



An Assessment of Banking Service in India

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ABSTRACT: *The Indian banking industry is now running in a dynamic challenge concerning both customer base and performance. Customer satisfaction, customer retention, customer loyalty and delight are now the major challenges in interest the banking sector. Services play a major role in getting customer satisfaction and creating brand loyalty in banking sector. Most of the literature reviews referred in the paper reveals that as compared to private and public sector banks are customers' level of satisfaction is comparatively more in India. Public sector banks need to redefine the customer service parameter in order to compete with the nationalized private sector banks both in profitability and corporate image.*

Banking Service is today an integral part of our everyday life. In the banking services any activities involved in accepting and safeguarding money owned by other individuals and entities, and then lending out this money in order to earn a profit. The banking Service can help a customers, such as operating accounts, making transfers, paying standing orders and selling foreign currency through banks. Money plays a dominant role in our life. Forms of money have evolved from coin to paper currency notes to Credit Cards. Commercial transactions have increased in content and quantity from simple banker to speculative international trading. Hence the need arose for a third party who will assist smooth banding of transaction, mediate between the seller and buyer, hold custody of money and goods, remit funds and also to collect proceeds. He was the banker. As the number of such mediators grew there is need to control, such mediating agencies giving birth to the concept of Banks and Banking Services.

Whether you are opening your first bank account or have managed a checking account for years, it helps to know the different types of banking services available. This ensures you get the most out of your current financial institution. Deciding which services are most important can lead you to the bank that best fits your needs.

Keywords: *Banking Services, Nationalization, Challenge, Types of Banking Services*

Introduction:

A bank is a financial institution that accepts deposits from the public and creates credit. Lending activities can be performed either directly or indirectly through capital markets. Due to their importance in the financial system and influence on

national economies, banks are highly regulated in most countries.

A Banking system provides a safe place to save excess cash, known as deposits. Supplies liquidity to the economy by loaning this money out to help businesses grow and to allow consumers to purchase consumer products, homes, cars etc.



A Bank is a financial institution; the bank provides banking and other financial services to their customers. A bank is generally understood as an institution which provides fundamental banking services such as accepting deposits and providing loans. There are also non – banking institutions that provide certain banking services without meeting the legal definition of a bank. Bank is a subset of the financial services industry.

The banking system is also referred as a system which offers cash management services for customers, reporting the all transactions of their accounts and portfolios of the day. The banking services offer several facilities and opportunities to the customers. All the banks safeguard the money and valuables and provide loans, credit and payment services such as checking accounts, money orders, and cashier's cheques. The banks also offer investment and insurance products. As a variety of models for co- operation and integration among the financial industries have emerged, some of the traditional distinctions between banks, securities and insurance companies.

History of Banking in India:

Phase I

- Three presidency banks were established in Calcutta (1806) in Bombay (1840) and in Madras (1843)
- In the early part of 20th century, on account of the Swadeshi movement a number of joint stock banks were established by Indians like Bank of India, Bank of Baroda and Central Bank of India.

- In 1921 the three presidency banks were merged and the Imperial Bank of India was created
- During the period 1900 to 1925 many banks failed, and hence a Central Banking Enquiry Committee formed in 1929 to trace the reasons for the failure of such banks.
- The Reserve Bank of India Act was passed in 1934 and the RBI came into existence in 1935 and RBI was nationalized in 1949
- The Banking Regulation Act,1949 gave wide powers to RBI to act as the regulator for banks in India

Phase II:

- In 1955 State Bank of India became the successor to the Imperial Bank of India. Under the State Bank of India Act,1955.
- In 1959 State Bank of India (Subsidiary Banks) Act was passed to enable SBI to take over State Associated banks as SBI's subsidiaries
- In 1969 the Government of India nationalized 14 major commercial banks having deposits of Rs.50 crore or more
- In 1975 Regional Rural Banks were established under RRB Act 1976, which was preceded by RRB Ordinance in 1975
- In 1980 six more commercial banks were nationalized, with a deposit of Rs.200 crore or more

