



**CHAPTER - I**

**INTRODUCTION**



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## INTRODUCTION

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### 1.1 Introduction

Economic, political and social development of any country is mainly depends upon the development of banking industry in that country. Banks provides a mean of development by formation of capital and distribution of it among the needy.

It is due to the establishment of State Bank of India and Reserve Bank of India and many other commercial banks particularly in the 20th century, banks became more sound and safe. At present there is well-flourished banking system in India including 19 Public Sector Banks, 25 Private Banks and many more Co-operative Banks and Credit Societies.

Co-operative banking is one of the form of banking. Co-operation has been envisaged as a golden mean between capitalism and socialism. Urban Co-operative Banks is one of the form of Co-operative banking. Urban Co-operative Banks have been playing a prominent role in satisfying the credit needs of the urban people i.e. salary earners, small businessmen and traders. Urban banks provide financial assistance to the needy people of urban and semi-urban areas. In this context RBI's remark is worth mentioning - 'Urban Co-operative Credit Societies and Banks occupy a prominent place among agencies supplying the credit needs of people residing in urban areas. They advance loans to small traders, artisans and salary earners on personal security as well as against gold, silver and produce.'

From the 4P's of marketing i.e. Place, Product, Promotion and Price, one P is the Product, which is important for

banks as the Product for banks means Services rendered to its customers. By nature, banking industry is a service industry. Bank is not a manufacturing or a trading unit, but it is service industry. Banking industry is not only money oriented but also customer oriented industry. Providing good customer service is one of the main function of every bank. Even, we say that, customer is the king of the market. So as far banking industry is concerned, the development of banks depends upon its efficiency of rendering good customer services. Depositors and borrowers are the two main types of bank customers. They accept different services from the bank. The growth of banking organisation is therefore mainly depends upon smooth relationship between the bank and its customers. Customer service is an issue, which constantly engages the attention of the banks. The customers want personalised services and attention no matter which can it is or of what size. The banks are expected to give topmost priority in providing satisfactory and efficient service to their customers. Their success is largely depends on the range and quality of service offered to their customers. The issue of customer service is influenced by several factors such as complexity of procedures, employees training and customers' education. The complaints and expectations of customers are endless. A series of studies and strategies are evolved from time to time to improve customer service. Now a days due to cut throat competition in the banking industry customer service has got much importance. In the modern marketing concept, The customer is the king and pirot on which the organisations revolve their services. It is the corner stone of their edifice. It is the reason of their success and growth for building up confidence and goodwill among the people. Therefore it becomes necessary to study the nature of customer services. Customer service in banks is a dynamic concept, so according to time its nature changes hence the researcher selected

the topic for his study is the **“Appraisal of customer services in Shri Panchaganga Nagari Sahakari Bank Ltd., Kolhapur for the period 1998-2002.”**

## **1.2 Importance of the Study**

As the title indicates this study is appraisal of customer services provided by 'Shri Panchaganga Nagari Sahakari Bank Ltd., Kolhapur'. Because of development of non-banking and other financial institutions, banking industry faces lots of problems while attracting customers. Many non-banking companies provide innovative and prompt services at a cheaper rate. So it becomes necessary for banks to change their strategy according to the customers requirements.

At present there are different types of banks working in India. Consequently there is a competition between banks. For becoming successful in this competition providing quick and prompt service with smile is the main way to success. So every bank pays more attention on customer service.

After the implementation of Narshiman committee suggestions regarding opening and closing of branches of a bank, Urban Co-operative Banks have to compete with private and foreign banks in respect of efficiency and quality of services provided to customers. The Government started the implementations of some of the recommendations of the committee which has created intense competition amongst the Nationalised banks, Co-operative banks and Non-banking financial institutions. There is neck to neck competition among banks to entice more customers. This has totally changed the perception and expectations of customers. Today, understanding the needs, wants, desires and problems of

customers and redefining its business operations are the major challenges before the banks. For this, bank should formulate strategy to overcome the problems that arises in the way of the development of banking business. Customer service is the main part of this strategy. Each bank whether it is urban co-operative bank or commercial bank or any other form, needs to cater the emerging needs of the customers. Urban Co-operative Banks have also try to provide good customer services to their customers. This study is also mainly useful to Urban Co-operative Banks to understand the nature of customer services and plan to frame policy to attract and provide services to customers.

Kolhapur is mainly known for its co-operative movement. Urban Co-operative Banks are operating along with other nationalised and private sector banks. Number of new banks, which were established outside Kolhapur, open their branches in Kolhapur also. Rupee Co-operative Bank, Vita Co-operative Bank, Saraswat Bank, etc. opened their branches in Kolhapur and quite few patsanths like Parashwantha Patsanstha has been converted into urban co-operative bank. There are many co-operative societies and 62 urban co-operative banks till the end of the year March - 2002 in Kolhapur District. The issue of customer service is well handled in these banks. Among these 62 urban banks the researcher has selected one leading urban bank for his study under the name of "Appraisal of customer services of Shri Panchaganga Nagari Sahakari Bank Ltd., Kolhapur for the period 1998-2002."

