

A STUDY ON FINANCIAL SERVICES OFFERED BY BANKS IN MUMBAI & THANE

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Abstract: Financial institutions like banks offered services to those who required them. There was little competition amongst banks, limited advertising by them, and little differentiation in the services offered by them. Technology has affected all areas of our lives. Fintech companies have changed the way people pay money. Expectations of modern consumers are changing. ATM machines dispensing cash, convenience of 24 hours access to banking services online have changed the way people bank. The entry of new banks and app driven mobile wallets will have a significant impact on the Indian Banking sector. This exploratory paper aims to study the services offered by banks and the ones most utilized by their customers. The unit of study was small and medium business enterprises availing the services of banks and a sample of 188 such respondents were surveyed in Mumbai and Thane areas through a questionnaire. Descriptive statistics followed by cross tabulation were studied to understand the variables. Banks have to change to adapt to the changing market needs. Banks will have to focus on sales and marketing to upsell and cross sell to existing customers as well as acquire new customers.

Keywords: Banking, financial services

I. INTRODUCTION

Banks are industry incumbents being challenged by the Fintech (financial technology) companies. The impact of the digital revolution has the capacity to drastically change the role of banks. Financial institutions like banks offered services to those who required them. There was little competition amongst banks, limited advertising by them, and little differentiation in the services offered by them. Technology has affected all areas of our lives. Fintech companies have changed the way people pay money. Expectations of modern consumers are changing. ATM machines dispensing cash, convenience of 24 hours access to banking services online have changed the way people bank. The entry of new banks and app driven mobile wallets will have a significant impact on the Indian Banking sector. This exploratory paper aims to study the services offered by banks and the ones most utilized by their customers to glean potential insights which help understanding and serve customers better.

II. REVIEW OF LITERATURE

Research studies have been conducted on how the banking system has grown in India. Banks are facing the challenges of changing customer needs, new regulations and creating more technological innovations for customers of banks (Anbalagan.G 2017). Banks are facing both deregulation and the emergence of new forms of technology which has created highly competitive market conditions affecting consumer behaviour. Banks therefore must attempt to better understand their customers not only to anticipate but also to influence and determine consumer buying behaviour (Beckett. A et al., 2000). It is not feasible to tailor the services of retail banking customers to the preferences of each customer due to the costs and time involved. Segmentation helps to identify homogenous customer groups to achieve a better segmentation for an effective bank marketing strategy (Machauer. A et al., 2001).

III. METHODOLOGY

The unit of study was small and medium business enterprises availing the services of banks and a sample of 188 such respondents were surveyed in Mumbai and Thane areas through a questionnaire. Descriptive statistics followed by cross tabulation were studied to understand the variables.

IV. FINDINGS AND DISCUSSION

4.1 Location

The locations broadly were spread across Mumbai and Thane. Within these cities in Mumbai the largest concentration was in Masjid area (18.6%) and in Thane main city (30.9%) (See Table 4.1.1)

Table 4.1

	Location	N	%
1	Mumbai	100	53.2
2	Thane	88	46.8
3	Total	188	100.0

Table 4.1.1

	Location	N	%
1	Masjid	35	18.6
2	Mumbai Central	15	8.0
3	Nagpada	15	8.0
4	Dongri, MhdAli Road	10	5.3
5	Chakala, Goal Deval	12	6.4
6	Girgaon	6	3.2
7	Crawford Market	7	3.7
8	Thane Main City	58	30.9
9	Majiwada/Manpada/Wagle	22	11.7
10	Kalwa	8	4.3
11	Total	188	100.0

4.2 Type of Business

The survey was conducted across micro, small, medium, large enterprises and exporters & importers too. Small enterprises constituted the largest chunk (44.7%) (See Table 4.2)

Table 4.2

	Type of Business	N	%
1	Small Enterprises	84	44.7
2	Medium Enterprises	49	26.1
3	Micro Enterprises	22	11.7
4	Exporters	17	9.0
5	Importers	8	4.3
6	Large Enterprises	8	4.3
7	Total	188	100.0

4.2.1 Crosstabulation

Type of Business By Location of interest to note is that all the importers surveyed are concentrated in Mumbai and all the large enterprises are located in Thane area (See Table 4.2.1).

