have been responsibility of staff, security and safety, easy availability of loans, more branches and varieties of schemes. Others who opted for opening account in private sector banks indicated that quick service and attractive schemes have been the reasons behind their choice. Majority of customers preferred bank deposits for investing their savings compared to other investment opportunities. The others opted for post office savings, shares and Unit Trust of India, in that order. The study of customers opinion on various parameters of deposit mobilisation viz., enhancing interest rate on deposits, increasing business hours, personal approach by bank staff, tax concessions on deposits, intro-
duction of mobile banks and opening of more branches, introduction of novel systems in customer service, revealed their general positive attitude towards deposit mobilisation. During the study many suggestions have also been offered by customers for mobilising deposits. Kolmogorov-Smirnov on sample test, Kruskal-Wallis test and co-efficient of contingency test have been conducted for statistical investigation of differences and association respectively.

Deposits are the chief source of funds and controls the credit and investment policies of a bank branch, since the quantum of credit to be disbursed is directly dependent on the quantum of available deposits, planning and forecasting of deposits becomes the primary objective of the manager. Commercial banks are engaged in uncertain and dynamic financial and social world, hence planning and forecasting for deposits is vital for the success of the bank and its growth. It provides direction and involves all the management personnel working towards the same goal. It acts as a control device. Deposit forecasting is complex in nature, since bank deposits are dependent on many factors such as bank branches, agricultural productivity, industrial productivity, per capita income, price index, savings and a host of other factors. Review of various forecasting models to suit the above situation indicated that multiple regression is the most appropriate model for deposit forecasting.
Multiple regression model provides an estimate of the dependent variable i.e., deposits, from the values of independent variable. It has specific advantages over other models in this respect and helps the bank manager to understand the situation and also aids him to experiment with the different combinations of inputs to study their effect on the forecast. The model has been illustrated using the economic data of Andhra Pradesh State to forecast the deposits at the state level. The data has been processed using software package of step-wise regression.

CREDIT PLANNING AND SERVICE AREA APPROACH

Investigation of 'Service Area Approach' of credit planning with regard to its implementation and impact revealed certain useful conclusions in respect of allocation of service area to each bank branch, co-ordination between banks and other agencies, training the staff on planning skills, and manpower in bank branches. Many suggestions have been brought to light, to make this approach more successful. Examination of the present system of credit planning indicated that banks have been suffering from the mounting problems of overdues and recoveries which acted as barriers and retarders in the extension of bank credit to various sectors of economy. Other suggestions brought to surface for better credit planning included more positive and pragmatic monitoring system to assess the performance of bank offices, better
Credit planning involves allocation of total amount of credit among various sectors and loan schemes subjected to various guidelines and stipulations imposed by Reserve Bank of India and the government. From the careful observation of the nature and structure of the problem and from the review of various operations research models, it is suggested that linear programming model is the best suited for the above problem. The model has been illustrated using the data at the district level. Application of linear programming model to credit planning helps the bank manager to understand the problem better, enables him to identify the profitable sectors/schemes on which he can focus attention and aids him to take better decisions in future.

CUSTOMER SERVICE

The study conducted on the customer service profiles of banks revealed that customers have been entirely satisfied with a public sector bank due to excellent impression created in respect of all service parameters, which include reception, courtesy and help, time consumed for banking transaction, formalities in the sanction of loans, environment and facilities in the bank, treatment of suggestions and complaints, quality of currency notes and accuracy of entries in the pass book. Selection criteria used by the customers in bank selection decisions have been found to be convenience of
location, good customer service, convenient working hours. Many suggestions have been offered by customers to improve customer service, which include provision of parking place for vehicles, facilities like seating arrangement, drinking water, establishment of more counters for quick service etc.

Certain useful conclusions have been drawn from the attitude survey on bank staff regarding customer service and marketing in banks and are as follows. Public Sector banks have been found to have less cumbersome formalities for sanction of loans compared to private sector bank. Only one public sector bank has been found to display maximum time taken for banking transactions for the benefit of customers. All the banks have been found to maintain complaint/suggestion boxes. In general there seem to be some form of customer committee in every bank to look in to the problems of customers. All the bank staff appeared to contribute for developing bank business through enrollment of new accounts. There does not seem to be any approved incentive system to bank staff for improving business. There seem to be some form of marketing approach in convincing the customers to continue their accounts in case they are closing the account.

Only private bank appeared to closely watch the activities of competitor banks for improving their strategies. All the banks seem to give feed back to the customers on the maturity of their time deposits. Comparison of opinions expressed by bank staff and customers on the banking transactions indicat-
ed a good agreement, whereas on the formalities involved in the sanction of loans, revealed a divided opinion. There seem to be some correlation between opinions expressed by bank staff and customers in the case of one public sector bank and the private sector bank. Spearman's Rank correlation co-efficient and Pearson's correlation co-efficient have been computed for investigating associations. Kolmogorov-Smirnov one sample test, Median test, Mann-Whitney U-test have been conducted for the statistical investigation of differences.

IMPLICATIONS

Implications related to the study are as follows:

* The findings and conclusions of this research are useful to the policy makers at Reserve Bank of India, Central and the concerned state governments, commercial banks and also the concerned district administration to understand the present state commercial banking development in terms of its parameters, indicators, their growth rates and marketing performance. They provide an insight to the above agencies regarding the existing regional, zonal, district-wise and bank group-wise disparities in commercial banking development which have been unearthed by the research.

* The study would be beneficial to the commercial banks in the marketing functions in view of the following points.
It enables them to understand thoroughly the choice of customers (and the reasons behind it) between private sector banks and public sector banks. It helps them to know the preferences of customers on various investment opportunities. Findings of the customer opinion study on parameters of deposit mobilization helps them to decide on the appropriate strategies for maximum deposit mobilization in their respective branches. The study would provide a basis to the bank authorities to use multiple regression model for deposit forecasting. The investigations on customer service provides an insight regarding the bank selection decisions and the attitudes of customers and bank staff on service parameters. The conclusions of these should be beneficial to the bank authorities in taking bank location decisions and for decision making on providing better quality service to their customers.

* The research has brought to light some drawbacks in the present system of credit planning in general and credit planning using 'Service Area Approach' in particular. Many useful suggestions also have been brought out. All these would certainly aid the bank authorities to make suitable modifications in the credit planning system which is the core of economic development. The study also provides a base for the bank manager to apply linear programming model in the credit planning exercise to optimise the 'credit mix' in his
branch.

The limitations of the study and scope of further research have also been included at the appropriate chapters.

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