### **1.3 Hypothesis of the Study**

As the human being is the product of banks, it becomes necessary for banks to act according to customers' specifications. Nature of customer service is not a static concept. It is dynamic one

and changes according time to time. That is why it becomes necessary for banks to review and assess and develop its customer relationship so that it satisfies the emerging needs of the customers.

#### **1.4 Objectives of the Study**

The main objects of this study are as follows :

- i) To study the historical development and growth of the Urban Co-operative Banks in India.
- ii) To study and review the banking operations of 'Shri Panchaganga Nagari Sahakari Bank Ltd., Kolhapur and its three branches for the period of five year ranging from 1998-2002.
- iii) To study and evaluate customers' satisfaction in obtaining the services from the bank, to locate the views of members, depositors and borrowers relating to services offered and operations carried out by the bank under study.
- iv) To offer necessary suggestions to the bank for rendering customer services more efficiently and promptly.

#### **1.5 Scope of the Study**

Following points shows the scope of this research study :

1. The present study was of customer services of 'Shri Panchaganga Nagari Sahakari Bank Ltd., Kolhapur' and its three branches for the period 1998-2002.

2. This study also includes observations and opinions of Chief Executive Officer, Branch Managers and other employees of its branches and the customers of the bank of Prathibhanagar, Mahadwar Road and Devkar Panand (Nikam Park) branches.
3. It also includes competitive schemes and plans for attracting customers and problems faced by the bank and suggestions thereof.

### **1.6 Methodology of the Study**

The methodology adopted for the study is derived into the following manner.

1. A set of questionnaire has been prepared for the Chief Executive Officer and Branch Managers of the bank for getting required information of the bank. Personal discussions with the Chief Executive Officer, Branch Managers and employees of the bank with a view to get the general information regarding the functioning of the bank. It covers the preliminary information about the bank and its objectives and its achievements.
2. Preparation of the questionnaire and interview schedule in consultation with the Chief Executive Officer, Branch Managers and Guide Teacher.
3. The customers selected for interview are on the basis of stratified sampling. A sample of 100 customers consisting depositors and borrowers were taken for the purpose of this study. 100 customers were selected branch-wise as follows

Prathibhanagar Branch : 30 Customers

Mahadwar Road Branch : 35 Customers

Devkar Panand (Ambai Tank) : 35 Customers

4. Selected important customers were visited and interviewed. They were classified on the basis of age, occupation, sex, etc.
5. The branches of Shri Panchaganga Nagari Sahakari Bank Ltd. located in Kolhapur city were visited and during the visits, spot observations has been made.
6. The report is drafted on the basis of the collection of primary and secondary data and observations made during the visits to the branches. Collected information were classified, analysed and projected into tabular form and presented in such a manner that they have been self explanatory. Along with this, tables, graphs, charts, etc. were used wherever necessary to make the information easy to understand and interpret without much complications.

## **1.7 Sources of Data Collection**

For the purpose of this research study the researcher were collected the required data by the following means.

### **I Primary Data**

1. Primary data is the data that is collected by the researcher at the first stage. Primary data were collected with the help of administering questionnaire from the officers and customers of the bank. The required data were also collected through actual visits



with the Chief Executive Officer, Branch Managers and other employees of the Bank. (A specimen of questionnaire is given in Appendix No. 1)

2. The customers selected for interview are on the basis of stratified random sampling, a sample of 100 customers is taken for the purpose of this research study.
3. Selected 100 customers of the said branches were classified on the basis of type of account with bank, age, occupation, etc.

## **II Secondary Data**

Secondary data is the data that is collected and analysed by someone else and utilised by the researcher for his study. Secondary data which were available with the Bank in the form of its annual reports, pamphlets, office records, etc. were used for this study. Annual Reports and other information from Kolhapur District Urban Co-operative Banks Federation office, library books, various journals, periodicals, reports, etc. concerned with subject matter were also used for this study.

### **1.8 Review of Literature**

The Urban Co-operative banks in India have completed 100 years (1904-2004). Urban Co-operative Societies are came into existence by passing of Co-operative Societies Act, 1904. They came into existence to satisfy the credit needs and providing banking facilities to middle class peoples, salary earners and small entrepreneurs or traders residing in urban and semi-urban areas. The number of Urban Co-operative Bans increased to 2104 as at the end of March-2003. The regional spread of these banks was

extremely uneven as only 5 states like Andhra Pradesh, Gujarat, Karnataka, Maharashtra and Tamil Nadu accounted for 1661 branches consisting almost 79% of the total number of banks. It would be further observed that some of the urban co-operative banks are efficiently operating whereas some of them are not doing well. Out of the total 2104 banks 163 were under liquidation as at end of March-2003. From 1999-2000 and onwards some important developments took place in the context of urban co-operative banks and hence urban co-operative banks face several problems associated with the banking business.