Phase III

- In the liberalised, privatised and globalised environment, banks operating in India have diversified



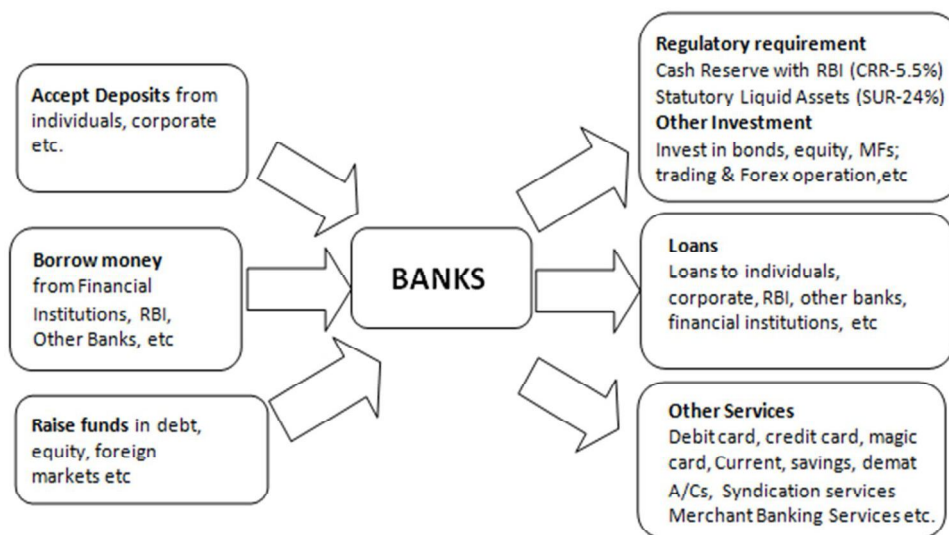
their banking activities by offering Banking facilities like:

- Merchant banking
- ATMs/Credit Cards/Internet banking/Mobile Banking
- Factoring
- Third Party Service

Nature and Scope of Banking Activities:

- ❖ Money deposited in a bank remains Safe. Precious articles too should be kept in the safe custody of banks in lockers.

- ❖ Banks provide credit facilities to the customers. The customers with bank accounts also enjoy better credit in the business world.
- ❖ Banks encourage the habit of saving and thrift among people.
- ❖ Banks provide a convenient and safe means of transferring money from one place to another and facilitate business dealings or transactions.
- ❖ Banks collect and realize bills, cheques, interest and dividend warrants etc. on behalf of the customers services.



Source: <http://myimsv2.imsindia.com/2016/05/28/banking-structure-in-india/>

Banking Services Activities:

The Services Activities of banks may be categorized as follows:

- ❖ Agency Services
- ❖ General Services

Agency Services:

- Collection of cheques, drafts and bills of exchange on behalf of customers.
- Collection of dividend and interest warrants of customers.

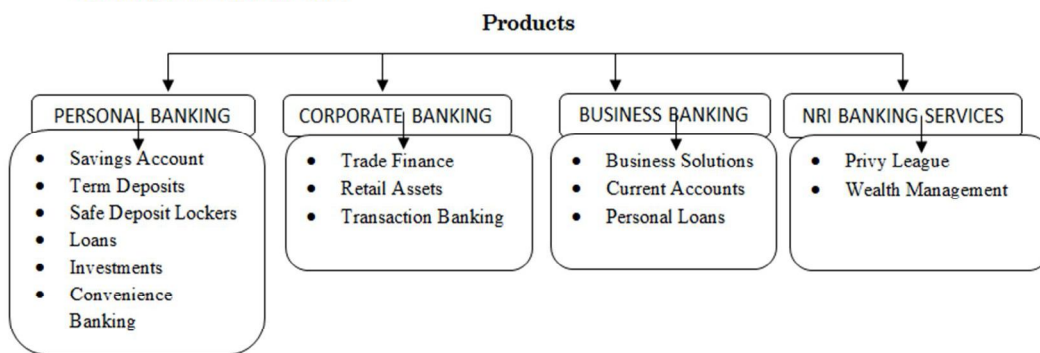
- Collection of pension of government employees.
- Purchase and sale of securities on the instructions of customers.
- Executing standing orders for payment or rent, electricity bill, insurance premium etc.
- Acting as correspondent or representative of customers in dealing with other banks.
- Acting as trustee or executor when so nominated.



