

Changing Role of Commercial Banks – With Special Reference to Badami Taluk of Bagalakot District

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Abstract

Commercial banks contribute to the financialization of savings, the transfer of funds, the creation of wealth, the creation of credit, and the financing of businesses, all of which boost the economy by increasing output, employment, and consumer spending. The banking sector's policies and reforms have caused a significant upheaval in the Indian economy in recent years. The financial industry has seen the biggest shift, with banking services being the most impacted. In recent years, India's commercial banking sector has seen numerous changes. The Indian economy is witnessing a shift in the role of conventional banking as banks in the country shift towards modern banking practices. It aims to offer its customers technology-based banking products and services. The current state of commercial banking is likely more complex than it has ever been. In order to remain relevant to consumer needs, the rapid development of digital capabilities, digitization, and new sources of competition, banks are being forced by changes in the sector to rethink their growth plan and innovate. Furthermore, there is a growing tendency toward financial services and banking that are customized to meet the needs of individual customers. This article aims to examine the evolving function of commercial banks in India, emerging trends in commercial banking in India, customer inclinations within the banking system, and customer contentment with the use of banking services within the research region. The survey was conducted in Badami taluk of Bagalakot district 100 respondents 50 customers of SBI and 50 customers of Canara Bank were interviewed and collected their opinions and satisfaction towards using banking services through questionnaire. This study will examine that there is a statistically significant difference in the usage of banking services and customer satisfaction among different banks. And There is a statistically significant difference in the satisfaction of different types of customers with the use of banking services in Study area.

Keywords: Commercial Bank, Customer Preferences, Service-Prionted Banking

Introduction

Commercial banks' primary responsibilities are to provide financial services to the general people, businesses, and organizations in order to maintain social and economic stability and long-term economic growth. In this sense, the primary duty of commercial banks is to create credit. Generally, through controlling liquidity, participating in interbank lending, issuing money market instruments, participating in interest rate arbitrage, communicating monetary policy, and supporting economic activities, commercial banks dominate the money market. Commercial banks contribute to the financialization of savings, the transfer of funds, the creation of wealth, the creation

of credit, and the financing of businesses, all of which boost the economy by increasing production, employment, and consumer spending. In recent years, there have been numerous changes to the banking industry. All of these developments in Indian banking demonstrate the country's banks' shift to modern banking, which is transforming traditional banking in the country's economy.

Role of Commercial Banks in Indian Economy

Commercial Banks Play Various Roles in the Economy, Including

1. **Financialization of savings:** Banks offer a safe place to store money in the form of deposits.
2. **Fund Transfer:** Banks make it easy to send money anywhere in India or abroad.
3. **Wealth Creation:** Banks can offer consulting and advisory facilities to help investors channelize their money into mutual funds or other investments. They can also act as custodians of investment securities, provide safe deposit boxes and act as trustees of wills and investment trusts.
4. **Credit Creation:** Banks lend funds that customers deposit in their accounts, which helps provide liquidity and create credit. This can lead to increased production, employment and consumer spending, which can improve the economy.
5. **Financing for Business:** Banks can provide financing for commercial projects, allowing them to hire staff, expand and become profitable. For example, banks like ICICI and SBI offer loans to small businesses through MSME and SME schemes.
6. **Rural and semi-urban banking:** Banks can help a country to extend banking activities to rural and semi-urban areas, which can promote balanced development.

Emerging Trends in Commercial Banking in India

India's commercial banking industry has undergone numerous changes in recent years. The aforementioned advancements in Indian banking demonstrate the banks' shift towards contemporary banking practices, hence transforming traditional banking within the Indian economy. They use information technology for banking and work to offer their customers technology-based banking products and services. Additionally, you can invest your money to generate interest.

The climate that commercial banks operate in is probably more difficult than it has ever been. Banks are being forced by changes in the market to reevaluate their growth strategies and innovate in order to meet the demands of their customers and keep up with the quickly advancing digital capabilities, digitization, and new sources of competition.

In recent years, traditional commercial banking in India has experienced notable expansion and advancement. The financial services sector, including commercial banking, is undergoing a significant transformation due to the increased demand from consumers for integrated payment experiences and industry consolidation.

Furthermore, there is a growing tendency toward customized financial products and banking services to fulfill various customer needs.

The Following Concepts are Congruent to Assist this Shift

1. Global commercial banking is undergoing a digital transformation, with a focus on digital capabilities.
2. Fintech companies are continuing to rise.
3. There is a greater emphasis on customer experience.
4. There have also been increased regulatory developments in commercial banking.
5. There is a greater emphasis on social and environmental responsibility to create inclusive and sustainable financial practices.