Table 4.2.1**Crosstabulation: Type of Business By Location**

Type of Business	Location of Business					
	Mumbai		Thane		Total	
1 Small Enterprises	48	48.0%	36	40.9%	84	44.7%
2 Medium Enterprises	18	18.0%	31	35.2%	49	26.1%
3 Micro Enterprises	11	11.0%	11	12.5%	22	11.7%
4 Exporters	15	15.0%	2	2.3%	17	9.0%
5 Importers	8	8.0%	0	0.0%	8	4.3%
6 Large Enterprises	0	0.0%	8	9.1%	8	4.3%
7 Total	100	100.0%	88	100.0%	188	100.0%

% within Location

4.3 Primary and Second Accounts

State Bank of India (SBI) leads in the number of enterprises having a primary account (16.5%) and those having a second account (13.3%). This is followed by Axis bank. Those enterprises which do not have any second bank account stand at a substantial number (60.1%) (See Table 4.3 & 4.3.1)

Table 4.3

Primary Account	N	%
1 SBI	31	16.5
2 Axis	20	10.6
3 ICICI	18	9.6
4 Bank of Baroda	15	8.0
5 Kotak	14	7.4
6 HDFC	14	7.4
7 Bank Of India	12	6.4
8 Union bank	12	6.4
9 Dena	7	3.7
10 TJSB	7	3.7
11 Bank Of Maharashtra	6	3.2
12 Syndicate Bank	4	2.1
13 Central Bank	4	2.1
14 Punjab National	4	2.1
15 IDBI	3	1.6
16 Federal	3	1.6
17 Thane Bharat Sahkari Bank	3	1.6
18 Oriental Bank	2	1.1
19 Indian Overseas	2	1.1
20 Citi	2	1.1
21 Canara	2	1.1
22 SSB	1	.5
23 Corpration	1	.5
24 Yes Bank	1	.5
25 Total	188	100.0

Table 4.3.1

Second Account	N	%
1 SBI	25	13.3
2 Axis Bank	10	5.3
3 Bank of Baroda	9	4.8
4 ICICI Bank	4	2.1
5 TJSB	4	2.1
6 Bank of India	3	1.6
7 Union Bank	3	1.6
8 Syndicate Bank	2	1.1
9 Kotak Mahindra Bank	2	1.1
10 HDFC Bank	2	1.1
11 Dena Bank	2	1.1
12 Bank of Maharashtra	2	1.1
13 Oriental Bank	1	.5
14 Central bank	1	.5
15 J & K Bank	1	.5
16 Punjab National Bank	1	.5
17 IDBI Bank	1	.5
18 Citi Bank	1	.5
19 Cooperative Bank	1	.5
20 Do Not Have Second Account	113	60.1
21 Total	188	100.0

4.4.1 Crosstabulation

Primary Account By Type of Business By Location of Business - Mumbai Bank of Baroda leads in the overall number of primary accounts businesses have in Mumbai (15%). Medium enterprises constitute the largest (22.2%) amongst these followed by Micro enterprises (18.2%). Kotak bank (11%) is next after Bank of Baroda and is followed by Bank of India (10%) and State Bank of India (10%). All large enterprises surveyed were in the Thane region (See Table 4.4 a).

Table 4.4 a
Crosstabulation: Primary Account By Type of Business By Location of Business Mumbai

Location: Mumbai	Type of Business													
	Exporters		Importers		Micro Enterprises		Small Enterprises		Medium Enterprises		Large Enterprises		Total	
	N	%	N	%	N	%	N	%	N	%	N	%	N	%
1 Bank of Baroda	1	6.7%			2	18.2%	8	16.7%	4	22.2%			15	15.0%
2 Kotak	3	20.0%	2	25.0%			3	6.3%	3	16.7%			11	11.0%
3 Bank Of India	2	13.3%	2	25.0%	2	18.2%	3	6.3%	1	5.6%			10	10.0%
4 SBI	3	20.0%			1	9.1%	5	10.4%	1	5.6%			10	10.0%
5 Axis			2	25.0%			5	10.4%					7	7.0%
6 HDFC	2	13.3%					4	8.3%	1	5.6%			7	7.0%
7 Union bank			1	12.5%	1	9.1%	3	6.3%					5	5.0%
8 Central Bank	1	6.7%					2	4.2%	1	5.6%			4	4.0%
9 Punjab National	1	6.7%			1	9.1%	2	4.2%					4	4.0%
10 Syndicate Bank					1	9.1%	1	2.1%	1	5.6%			3	3.0%
11 Dena					1	9.1%	1	2.1%	1	5.6%			3	3.0%
12 ICICI			1	12.5%			1	2.1%	1	5.6%			3	3.0%
13 IDBI					1	9.1%	2	4.2%					3	3.0%
14 Federal	1	6.7%					2	4.2%					3	3.0%
15 Oriental Bank					1	9.1%			1	5.6%			2	2.0%
16 Indian Overseas							1	2.1%	1	5.6%			2	2.0%
17 Bank Of Maharashtra	1	6.7%					1	2.1%					2	2.0%
18 Citi							2	4.2%					2	2.0%
19 Canara							1	2.1%	1	5.6%			2	2.0%
20 SSB									1	5.6%			1	1.0%
21 Corporation							1	2.1%					1	1.0%
22 Total	15	100.0%	8	100.0%	11	100.0%	48	100.0%	18	100.0%			100	100.0%

