

## A Case Study on Banking Products and Services in India

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**Abstract:**-This case was written and compiled by Prof. Rohit Garg, Mr. Paras Batra and Mr. Imran Ahmed Khan. It is intended to be used as the basis for classroom teaching. This is a factious case prepared from the available public information and author's independent research. Names, business, place, incident and events used in this case study are products of author's imagination. This case is an attempt to emphasize on banking products and services offered by banks. The banking system of India consists of the central bank (Reserve Bank of India), commercial banks, cooperative banks and development banks. Currently there are 34 nationalized banks in India, out of which there are 12 government banks and 22 private sector banks. Our Prime Minister "Shri Narendra Modi" launched PMJDY on 28<sup>th</sup> August, 2014 (world's biggest financial inclusion scheme) to promote financial inclusion in India. Finance is Greece and oil that keeps the engine of an economy smoothly run. In this case study, we have discussed how awareness of banking services can be done and how it will help in raising standard of living of people. Banking industry is lifeline of Indian economy, without banking services; it is not possible for our economy to grow and achieve target of \$5 trillion.

**Keywords:** Banking, Financial Inclusion, Gross Domestic Product

### 1. Introductory Case

Govt of India with its objective of financial inclusion opened several branches all over India in urban and rural areas. Recently a new branch of "Canara Bank" opened on 23<sup>rd</sup> January, 2023 in Mandawa village of Rajasthan which is rich in heritage and culture. Mr. Sushil Kapoor has been given charge of Branch head with 11 staff members. The aim behind opening this branch is to provide banking services to all villagers and to raise standard of living of villagers and go through services of banks. Mr. Sushil conducted a meeting on 24<sup>th</sup> January with all staff members and demand inputs from them, how can we reach maximum villagers and provide them banking services. Miss Chanchal who is residing in village since last 14 years told in meeting that people living in village are unknown about banking services, applications and schemes launched by Govt of India regarding loan facilities. Mr. Sushil got various inputs in meeting like organizing outreach camp, door to door visit etc.

Mr. Sushil finalized the proposal of outreach camp in village every Sunday for coming three months.

Date of first outreach camp finalized in meeting and it was 5<sup>th</sup> February, 2023. Staff members started making necessary arrangements for this camp. They distributed brochures of this camp to all the villagers and maximum of them have shown their interest for this camp.



On 5<sup>th</sup> February, total of 763 villagers came in outreach camp and bank employees told them what is meaning of bank, what type of services banks offered for general people. Mr. Naveen (Assistant Manager) told that at its most basic level, a bank is a place to safely keep your money. Beyond the basic services, banks offer a wide

range of products and services like overdraft, insurance and credit facilities to manage money a bit easier. He also told that keeping large sum of money at home can be risky. There's always chance of loss, theft etc. Mr. Naveen said that dealing with cash for everyday expenses can be a bit cumbersome, there are a lot of applications which can be linked with our bank accounts and payments can be made online.

Mr. Shivam, bank employee told various ways how to reach bank, first one is visit to bank branch. A bank branch is a brick and mortar location where banking can be done in person. Another way is online and mobile banking. Now a day's most of banks allow customers to manage their money from computer or smartphone. These services are assessable for 24\*7. We can do everything from managing multiple accounts to paying bills to transferring money. As for staying ahead of our bills, bank applications can remind us that bill is due. Third way to reach bank is telephone banking, now a days banks are allowing customers the option of banking by phone. It is very simple, customer has to call a phone number and speak to bank employee and enquire about balance, paying bills and transferring of money.

One of villager, Kapil Sharma raised a question that what types of products and services banks are offering for household and farmers please tell us in brief. Mr. Shivam told all the services such as deposits account, debit & credit cards, PPF account, insurance and investment & loan services.