Customer Preferences in the Banking System

Consumers seeking convenient banking services and digital solutions are becoming more prevalent in India's traditional commercial banking sector. Customers are looking for more convenient and effective ways to handle their finances, which is driving up demand for digital payment methods, smartphone apps, and internet banking.

Choosing a Commercial Bank in India, Customers can Consider Factors such as

- 1. Security:** Customers want to feel that their money is safe and easily accessible. This is especially important for financial transactions and information that customers consider extremely sensitive.
- 2. Quality of Service:** Customers expect good customer service and a brand with a good reputation.
- 3. Customization:** Customers may appreciate services that are convenient and fast, such as well-displayed counters and a constant flow of information.
- 4. Interest rates:** Customers can consider interest rates offered on loans and savings.
- 5. Charges:** Customers may consider charges and fees imposed by the bank. Social responsibility: Some customers may consider whether the bank is socially responsible.
- 6. Word of mouth:** Customers can be influenced by referrals from friends and family.

Review of Literature

Priyanka Mehta (2017) "Structural Changes in the Indian Banking" This study aims to analyze the nature, structure and development of the Indian financial sector. According to the research methodology, secondary data will be used and secondary data will be taken from financial records of various banks, Reserve Bank of India reports, banking journals, Indian Banks Association publications, Indian Economic Monitoring Center database and other portals. The parsing language is already supported for parsing the above data. This study has important policy implications for countries with large economies and rapid economic growth.

Dilip Kumar Parmar (2023) "Recent Trends of Banking Industry in India" This article discusses the latest trends in the Indian financial industry. Reforms in the Indian banking sector aim to increase the efficiency, stability and effectiveness of banks. Current trends in banking include: data and analytics in India, enhanced security and fraud mitigation, digital payments, cloud architecture and mobile applications.

Research Gap

There are a number of studies explaining Recent Trends in Commercial Banks, Role of Commercial Banks in Economic Development. Impact of Commercial Banks on Financial Inclusion, Rural Development, Capital Accumulation etc. Thus, a review of the literature clearly shows that there is a paucity of studies on the changing role of commercial banks as service providers in India. Commercial banks play various roles in the economic development of a country, including Financialization of savings, Transfer of funds, Creation of wealth, Creation of credit, Financing of enterprises, which leads to increase in production, employment and consumer spending, thereby increasing the economy. In this paper, try to study the changing role of commercial banks and customer satisfaction with the use of banking services in the research area.

Objectives of the Study

- To Explore the Changing Role of Commercial Banks in India.
- To Analyze satisfaction of Customers from Usage of Banking Services in study area

Hypotheses of the Study

- There is statistically significance difference in the usage of Banking Services and Customer Satisfaction among Different Banks in study area
- There is statistically significant difference in satisfaction of Different Types of Customers from Usage of Banking Services in study area

Methodology of the Study

The present study is on empirical investigation purely based on primary and secondary data. a stratified random sampling method has been adopted for survey. The primary data has collected from 50 State Bank of India Customers, 50 Canara Bank Customers. The survey has been conducted by taking 100 Respondents in Badami taluk of Bagalakot district and respondents are stratified randomly selected. Secondary data collected from Various Books, Newspapers, journals. So, the quality of study depends upon accuracy, reliability and quality of that data. After collection of data, these are arranged in tabular format. The analysis was done by using different statistical tools and the analysed data are presented in tabulated form. The data is analysed by using the Simple tables, Charts, percentage method is used to analyses the data, and Chi Score test used to Hypothesis testing.

Changing Role of Commercial Banks in India

The Indian Commercial Banks' Changing Role Since the 1991 economic reforms, the function of commercial banks in India has undergone significant transformation. The GOI's Liberalization, Privatization, and Globalization (LPG) strategy was the reason for these modifications. Since then, a great deal of change has been made to the conventional and antiquated ideas, methods, protocols, and systems of commercial banking. Since 1991, banks in India have focused more on providing excellent customer service than they did previously. These days, they also place a high value on their rural clientele. They're even prepared to assist them and offer standard financial services.

The following sections provide an overview of how commercial banks are evolving in India. The ensuing highlights the evolving function of commercial banks in India

Better Customer Service

Prior to 1991, India's banks provided extremely subpar overall services. There were unusually long lineups to deposit money and receive check payments. Certain bank personnel back then treated their clients extremely rudely. All of this, however, drastically altered following India's 1991 economic reforms. Indian banks are now heavily focused on providing excellent customer service. Their customer-friendly, quick, and effective services have improved.