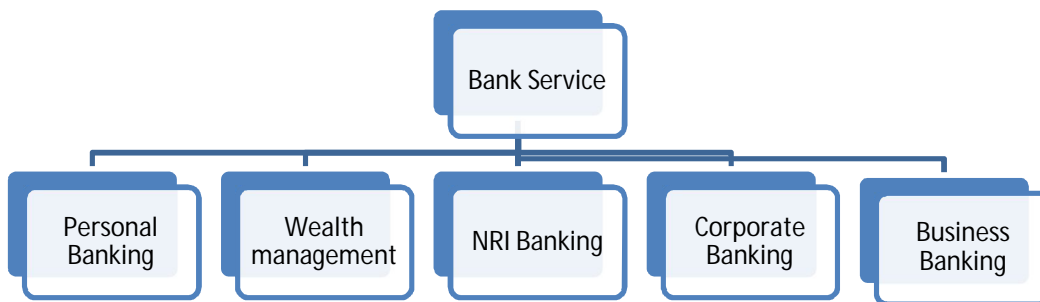
General Services:

- Issue of letters of credit, traveller's cheques and circular notes.
- Safe custody of valuables like gold, jewellery and important documents in safe deposit vaults (Lockers) available on hire.
- Supply of trade information.
- Acting as a referee as regards financial status of customers.
- Acceptance of bills of exchange on behalf of customers.
- Underwriting loans floated by government and public bodies.

Banking Service Products:



been various services provided by bank in India to customers .We can classified into 5 categories based on the target segment & the money used by the customers. There has been various sub categories in every broad category.



(i) Personal Banking:

There has been various products/service available in personal banking sector. We would like to discuss these services one by one.



(1) **Accounts & deposits:**

They are different Types of Deposit:

- **Dream/Term Deposit:** - Term deposit plan that enable the customer to realize their dream at every stage of life.
- **Fixed Deposit:** - Give attractive returns to customers at the Maturity date.
- **Recurring Deposit:** - The smallest of customer saving into large one.
- **Saving Account:** - It is providing 4 percent interest acc to RBI guidelines. Customer can avail the experience of banking through **ATM, Mobile, Internet.**
- **Salary Account:** - Customers can take advantage of efficient payroll system.

(2) **Loans:**

There are different types of Loan: -

- Home Loan
- Personal Loan
- Commercial Vehicle Loan
- Car Loan
- Loan against security, Gold and Ornaments etc.

Other different types of loans are also provided by loans to meet the various requirements of the customers

(3) **Cards:**

- **Debit Card:** - These cards offered by banks which has wide acceptance at various banks ATM, Various shopping malls gives wide variety of convenience to customers. They work

on the principle of pay now buy latter.

- **Credit Card:** - These card works on the principle of buy now pay latter. It has enhanced the buying power of the consumers.

(4) **Investments:**

Banks offer personalized solution to their customers based on their fund capacity and risk appetite of the particular customers to deliver greater returns.

Banks offer various investment products like bonds, GOI bonds, Mutual funds, IPO, Insurance product etc.

