RES MILITARIS
REVUE EUROPEENNE D ETUDES EUROPEAN JOURNAL OF MILITARY STUDIES
Social Science Journal

STUDY OF FINANCIAL OF SERVICES PROVIDED BY COMMERCIAL BANKS

Prashant Kadam
Assistant Professor Department Of Commerce
Sonopant Dandekar College, Palghar, Maharashtra, India- 401404

Abstract

Generally, commercial banks are located in buildings where their clients come to use ATMs and other bank window facilities. Most banks have allowed customers to do most of their services online as internet technology has increased in recent years. It is now possible for individuals to transfer funds, deposit money, or pay bills online. The study aims to give an overview of the different financial services offered by commercial banks in India, whether they are based on funds or non-funds. The paper is entirely based on secondary data that has been collected from different websites and publications.

Introduction

Since liberalization and deregulation, the banking situation in India has undergone significant changes. A paradigm shift in banking operations has been a result of the tremendous advances in technology and the aggressive infusion of information technology. Technology has emerged as a strategic resource for banks to achieve greater efficiency, operational control, productivity and profitability. This helps customers achieve their banking dream of 'Anywhere, Anytime, Anywhere'.

The public, including individual customers and small and medium-sized businesses, can receive basic banking services from commercial banks. Services and fees are charged by banks to earn money. The fees are determined by the products given, including overdraft fees, safe deposit box fees, late fees, and more. Other fees other than interest on loans are also included in various loans.

To earn money, banks give out loans, and to do so, they use funds from customer deposits. The interest rates they charge for loans they give out are higher than those they charge for deposits they receive from their customers. For example, a bank may give its customers a 0.30% interest rate on a savings account, but charge a 4.8% annual interest rate for home loans.

Research Objective

1. To study the profile of financial services provided by Commercial Banks.
2. To study an overview of financial services.
3. To offer suitable suggestion to increasing the financial services

Scope of the Study

With the advent of RBI's liberalization policy and easy norms, several public, private and foreign banks entered the Indian banking sector, causing a reduction in competition between banks in gaining a large customer base and market share. Banks have to deal with many customers and render various types of services to its customer and if the customers are not satisfied with the service provided by the banks will then go out of business which will impact the economy as a whole as the banking system plays an important role in the country's economy, it is also very costly and difficult to win back a dissatisfied customer.

Research Methodology

Present study is descriptive in nature. The data/ information for study will be collected through secondary sources. Secondary data will be collected from various newspapers, journals, e-journals,books, reports, magazines and websites.

Commercial Banks

Loans, certificates of deposits, savings bank accounts, and overdrafts are some of the services offered by a commercial bank to its customers. Lending loans to individuals and earning interest on loans is how these institutions earn money. A commercial bank offers various types of loans, such as business loans, car loans, house loans, personal loans, and education loans. Different types of accounts are used by their customers to deposit money for these loans. Loans are provided by them using deposits as capital. Capital, credit, and liquidity in the market are created by commercial banks, making them essential for a country's economy. The majority of these banks are located in cities, but there are now growing numbers of online banks.

Financial services provided by commercial banks

Commercial banks are generally simple business or commercial enterprises that provide various types of financial services to customers in exchange for payments in the form of interest, discounts, fees, commissions, and so on. In essence, the objective of these banks is to make money. However, the degree to which they have to balance the principle of profit maximization with some other principles, such as the principle of social welfare, social justice and the promotion of regional balance in development, distinguishes these banks from other commercial companies.

A wide range of financial services are available. This is due to the fact that it encompasses a vast range of services. Two broad categories of financial services can be categorized: (a) fund-based services and (b) non-fund-based services (or fee-based services).