A savings account can help the customers to separate the money we want to save from the money we need to spend. Savings are useful for home improvements or building funds for emergency. An added bonus is that banks usually pay interest on savings account. That's free money may help you reach your financial goals a little faster. Mr. Shivam told villagers about next service of bank i.e. Certificate of Deposit; it is type of bank account where we agree to keep our money in the account for certain period. Time ranges from 6 months to 10 years. Longer we save, greater the return. If a customer wants to withdraw money before time period, there will be penalty for this.

Debit and credit cards called as plastic money. Debit card can be used for paying everyday

expenses with just a swipe with 4 digit pin. Benefit of carrying debit card is no need to carry cash with us. Credit card lets us pay for items with a line of credit. A customer can borrow the money and have to pay it back when the bill generated by bank. Major thing is that banks generally charge different rates of interest for this facility.

Miss Gaurika, who is running a grocery store in village asked that, is any regulatory body for your bank. She said we all belong to middle class family, we have little bit savings with us, and we want safety and security of our deposits. Mr. Shivam replied to this question, yes Reserve Bank of India is regulatory body of banks in our country, all the banks have to work as per orders and instructions of RBI, and all banks are working. If we talk about security of your funds, one of the subsidiaries of RBI "Deposit Insurance & Credit Guarantee Corporation of India" has insured all the bank accounts up to Rs 5 lacs.



Mr. Jai distributed the above poster to all the villagers and through this poster; Mr. Shivam explained several services of banks. Total of 216 savings bank accounts, 18 fixed deposits opened 23 recurring deposit accounts opened on a single day. Villagers got satisfied from this outreach camp and bankers got excellent response from this. Under PMJDY (Pradhan Mantri Jan Dhan Yojna), one of the biggest financial inclusion initiatives in the world, was announced by Prime Minister, Shri Narendra Modi on 15<sup>th</sup> August, 2014 from the ramparts of the Red Fort. Along with account opening, bank provided the overdraft facility to few villagers of Rs 8000 so that they can start their new venture and contributed to Gross

Domestic Product. Total of 32 villagers got overdraft facility under PMJDY and issued RuPay debit cards. Villagers got through knowledge about banking products and services. Here, outreach camp wind up and Mr. Sushil thanks all the villagers who came in this camp and he also thanked all the staff members, who motivate and guide all the villagers for this camp.

Few days later, bank marketing team visited field to check the status of amount given under overdraft facility given to villagers. It was found that villagers have opened grocery store, motor vehicle repair workshop, saloon, printing & stationery store and coaching center.

Mr. Sushil discussed this with high officials of bank that first outreach camp has shown excellent results, most of villagers are now aware about banking services; few have opened their ventures sources through Govt schemes. He and his team got appreciation for this camp. He conducted another meeting with his team, but agenda was different this time, Mr. Sushil asked his team that now we have to move villagers towards digital India, new applications like Paytm, Google Pay, BHIM & UPI information should be served with villagers.

Mr. Sushil finalized another proposal of second outreach camp. Date of second outreach camp finalized in meeting and it was 18<sup>th</sup> March. Staff members started making necessary arrangements for this camp. They distributed posters of this camp to all the villagers and all those villagers who came earlier also show their interest for this second outreach camp.

On 18<sup>th</sup> March, total of 864 villagers (out of them, 231 are those villagers who have also participated in outreach camp 1) this time camp was organized with new agenda about explaining new applications and services of banks. Mr. Sushil told villagers about concept of demonetization and its impact on economy. The main objectives behind demonetization were curbing corruption and unearthing black money. Villagers told their problem that at that time, there were no banking facilities in our village and they have to stand in long queues to get their notes exchanged in banks located in another village. During that time villagers told that few of us are laborers and suffered from demonetization because of lack of

awareness of banking system.

Mr. Sushil told villagers about use of bank applications which banks have launched at different period of time. Again it gave marvelous response, number of villagers who were unaware about banking services are using bank applications, having bank accounts and promoting business units with the help of Govt of India schemes. It was decided in camp that villagers were given training every Saturday evening by bankers how to install applications in their smartphone, how to transfer money from one bank account to another and they were given thorough knowledge about banking terms like ATM, Cheque etc. Mr. Sushil once again thanks all the villagers for coming in this camp.