In this matter a brief review of thoughts and opinions by the renowned authorities have been taken here on customer service aspect.

1. Shri A. Hasib, Director General, The Urban Banking Development Institute, Mumbai remarked --

The Banking activities are necessarily service-oriented. Customer service is the hallmark. There are no limits to the giving of the best service, the satisfaction of the customer is the ultimate goal. Hence it must be seen that the customer complaints are effectively dealt with and the necessary reforms are made. The Urban Co-operative Banks should keep in mind that unsatisfied customers can become stimulating blocks in their development. Prompt and courteous service is the pre-requisite for satisfactory customer service.<sup>1</sup>

2. Dr. Ahmed, Minister of State for Finance said in an interview that banks had lost credibility over the years because poor services and cumbersome procedures for securing loans. Efforts would be made to simplify the

procedures and make banks more accountable.<sup>2</sup>

3. Shri B. L. Jain, Chief Officer, Department of Urban Co-operative Banks, Reserve Bank of India (The role of Urban Co-operative Banks in the economic growth of the country and the overall functions of Urban Co-operative Banks) writes : The Urban Co-operative Banks have recorded an impressive growth in the matter of mobilisation of deposits. This has been possible because of efficient and personalised services rendered by them to clientele. Urban Co-operative Banks should continue their efforts to maintain and also to improve upon their performance by introducing innovative schemes and rendering satisfactory customer services.<sup>3</sup>
4. Shri Kundan H. N., Managing Director, Janata Sahakari Bank Ltd., Pune in his article entitled "Urban Co-operative Banks and Marketing of Bank Services" considers them as a social worker. According to him, "Urban Co-operative Banks should keep in mind the role of social worker as collecting agent for deposits and should envisage role as - prudent bankers in the disbursement of loans."<sup>4</sup>
5. Shri M. B. Patil, Principal, Institute of Co-operative Management, Bangalore pointed out that as much as 68% of the clients close down their accounts in banks only because of bad behaviour of their staff and stressed that even the peons or attendants in banks with their good behaviour can check such situation.<sup>5</sup>
6. R. P. Goyal says, 'Improving banking services has to be viewed from three dimensions.

- i) Motivation and orientation to staff.

ii) System and procedures and,

iii) Specific needs to suit Customer needs.

The problem of poor customer service has to be tackled in a multi-pronged drive on all the fronts.<sup>6</sup>

7. Customer service in Banks - 1977, A study conducted by working group on customer service in banks (appointed by Government of India)

This study is known as research study on customer service conducted for the Indian Banking Industry. Government accepts most of its recommendations for implementation. The committee, however, in its report mentioned that the attitude of the bank staff is not conducive to customer services and customers are totally disillusioned with the banks.

Bank being a service institution its service to the society, at the micro level, means service to customers, present and potential. From this point of view the main function of banks can be defined and has to be the creation and delivery of customer needed services in a customer-satisfying manner. Therefore, a banker's task is to identify the customer and the customer needs.<sup>7</sup>

## 1.9 Chapter Scheme

The present study is divided into the following **SIX** chapters.

1. First chapter includes Introduction of the Study. In this chapter, objectives of study, Scope, Importance, Research Methodology and Limitations of the study and review of

literature regarding the customer service has been outlined.

2. Second chapter deals with the development of Co-operative banking in India. It includes brief history about co-operative banking and genesis, growth and development of Urban Co-operative Banks in India with special reference to Maharashtra and Kolhapur District.
3. Third chapter includes a Profile of the Bank under study. It covers the history, growth & development and other activities of the bank since its inception.
4. The Fourth chapter deals with the conceptual study of bank customer services and its importance. It includes all theoretical concepts such as Banker, Customer, Service, Bank Customer Service, etc. It also includes list of services offered by a common urban bank.
5. The next Fifth chapter includes analysis and interpretation of data. Whatever data collected by the researcher through questionnaire is analysed and interpretation has been made. It also includes conceptual framework of customer service along with various facts and figures, feelings and opinions expressed by members, account holders and employees of Shri Panchaganga Nagari Bank Ltd., Kolhapur and its three branches.
6. In the next Sixth chapter, findings has been presented based upon the data collected through questionnaire and conclusions were drawn. Then necessary suggestions were offered to the bank under study in order to remove the deficiencies while rendering good customer service.

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