Fund based Services	Non-fund based Services
1.Equipment leasing/Lease financing 2. Hire purchase and consumer credit 3. Bill discounting 4. Venture capital 5. Housing finance 6. Insurance services 7. Factoring 8. Forfaiting 9. Mutual funds	1. Securitisation 2. Merchant banking 3. Credit rating 4. Loan syndication 5. Custodian services 6. Stock broking

Asset/Fund Based Services

Banks provide short-term and long-term funds to individuals and businesses through funds-based services. The financing is given in accordance with the repayment capacity of an individual or business. The loans offered by banks are essentially different, as listed below.

1. Leasing equipment/Lease financing: It is a legal agreement that gives the company the right to use the equipment for business during the lease agreement's duration. A monthly fee must be paid by the business owner to the lender who purchases or owns the equipment under the equipment lease financing agreement.
2. Hire purchase and consumer credit: Purchasing hire is a substitute for leasing. Hire purchase involves buying and selling goods with payment in instalments. The buyer gets only possession of goods. Ownership is not given to him. The last instalment payment is required for him to receive ownership. If the buyer doesn't pay any instalment, the seller can take possession of the goods. Interest is included in each monthly payment.
3. Bill discounting: Businesses can quickly obtain money when they need it using their unpaid invoices through the use of bill discounting, which is a useful method. It's possible that you are the seller of certain goods. The invoices you sent to your buyer are awaiting payment. Despite everything, you require urgent funds. You go to the bank and obtain funding for the invoices that have not been paid. At a later time, the buyer who was meant to pay you for your goods will instead pay the bank when the invoice payment is due. To keep business operations running smoothly, bill discounting is a method to get the money you are owed sooner.
4. Venture capital: Venture capital (VC) is private equity funding that is typically given to start-ups and companies in their early stages. Firms with significant growth potential and revenue generation are often offered VC, which can potentially yield high returns.
5. Housing finance: The definition of housing finance is simply providing financial support for house construction. In 1988, the RBI established the National Housing Bank (NHB), which led to the development of fund-based financial services in India. It is a leading housing finance institution in the country. The field of housing finance has been dominated by a number of specialized financial institutions/companies up until now. HDFC, LIC Housing Finance, Citi Home, Ind Bank Housing, and other institutions can be found among them.
6. Insurance services: There is an arrangement between the bank and the insurance company through which the insurer can sell its products to the bank's customers. The insurance company benefits from increased sales and a wider client base without having to expand its sales force. Without having to expand its sales force, the insurance company benefits from an increase in sales and a broader client base.
7. Factoring: A factor is an intermediary that provides companies with cash or financing by buying their receivables. Essentially, a factor is a financing source that agrees to pay the company the invoice value, except for commission and fees discounts. Companies can improve their short-term cash needs by selling their receivables to a factoring company for a cash injection. Factoring, factoring finance, and accounts receivable financing are some of the names given to the practice.
8. Forfaiting: Forfaiting is a method of trade finance that allows exporters to obtain cash by selling their medium and long-term foreign accounts receivable at a discount to a forfeiter, a specialized finance firm or a department in a bank. Exporters can improve cash flow by forfaiting, especially when pursuing sales to foreign buyers who require longer financing terms that can last months or years. Forfaiting is usually more expensive than other types

of commercial lender financing due to the fact that it eliminates most of the risk of non-payment for the exporter.

9. Mutual fund:

Mutual Fund Services (MF) provides a wide range of innovative transaction and information services to automate, standardize and centralize processes to achieve efficiency and reduce costs and risks in the mutual fund market. MF solutions manage business relationships between asset managers and their distributors and connect a vast network including fund companies, investment managers, brokers/dealers, banks, trusts and other financial services companies that offer fund investments in the market.

Non-Fund Based/Fee Based Financial Services

The provision of financial services alone is not enough to satisfy customers today. Their expectation is to receive more from financial service companies. Therefore, financial service companies or financial intermediaries offer services for activities that are not associated with funds. Fee-based services are also referred to as such services.

1. Merchant banking:

   Commercial banking is a professional service provided by commercial banks to their customers with regard to their financial needs for a reasonable consideration in the form of a fee. Banks that offer fundraising, financial advisory, and loan services to large corporations are called merchant banks. Their expertise in international trade allows them to work with large corporations and industries. The country's economic strength is boosted by merchant banking, which provides funds to multinational businesses and large business entities in the country.

