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REVIEW ARTICLE

ROLE OF COMMERCIAL BANKS IN INDIA

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Role of Commercial Banks in India

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INTRODUCTION

In post- independence India, in order to facilitate improvements in agricultural production and attain food self – sufficiency, the stance of policy was to ensure sufficient and timely credit at "reasonable" rates of interest to as large a segment of the rural population as possible (Rangarajan 1996). The strategy to achieve this was threefold: expansion of the institutional base, directed lending to disadvantage borrowers, and credit provision at concessional rates of interest. The latter was justified in terms of the perceived mismatch between the longer term returns of farm investment in relation to cultivator households ' short term consumption needs and requirements to service the loans. Fisher and Sriram (2006) identify three post-independence phases in rural credit provision . First , the 1950's up to the mid – 1960 ' s when cooperatives were the institutional vehicles of choice ; second, the 1970' s and 1980' s when attention shifted to commercial banks and RDBs and third, the reform period in the early 1990' s which saw the re-structuring of the banking system , the emergence of SHGs and a growing number of MFIs , In terms of scale, spread, costs, risks, and the inter-temporal nature of credit markets, financial institutions and agents in India face formidable challenges in meeting the diverse financial service needs of the country's rular population. The present rular financial infrastructure comprises a wide variety of formal, semi-formal and informal financial service providers , with distinctive cultures and characteristics. The number of organizations and agents is very substantial : 33,553 rular and semi- urban branches of commercial banks , 13,932 rular and semi-urban branches of Reginol Rural Banks, 1.09 lakh primary cooperatives, 1,000 NGO-MFIs registered as companies (section 25) and nearly three million SHGs. Even more numerous are the myriad of informal agents constituting a great range of financial service providers across the country. Different segments of the financial infrastructure have not developed uniformly or simultaneously , and their relative standing in terms of government policy and intervention has changed over time. Moreover, financial institutions have themselves influenced government policy (Jones 2006) . In the following paragraphs , an attempt is made to trace the forces and compulsions that have led to the development of particular rural financial institutions in the country, to outline the changing fortunes and shares of these different systems , to show the present gap between rural financial needs and provisions , and to assess policy options to reduce this gap through institutional development , linkages and reform.

1.1 EVOLUTION OF COMMERCIAL BANKS

The foundation for building a broad base of agricultural credit structure was laid by the Report of the All-India Rural Credit Survey (AIRCS) of 1954. The provision of cultivator credit in 1951-52 was les than 1% for commercial banks. In the report it was observed that agricultural credit fell short of the right quantity , was not of the right type, did not fit the right purpose and often failed to go to the right people. With a view to give an impetus to commercial banks, particularly, in the sphere of investment credit, the nationalization of the Imperial Bank of India and its redesignation as the State Bank of India (SBI) was recommended.

1.2 GROWTH IN OUTREACH 1951-91

From the position prevalent in 1951-52, commercial banks came a long way with a substantial spread of 32,224, branches in rural and semi-urban areas comprising 68% of their total outlets as on 31 March 1991. The outstanding deposits of such branches at Rs. 67,855 crore as on the same date constituted aroind 35% of their total deposits, while loans outstanding at Rs. 43,797 crore comprised 36% of outstanding credit. The agricultural advances of the commercial banking system aggregated Rs. 16,687 crore and constituted 14% of total advances in March 1991. The rural and semi-urban branches of commercial banks covered 17.6 crore deposit accounts while the number of loan accounts serviced aggregated 3.7 crore.

1.3 GROWTH DURING 1991-92 TO 2003-04

The period since 1991-92 has seen a fairly rapid expansion of credit to agricultural by commercial banks and RRBs taken together increased to Rs. 60,022 crore in 2003-04. This implies a compounded annual growth rate of 22.2% . In fact , as compared with commercial banks (including RRBs), the flow of credit from the cooperative sector was mich slower through this period. The compounded annual growth rate of credit for agriculture from cooperative institutions was only 13.7% .Further, the proportion of agriculture credit to total credit came down because of the rapid growth in nonagriculture credit. The Government took some major initiatives during the period to boost agriculture production and productivity through enhanced credit flow and by way of building agricultural infrastructure, particularly irrigation and connectivity in rural areas. Special Agricultural Credit Plan (SACP) was introduced by RBI for Public Sector Commercial Banks in 1994-95. Credit growth for agriculture and allied sectors under this caption reflected a CAGR of 36.45% during 2001-02 to 2005-06. SACP has since been extended to Private Sector Commercial Banks from 2005-06.