Mobile Banking

In India today, practically all commercial banks offer mobile banking services. Customers can effortlessly complete basic banking tasks with mobile banking service by utilizing just their phones. Here, the client needs to get in touch with their bank in order to initiate this service. In most cases, the bank employee will ask the client to register his mobile number by filling out a brief form. Following registration, the consumer receives a username and password, and this service is activated. Customers may now quickly and securely check their bank balance, move money between accounts, request a checkbook, halt check payments, and more with secret IDs and a registered phone.

Bank on Wheels

The Northeastern part of India has seen the advent of the “Bank on Wheels” initiative. Under this plan, residents of distant areas of India can get financial services. This programme is a significant effort to support rural India’s banking sector.

Portfolio Management

Banks handle all of their clients’ investing tasks when it comes to portfolio management. Banks invest the money of their clients in fixed deposits, equities, and other securities. They first sign a contract with their clients, charging them a fee for the services rendered. After that, they are fully empowered to invest or not invest the money of their clients. But they have to give their clients assurance and profits.

Issuance of Electromagnetic Cards

Customers of Indian commercial banks are still issued electromagnetic cards. These cards can be used for ATM usage, internet shopping, cashless transactions, purchasing rail tickets, and other activities. The following are some of the several kinds of electromagnetic cards that banks offer:

- Credit cards enable users to make purchases using money they do not currently have (borrowed up to a particular amount in accordance with the bank’s prior settlement). A monthly summary of their withdrawals and purchases is sent to them. This statement comprises the transaction amount plus interest and a service charge. Before the due date, the whole money (must be returned to the bank in full or in instalments).
- Customers can spend money from their personal bank accounts that they have saved by using debit cards. They can use a debit card to make purchases and/or withdraw cash from an ATM instead of needing to carry cash. Using a debit card does not incur interest.
- The use of Kisan Credit Cards is advantageous to India’s rural populace. This card can be used by Indian farmers to buy products and inputs for their own use in agriculture.

Universal Banking

All banking and non-banking services are available to customers under one roof. A universal bank resembles a big-box retailer. It provides a broad range of financial services, including commercial banking, insurance, and other banking products.

Automated Teller Machine (ATM)

An ATM offers a lot of benefits. Because of this, a lot of commercial banks have set up ATM locations to provide their clients with ease. These days, banks run ATMs not just in their physical locations but also in public spaces like hotels, train stations, and airports.

Internet Banking

E-banking or net banking are other names for online banking. Here, customers can use the Internet or World Wide Web to execute banking operations. The client is not required to go to a bank branch. Customers can quickly request bank balances, fund transfers, check books, and other services through this facility.

Support for Bank Mergers

The merger facility provides strong protection against bank failures. As a result, depositors need not be concerned about their money. Bank merger is the term for the process by which stronger banks take over weaker banks.

Promotion of Personal Loans

Indian customers now have far more spending power because to the simple personal loans that banks offer. The interest that banks charge for such loans is usually very hefty. Interest is computed using the balance’s decrease. Large banks provide loans up to an incredible one million crowns.

Mutual Fund Marketing

A mutual fund pools the capital of multiple investors and invests it in gold assets, equities, bonds, short-term money market instruments, and other securities. Mutual funds’ investments provide either interest or dividend income, or both. Endorsers receive a payout from it. The return on mutual fund investments affects the dividend rate. Banks are now offering these funds for sale under their own names.

Social Banking

The government uses the banking system to alleviate poverty and unemployment. Banks create various social development programs from time to time. The achievement of these programs depends on the financial support of the banks. Banks offer huge amounts of finance to farmers, artisans, Scheduled Castes (SC) and Scheduled Tribes (ST) families, unemployed youth and people living below poverty line (BPL).

Survey Based Analysis and Data Interpretation

A survey has been conducted in Badami taluk of Bagalakot district 100 of respondents 50 SBI customers and 50 Canara Bank Customers have been interviewed and collected opinions and satisfaction from usage of Banking Services through questionnaire.