(B) **Wealth Management**

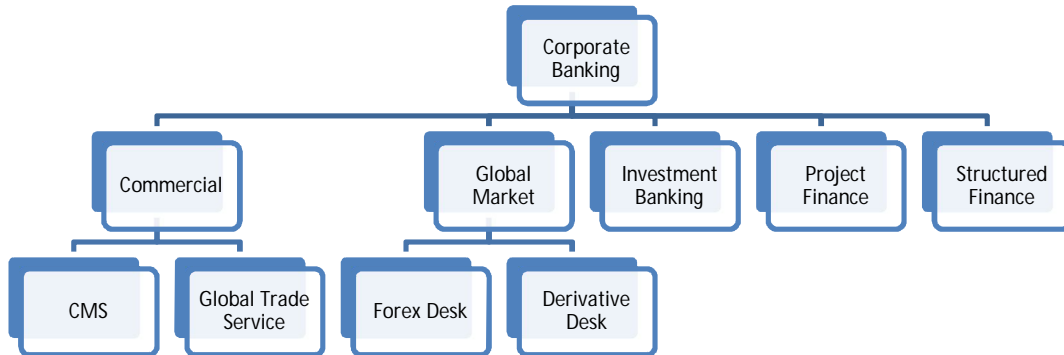
It is the different function in banks that give the wealth management services to HNI, manage their portfolio. It is the team of experts on investment, banking loans, property services etc. which provide expertise advice to their client and manage their portfolio to maximize the return.

(C) **NRI Banking**

In India banking terminology, the term NRI Account refers to funds deposited by a Non-Resident Indian or NRI with a financial institution authorized by the Reserve Bank of India to provide such services. A Non-Resident Indian is an Indian citizen who primarily resides outside of India

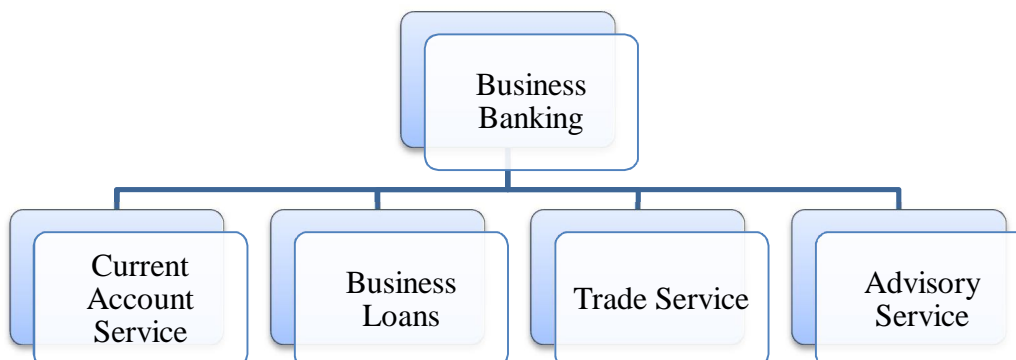
(D) **Corporate Banking**

This service can be divided into various heads for the corporate client.



- **CMS(Cash Management Service):** - Banks provide full range of receivable & payables services to meet company's complex cash management service.
- **Global Trade Service:** - This service designed to meet a range of short term to medium term trade financing requirement to seize new business opportunity.
- **Forex Desk:** - Banks propose immediate offers for cash, tom, spot & forward rates depending on company's requirement.
- **Derivative Desk:** - Banks offer complete interest rate risk management services through derivative product.
- **Investment Banking:** - Banks offer M & A advisory, underwrite the IPO of companies through alone or forming syndicate.
- **Project Finance:** - Banks provide funds for various projects to companies operating in different sectors based on the attractiveness of the projects & sectors.
- **Structured Finance:** - It enables the corporate clients to access fund through cost efficient structures. Banks provide investment opportunities in various debt securities.

E) Business Banking





- Current Account & Service: - Benefit is provided by speedy payment & collection.
- Business Loan: - For SME sector, timely finance to leverage on business opportunity
- Trade service: - Various services like Letter of credit, Bank guarantee, Export bill negotiation etc. are provided by banks.
- Advisory Service: - Banks provides niche & exclusive investment banking service to SME sector. It manages capital raising and special situation solutions.

CONCLUSION:

Now a day's Banks are offering different new services to attract more customers and grow their business. The other services offered by the banks are increasing very fast and new accounts for large portion of income to the banks in India.

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