The SHG – Bank Linkage Programme was started as a pilot project by NABARD in 1992. It led to the evolution of a set of RBI approved guidelines to banks to enable SHGs. Initially there was slow progress in the programme up to 1999 as only 32.995 groups were credit linked during the period 1992 to 1999. Since then the programme has been growing rapidly and the cumulative number of SHGs financed increased from 4.61 lakh on 31 March 2002 to 10.73 lakh on 31 March 2004 and further to 29.25 lakh groups as on 31 March 2007.

Rural Infrastructure Development Fund (RIDF) was set-up in NABARD by GoI during 1995-96 with an initial corpus of Rs. 2000 crore , to accelerate the 47 completion of ongoing projects of rural infrastructure. Banks which did not fulfill the priority sector ctredit requirement and agriculture credit mandate were required to contribute to this Fund. The fund has been strengthened every year with additional allocations in the Union Budget. A large number of irrigation and rural connectivity projects could get completed under RIDF. RBI scaled down its contribution to the Rural Credit funds with NABARD to a taken amount of Rs. 1 crore per annum since 1993-94. However to enable NABARD to have reasonably strong leverage for accessing market funds, the share capital of NABARD was strengthen and increased to Rs. 2000 crore from Rs. 100 crore at the time of its formation in 1982. Contributions to enhanced share capital have come from GoI and RBI. By prudent funds management, the institution has also built a strong base of reverses and has been using it in its business operations judiciously to keep lending rates to rural financial institutions at significantly lower than market costs.

1.4 DEVELOPMENTS – POST 2003-04

Since 2003-04, there has been a substantial increase in the flow of ctredit to agriculture through commercial banks.disbursements have increased fromRs. 52,441 crore in 2003 -04 to Rs. 1,16,447 crore in 2005-06, reaching an annual growth of 43% each year. As envisaged in the GoI's strategy for "doubling of credit", 95 lakh new farmers have been brought under the institutional fold and 1,383 agri-clinics opened. Commercial banks have also played a major role in the promotion of SHG- bank linkage movement with more than 11.88 lakh grops being linked to banks gor provision of credit. Reforms inb the commercial banking system include removal of procedural and non- procedural approach.

STATEMENT OF THE PROBLEM

As the society moves through the beginning of the 21st century the marketing concepts have to evolve and take new meaning. The traditional marketing concepts have focused on satisfying consumer needs and wants to meet organizational goals. But the changing marketing concepts are now focused on a third consideration , that is welfare of society. Through the cost of purchase, each of us supports the cost of marketing activities. During each purchase, large or small, a significant amount of the purchase prices pays for marketing activities. In present study, we will try to analyze the changing marketing strategies and their role and impact on society.

OBJECTIVES OF THE STUDY

Objectives of the present study are :

- To analyze the new products and services available in the banks.
- To assess the impact the impact of information rechnology on the bank.
- To ascertain the marketing strategies adopted by the bank branches for marketing their products and services by the customers.
- To examine the extent of acceptance of the banking products and services by the customers.
- To evaluate the attitude of the bank personel vis-à-vis. Customers towards marketing of new products and services of banks.

RESEARCH METHODOLGY

4.1 DATA COLLECTION

Data will be collected as primary datadirectly from customer and bank personel. As the banking industry is the service oriented industry, that' s why customers will be given more focus. Data will be collected from 450 bank customers and into the consideration the fact that the bank personel are directly dealing with the customers on behalf of the bank , primary data will be collected from 270 bank personel also. In addition to primary data , secondary data were collected from reports of govt, departments and govt. agencies.

4.2 SELECTION OF SAMPLE

It is felt appropriate to select 3 samples giving due consideration to the geographical location and the availability of the rural , urban and semi-urban population. Data will be collected from different branches and collection centers of COOPERATIVE BANK LTD an apex bank, Private commercial banks and nationalized banks will be selected to collect data from their customers and employee. Customers and bank personel will be selected from rural , urban and semi-urban centers giving equal representation.

4.3 TOOLS FOR DATA COLLECTION

Data will be collected in two separate interview schedules designed for the study after a pre-set. The schedule initially developed for the study with a view to collect data from bank customers will be pre- tested among 30 bank customers selected from rural, urban and semi- urban centers. Similarly, the schedule for the bank personel will also be pretested among 15 bank personel chosen from rural , urban, semi-urban bank branches.

4.4 ANALYSIS

The data collected will be statistically tested by employing tools like weighted average and chi-square test.

4.5. LIMITATION

Due to average litracy rate and geographical conditions banking industry was not able to attain popularity for the new products and services introduced for marketing. Bank personnel were also not an exception to the general nature of low awareness of the featuers and feasibility of the new products. However, earnest and sincere efforts will be taken to seek the co-operation of the respondents concerned under the sample by convincing them of the importance and relevance of the study and providing clarifications to thier queries.

4.6. DELIMITATION

The present study is delimited to the Banks customers and personnel representing. The results and conditions may be different in states.

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