Table 1 Distribution of Gender, Age and Qualification of Respondents. (N=100)

Characteristics		Respondents	Rank
Distribution of Gender	Male	94	01
	Female	06	02
Distribution of Age	25 to 30	08	04
	30 to35	16	03
	35 to40	56	01
	40 and above	20	02
Education Qualification	Illiterate	06	02
	Primary and Higher Primary	60	01
	PUC	24	03
	Degree and above	10	04
Occupation	Farmers	44	01
	Employs	26	02
	Small Wenders	18	03
	Businessman	12	04
Distribution of House hold income	Less than 2lak	08	04
	2 to 5 lakhs	20	03
	5 to 10 lakhs	40	01
	10 and above	32	02

(Source: field survey)

Table 1 shows that out of the total 100 respondents 94% are male and 06% are female.

Majority of them that is 56% of them are aged between 35 to 40 years. 16 % respondents are aged between 30 to 35years, only 08% age between 25 to 30.

60% respondents are having Qualification up to Primary and Higher Primary, 6% of them are Illiterate and 24% of respondents are having PUC and 10% of them having degree. Banking habit directly relationship with Education qualification.

Out of total respondents 44% of them are farmers, 26% of the Employs, 18% of them small wanders, only 12% of them are businessman

8% of respondent’s family income Less than 2 lakhs, 20% of them have 2 to 5 lakhs, 40% of them have 5 to 10 lakh and 32% of them have 10 lakh and above family income per year.

Hypothesis Testing

Hypotheses of the Study

There is statistically significance difference in the usage of Banking Services and Customer Satisfaction among Different Banks in study area

Table 2 Usage of Banking Services and Customer Satisfaction among Different Banks

Sl. No.	Bank	Customer Service	Deposit	Gold Loan	Vehicle Loan	Personal Loan	E Banking	Investment Banking
1	SBI	24	25	35	28	24	45	15
2	Canara Bank	40	38	42	30	28	46	12
	Total	64	63	77	58	52	91	27
Compute Chi-square					$\chi^2 = \sum \frac{(O_{ij} - E_{ij})^2}{E_{ij}}$			
Significance level					α=0.05			
Compute the degrees of freedom (df).					df= (2-1) × (7-1) = 6			
Chi-square value					4.374			
p-value					0.62620164			
p-value					p=Pr (X ₁₆ ² >4.374) =0.			

There is adequate evidence to claim that There is statistically significance difference in the usage of Banking Services and Customer Satisfaction among Different Banks in study area, at the α=0.05 significance level.

There is statistically significant difference in satisfaction of Different Types of Customers from Usage of Banking Services in study area

Table 3 Usage of Banking Services and Customer Satisfaction among Different Types of Customers

Sl No	Bank	Customer Service	Deposit	Gold Loan	Vehicle Loan	Personal Loan	E Banking	Investment Banking
1	Farmers	24	4	42	12	2	35	6
2	Employs	20	18	24	22	14	26	20
3	Small Wanders	12	6	16	9	4	18	2
4	Businessman	12	8	8	10	5	12	8
	Total	68	36	90	53	25	91	36

Compute Chi-square	$\chi^2 = \sum \frac{(O_{ij} - E_{ij})^2}{E_{ij}}$
Significance level	$\alpha=0.05$
Compute the degrees of freedom (df).	$df= (4-1) \times (7-1) = 18$
Chi-square value	43.754
p-value	0.00062547
p-value	$p=Pr(X_{18}^2 > 43.754) = 0.$

There is adequate evidence to claim that There is statistically significant difference in satisfaction of Different Types of Customers from Usage of Banking Services in study area, at the $\alpha=0.05$ significance level.

Conclusion

Commercial banks play numerous roles in the economic development of a country, including Financialization of savings, Transfer of funds, Creation of wealth, Creation of credit, Financing of enterprises, which leads to increase in production, employment and consumer expenditure, thereby improving the economy. The Indian economy has undergone intense transformation in recent years due to banking sector reforms and policies. The most significant change is recorded in the financial sector, with banking services being the most affected. In recent years, there have been many changes in commercial banking in India. Indian banks are shift towards modern banking which is changing the feature of conventional banking in Indian economy. It strives to offer banking goods and services based on technology to its consumers. Commercial banking faces a more multifaceted condition than maybe ever before. Changes in the industry are forcing banks to revise their growth approach and invent to stay relevant to customer demands, the fast development of digital capabilities, digitization and new causes of competition. In addition, there is a rising trend towards personalized banking and financial services personalized to different customer necessities. In this paper we will try to study the changing role of commercial banks in India, new trends in commercial banks in India, customer preferences in the banking system and customer satisfaction in using banking services in the study area. This study will examine that there is a statistically significant difference in the usage of banking services and customer satisfaction among different banks. And there is a statistically significant difference in the satisfaction of different types of customers with the use of banking services in the study area.

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