Mr. Sushil prepared a feedback report of both the outreach camp and submitted to head office, after 8 days he and his complete team was invited to head office in Bengaluru where they were appreciated for tremendous efforts and they have fulfilled the dream of Govt of India. Mr. Sushil promised that their team would organize these types of outreach camps in near future in other villages also so that maximum people in this country have access to banking facilities.

#### **Questions:-**

- Q1. Write a note of PESTLE Analysis of today's banking sector.
- Q2. "Banks are contributing towards capital formation and growth of economy" Explain.
- Q3. In this case study there has been discussion of DICGC, one of subsidiary of RBI. Explain all subsidiaries of RBI and their role in development of banking system.

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#### **2. Teaching Notes:**

Banking in old times was not tightly monitored and regulated that it is today. In earlier times, banking was completely a free market operation. Any

entrepreneur can enter and exit the banking business without any restriction or licenses. Now a day's banking system has changed to highly regulated business. The performance of the Indian banking system is intimately correlated with the overall health of the economy, perhaps more so than any other sector. Banking sector is tasked with supporting other sectors of economy like agriculture, small scale businesses, exports etc. Improvement in asset quality, application of risk management procedures and capital adequacy are some of the main functions of Indian banking system in this industrial revolution 4.0 stage.

### **3. Possible Solutions:**

**Problem:** Write a note of PESTLE Analysis of today's banking sector.

**Solution:** Banking industry of every country regulates the money flow in nation to keep economy stable and act as a reservoir of money for the people. In this industrial revolution 4.0 stage, the model of banking has been changed. In place of traditional banking, online and smart banking is gaining more popularity.

Political factors such as tariffs, taxation and banking laws and business restrictions. Economic factors such as economic conditions like inflation, recession, conversion rates etc. Socio-cultural factors mainly include online transactions, financial literacy and new banking products. Technology is daily upgrading banking system through banking applications and tools such as UPI, NEFT, RTGS, and SWIFT etc. Legal factors include laws that ensure safety of public deposits such as monetary policy and NPA corrigendum. Though the banking system do not effect environment directly but there are some indirect effects. Today's banking industry is changing with advanced technology. Majority of users preferred online banking which is environment friendly.

**Problem:** "Banks are contributing towards capital formation and growth of economy" Explain.

**Solution:** Banks are key component in in the growth of country's economy. They act as guardians of the country's wealth and enable savings to move to productive assets at appropriate time. Banks played a major role in India since independence they fuel the country's

economic growth while also giving significant insights into financial processes. Here are some of reasons why a well-organized banking system promotes capital formation and growth of an economy:

1. Capital formation: Banks promote savings and investment. And they put these resources to productive uses which boosts capital formation in economy.
2. Growth of Entrepreneurship: By providing capital to entrepreneurs, they help society in creating jobs, rising standard of living and contributing towards developed nation.
3. Funds transfer: With the help of applications like Paytm, Google pay, UPI & BHIM users can transfer money online within fraction of seconds which helps in promoting digital and cashless economy.
4. Wealth Creation: Now day's banks are providing consulting and advisory services to young minds that are moving towards entrepreneurship.

**Problem:** "In this case study there has been discussion of DICGC, one of subsidiary of RBI. Explain all subsidiaries of RBI and their role in development of banking system.

**Solution:** A subsidiary is a child company that is fully owned by the parent company. There are 4 subsidiaries of RBI.

1. Bharatiya Reserve Bank Note Mudran Private Limited
2. National Bank for Agriculture & Rural Development
3. Deposit Insurance and Credit Guarantee Corporation
4. Indian Financial Technology and Allied Services

**Disclaimer:** This case is written for educational purpose only. The authors have disguised the names and other information to protect confidentiality.