% within Type of Business

4.4.2 Crosstabulation

Primary Account By Type of Business By Location of Business - Thane State Bank of India leads in the Thane (23.9%) with ICICI bank (17%) and Axis (14.8%) in terms of the primary accounts held of businesses (See Table 4.4 b).

Table 4.4 b
Crosstabulation: Primary Account By Type of Business By Location of Business Thane

Location: Thane	Type of Business													
	Exporters		Importers		Micro Enterprises		Small Enterprises		Medium Enterprises		Large Enterprises		Total	
	N	%	N	%	N	%	N	%	N	%	N	%	N	%
1 SBI					5	45.5%	14	38.9%	2	6.5%			21	23.9%
2 ICICI					1	9.1%	2	5.6%	10	32.3%	2	25.0%	15	17.0%
3 Axis					1	9.1%	5	13.9%	6	19.4%	1	12.5%	13	14.8%
4 HDFC	1	50.0%					1	2.8%	2	6.5%	3	37.5%	7	8.0%
5 Union bank					1	9.1%	4	11.1%	2	6.5%			7	8.0%
6 TJSB					2	18.2%	5	13.9%					7	8.0%
7 Dena							1	2.8%	3	9.7%			4	4.5%
8 Bank Of Maharashtra					1	9.1%	2	5.6%	1	3.2%			4	4.5%
9 Kotak	1	50.0%					0	0.0%	1	3.2%	1	12.5%	3	3.4%
10 Thane Bharat Sahkari Bank							1	2.8%	2	6.5%			3	3.4%
11 Bank Of India							1	2.8%	1	3.2%			2	2.3%
12 Syndicate Bank											1	12.5%	1	1.1%
13 Yes Bank									1	3.2%			1	1.1%
14 Total	2	100.0%			11	100.0%	36	100.0%	31	100.0%	8	100.0%	88	100.0%

% within Type of Business

4.5 Services Most Availed By Businesses

Net banking services (85.1%), Mobile banking service (74.5%), Domestic trade services (60.6%), followed by Bill collection (40.4%) are most used by businesses (See Table 4.5).

Table 4.5

Broad Categories of Services Most Availed by Businesses

	Services																	
	Net Banking Services		Mobile Banking Service		Domestic Trade Services		Bill Collection		Bank Guarantee		Letter of Credit		Home Banking Service		Export Services		Import Services	
	N	%	N	%	N	%	N	%	N	%	N	%	N	%	N	%	N	%
1 Availing	160	85.1	140	74.5	114	60.6	76	40.4	30	16.0	29	15.4	21	11.2	15	8.0	14	7.4
2 Not Availing	28	14.9	48	25.5	74	39.4	112	59.6	158	84.0	159	84.6	167	88.8	173	92.0	174	92.6
3 Total	188	100.0	188	100.0	188	100.0	188	100.0	188	100.0	188	100.0	188	100.0	188	100.0	188	100.0

4.5.1 Crosstabulation

Location By Broad Categories of Services Availed / Not Availed Of the services most availed by businesses net banking, mobile banking, domestic trade and bill collection are used more by businesses located in Thane. Bank guarantee, letters of credit, home banking, export and import services are used more by businesses located in Mumbai (See Table 4.5.1).