2. Credit rating:

   A credit rating is the opinion of a specific credit agency regarding the ability and willingness of an entity (government, business, or individual) to meet its financial obligations in full and within the specified due dates. A credit rating also indicates the likelihood that a borrower will default on their obligations. It is an expression of the credit risk that the debt instrument carries, whether it is a loan or a bond issue.

3. Stock broking:

   Now, stockbroking has emerged as a professional advisory service. To become a stockbroker, one must be a member of a recognized stock exchange. He is involved in the purchase, sale, or trading of shares or securities. To act as a broker, it is necessary for every stock broker to register with SEBI. Being a member of the stock exchange means he must follow its rules, regulations, and bylaws.

4. Custodial services:

   Most depositories offer related services such as account management, settlement of transactions, collection and distribution of dividends and interest payments, tax support and foreign exchange management. A custodial bank has the ability to handle investment activities for customers.

5. Loan syndication:

   The term "loan syndication" refers to the process of involving a group of lenders who finance different parts of a loan for a single borrower. Loan syndication most often occurs when a borrower requests an amount that is too large for a single lender, or when the loan is outside the range of risks that the lender has.In order to provide the borrower with the capital they require, multiple lenders pool together and form a syndicate.

6. Securitisation (of debt):
   Securitization is the process of converting non-marketable assets into marketable securities. The process of distributing risk is structured through the accumulation of debt instruments in a pool and the issue of new securities backed by the pool. When a bank or financial institution is in need of additional capital to finance a new facility, to raise the fund, instead of selling the assets, the financial institution decides to sell the portion of the loan to a Trustee named as Special Purpose Vehicle (SPV) and collect the fund up front and remove the loan asset from the balance sheet of the institution. Bonds are issued to investors by the SPV as it holds the asset as collateral on its balance sheet. Proceeds from bond sales are used to pay the originator for the assets.

Suggestion

The findings of this study indicate that customers need to be mentally prepared to embrace e-banking services based on banking practices. The introduction of systematic orientation, customer education, and online banking should be accompanied by proper safety and security measures by bankers.

Conclusion

It can be concluded from the study above that technology has had a significant impact on bank customers, motivating them to conduct banking in an innovative manner. They have good awareness regarding Mobile application and internet banking whereas it is low in others service like mobile banking, credit cards, smart cards etc., Adoption of Mobile application was highest followed by internet banking, credit card and mobile banking, whereas as drop page rate is high in the case of credit cards followed by mobile banking and smart cards.

Bibliography

References

1. Chavan, J. (2013). Internet banking–benefits and challenges in an emerging economy. International Journal of Research in Business Management, 1(1), 19-26.
2. Acharya, R. N., Kagan, A. & Lingam, S. R. (2008). Online Banking Applications and Community Bank Performance. International Journal of Bank Marketing, Vol. 26(6): 418-439.
3. Baskar, S., & Ramesh, M. (2010). Linkage between online banking service quality and customers. Perspectives of Innovations, Economics and Business, 6(3), 45-52.
4. Ladhari, R. (2008). Alternative measures of service quality: a review. Managing Service Quality: An International Journal, 18(1), 65-86

Websites

1. https://egyankosh.ac.in/bitstream/123456789/73971/1/Unit-18.pdf
2. https://vskub.ac.in/wp-content/uploads/2020/04/FINANCIAL-SERVICES-6th-Sem.pdf
3. https://www.igntu.ac.in/eContent/IGNTU-eContent-456503968929-B.Com-6-Prof.ShailendraSinghBhadouriaDean&-FINANCIALSERVICES-All.pdf
4. https://www.caluniv.ac.in/dj/BS-Journal/vol-35-36/i.%20Commercial_Banks.pdf
5. http://tumkuruniversity.ac.in/oc_ug/comm/IFS%20FINAL.pdf
6.