Table 4.5.1

Crosstabulation: Location By Broad Categories of Services Availed / Not Availed

		Location						Location			
		Mumbai		Thane				Mumbai		Thane	
		N	%	N	%			N	%	N	%
Net Banking Services	Availing	77	77.0%	83	94.3%	Mobile Banking Service	Availing	63	63.0%	77	87.5%
	Not Availing	23	23.0%	5	5.7%		Not Availing	37	37.0%	11	12.5%
	Total	100	100.0%	88	100.0%		Total	100	100.0%	88	100.0%
		Mumbai		Thane				Mumbai		Thane	
Domestic Trade Services	Availing	52	52.0%	62	70.5%	Bill Collection	Availing	27	27.0%	49	55.7%
	Not Availing	48	48.0%	26	29.5%		Not Availing	73	73.0%	39	44.3%
	Total	100	100.0%	88	100.0%		Total	100	100.0%	88	100.0%
		Mumbai		Thane				Mumbai		Thane	
Bank Guarantee	Availing	25	25.0%	5	5.7%	Letter of Credit	Availing	23	23.0%	6	6.8%
	Not Availing	75	75.0%	83	94.3%		Not Availing	77	77.0%	82	93.2%
	Total	100	100.0%	88	100.0%		Total	100	100.0%	88	100.0%
		Mumbai		Thane				Mumbai		Thane	
Home Banking Service	Availing	16	16.0%	5	5.7%	Export Services	Availing	12	12.0%	3	3.4%
	Not Availing	84	84.0%	83	94.3%		Not Availing	88	88.0%	85	96.6%
	Total	100	100.0%	88	100.0%		Total	100	100.0%	88	100.0%
		Mumbai		Thane				Mumbai		Thane	
Import Services	Availing	11	11.0%	3	3.4%						
	Not Availing	89	89.0%	85	96.6%						
	Total	100	100.0%	88	100.0%						

% within Location

4.6 Grading of Specific Services Offered By Banks

Respondents were asked to identify Three Important services and of those One Most Important to them. To each choice offered to the question, the answer can be: A. Not Considered as Advantageous (0) B. Ticked as Advantage (1) C Ticked as Among the Three Important (2) and D. Ticked as the Most Important (3). To each question, any choice offered stood to gain a minimum of '0' and the maximum of '3' from each respondent. If all respondents would have treated any one choice as the most important, that choice stood to score maximum score of Number of Valid responses X 3. Thus whatever score the choices offered got was divided by the maximum score for that question to arrive at percentage score. Debit cards (58.16%), Credit cards (41.13%), and Loans (39.01%) received the highest scores and are the specific services important to customers. Fintech (financial technology) companies have introduced new innovative digital technologies in the area of payments such as mobile wallets. The Government of India is also encouraging digital payments in lieu of cash. The demonetization exercise of the government has accelerated the pace of digital payments. Another threat to traditional banks is the payment banks allowed by the Reserve Bank of India (RBI) in operation since 2015. These banks can accept a restricted deposit upto Rs One lakh with both current and savings accounts being operated through these. Payments banks also offer services such as ATM cards, debit cards, net banking and mobile banking. Such new payment avenues create competition for banks that will have to transition from traditional to digital in order to stay ahead of the curve (See Table 4.6).

Table 4.6
Grading of Specific Services Offered By Banks

	Service	*Score	%
1	Debit Cards	328	58.16
2	Credit Cards	232	41.13
3	Loans	220	39.01
4	RTGS	193	34.22
5	Overdraft Facility	167	29.61
6	CMS	96	17.02
7	NEFT	91	16.13
8	IMPS	80	14.18
9	Letter of Credit	68	12.06
10	Bank Guarantee	66	11.70
11	Buyers Credit	24	4.26
12	Suppliers Credit	24	4.26
13	Solvency Certificate	23	4.08
14	Pre Post Shipment	22	3.90
15	Inward Outward Remittances	20	3.55

*Each out of a Maximum Score of 564 with Valid N = 188

RTGS - Real Time Gross Settlement,
CMS - Cash Management Services,
NEFT - National Electronic Funds Transfer,
IMPS - Immediate Payment Services

4.7 Crosstabulation

Location By Top Five Important Specific Services Taking a granular view, Debit card (45.5%), Credit card (31.8%) and Loan services (13.6%) are most important to businesses located in Thane. Real Time Gross Settlement (RTGS) is the most important service to businesses located in Mumbai (See Table 4.7).

Table 4.7
Crosstabulation: Location By Top Five Important Specific Services

Service	Importance	Location			
		Mumbai		Thane	
		N	%	N	%
Debit Cards	Most Imp	13	13.0%	40	45.5%
	Among Three Imp	25	25.0%	45	51.1%
	Imp	27	27.0%	2	2.3%
	Not Ticked as Imp	35	35.0%	1	1.1%
	Total	100	100.0%	88	100.0%
Credit Cards	Most Imp	2	2.0%	28	31.8%
	Among Three Imp	3	3.0%	50	56.8%
	Imp	26	26.0%	10	11.4%
	Not Ticked as Imp	69	69.0%	0	0.0%
	Total	100	100.0%	88	100.0%
Loans	Most Imp	1	1.0%	12	13.6%
	Among Three Imp	25	25.0%	37	42.0%
	Imp	32	32.0%	25	28.4%
	Not Ticked as Imp	42	42.0%	14	15.9%
	Total	100	100.0%	88	100.0%
RTGS (Real Time Gross Settlement)	Most Imp	35	35.0%	0	0.0%
	Among Three Imp	30	30.0%	3	3.4%
	Imp	17	17.0%	5	5.7%
	Not Ticked as Imp	18	18.0%	80	90.9%
	Total	100	100.0%	88	100.0%
Overdraft Facility	Most Imp	8	8.0%	8	9.1%
	Among Three Imp	20	20.0%	17	19.3%
	Imp	20	20.0%	25	28.4%
	Not Ticked as Imp	52	52.0%	38	43.2%
	Total	100	100.0%	88	100.0%

% within Location

4.8 Crosstabulation

Dedicated Relationship Manager By Level of Satisfaction By Location of Business In Mumbai a substantial number (19.7%) are neither satisfied nor dissatisfied with the dedicated relationship manager they have. This is a cause of concern considering the cost of providing such managers (See Table 4.8).

Table 4.8
Crosstabulation: Dedicated Relationship Manager By Level of Satisfaction By Location of Business

Mumbai		Level of Satisfaction							
		Dissatisfied		Neither Satisfied nor Dissatisfied		Satisfied		Total	
1	Dont Have Dedicated RM	0	0.0%	12	41.4%	17	58.6%	29	100.0%
2	Have Dedicated RM	1	1.4%	14	19.7%	56	78.9%	71	100.0%
3	Total	1	1.0%	26	26.0%	73	73.0%	100	100.0%

Thane		Level of Satisfaction							
		Dissatisfied		Neither Satisfied nor Dissatisfied		Satisfied		Total	
1	Dont Have Dedicated RM	2	2.5%	22	27.2%	57	70.4%	81	100.0%
2	Have Dedicated RM	0	0.0%	1	14.3%	6	85.7%	7	100.0%
3	Total	2	2.3%	23	26.1%	63	71.6%	88	100.0%

% within Dedicated Relationship Manager

Banks are digitizing especially with a focus on mass market retail banking. Commercial banking where customers deal with relationship managers are also amenable to digitization. According to Siam Commercial Bank SCB's Head of New Business and Operating Models, Vish Jain 'about 70% of digital investments are going into retail which makes sense given the size of the retail customer base and the high cost of physical channels like branches and ATMs. Less attention has been paid to digitizing businesses that use relationship managers. There is an almost religious belief in the power of relationships and therefore, less belief in technology. Relationship Managers spend most of their time, and generate most of their profits, from 20% of their clients. While these clients get great advice, the other 80% are often neglected'.

Because Relationship Managers expertise varies it results in customers receiving variable quality of advice. Digital can help ensure consistent engagement and a high quality of advice for all the bank's commercial clients. As this study also shows that banks have different types of commercial banking clients ranging from small to large enterprises and who have varying needs digital processes can be used to serve them more effectively.

4.9 Digital Banking

Digital Banking as stated by Federation of Indian Chambers of Commerce and Industry (FICCI), may be viewed as adoption of various existing and emerging technologies by the banks, in concert with associated changes in internal operations as well as external relationships for providing superior customer services and experiences effectively and efficiently. Digitization of account opening, on boarding customers, value added content and functionalities such as digital document safekeeping, access to financial news, digital investing, personalized digital alerts, digital savings tools, online chat, and social media banking, the ability for the customer to design their own digital banking app (font sizes and accessibility of certain functions) improve customer convenience. Enhanced security, easy funds access, protection of identity from hacking, and reducing cyber security risks are all essential.

V. MANAGERIAL IMPLICATIONS AND FURTHER RESEARCH

Banks need to appraise the number and size of branches, their investments in digital technologies, train their workforce, segment customers better, and also be aware of security and technology challenges they face. Further research is required into how banks can take banking to the larger number of unbanked in the country to achieve financial inclusion for all.

VI. CONCLUSION

The nontraditional entrants to the banking universe, such as financial technology companies that are competing with banks in the delivery of financial services are shaking up the banking industry. Banks need to disrupt their own business models and change.

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