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CORPORATIVE UNION Vs. MICROFINANCE**ANTENEH EWNETU ABEBE****STUDENT, DOCTOR OF BUSINESS ADMINISTRATION, S P JAIN SCHOOL OF GLOBAL MANAGEMENT; &
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MUMBAI****ABSTRACT**

HSHARY Trading PIC, one of the leading medical equipment suppliers, faced a drop in sales. While evaluating the sales performance, the management came to understand that the major factor that contributed to the drop in sales is its inability to sell with credit and the availability of adequate financial service needed to finance its customers. In an attempt to solve its customer-financing problem and boost sales, the management of the company considered to establish a financial institute and entered into a dilemma of what kind of financial institution to establish

KEYWORDS

financial institute, sales performance, microfinance, corporative union.

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INTRODUCTION

Mr. Henock, the founder and Managing Director of HSHARY Trading PLC, one of the leading medical equipment importer and distributor in Ethiopia was reviewing the sales performance of the company with his chief sales and marketing Officer Mr. Nebyu and Miss Samrawit his Chief Financial Officer. The company sales target for 2018 was four million USD. However, the actual performance for 2018 was 3 million USD. Moreover, the company's six-month sale for the current budget year is 1.5 Million USD, which is one million less than the six-month target. As a result, Henock has become worried about the performance of the company

OBJECTIVE OF THE CASE STUDY

The objective of the case study is to present the different dilemmas in establishing a financial institute in Ethiopia

METHODOLOGY

Documents from the National Bank of Ethiopia were analyzed in order to understand the requirements of establishing financial institutes in Ethiopia. Moreover, group discussion was made with senior managers of HSHARY Trading Plc. and experts from the financial sector

SALES PERFORMANCE EVALUATION

Henock, while putting his eyes at the executive summary of the report, he expressed his concern about the current sales revenue of the company. "Guys, we are by far away from our biannual target, and I am frustrated with our performance." We need to understand our problem and improve our sales. We should even compensate for our six-month sales target in the coming two quarters". Looking at Nebyu, "what is the main problem in achieving our sales target?" "And how can we increase our sales to achieve our annual sales target in the coming two quarters?"

After taking a sip of water to wet his throat, Nebyu started explaining the main problem that has contributed to the slow sales of the company. "The main problem that is hindering us from achieving our sales target is our capacity for meeting our customers demand for credit sales." Nebyu continued, "as you both know, most of the hospitals and clinics want to buy medical equipment with a minimum of 18-months credit. On the other hand, our credit policy is only for six months. " This has made customers buy from our competitors. Samrawit interfered, Nebyu, "as we all know, we have a limited financial capacity, and we cannot provide 18 months credit, even 12 months credit is not doable with our current financial capacity." Nebyu replied, "I understand, but that is the major factor for our poor sales performance."

FINANCIAL SOURCE ARRANGEMENT FOR OUR CUSTOMERS

"Why can't we try to work with financial institutes like banks and microfinance to arrange finance to our customers?" Henock asked Nebyu. As you know, " Most of the Hospitals and Clinics in Ethiopia works in a rented facility and has no fixed asset collateral. All of the banks and microfinance do not want to provide a loan without fixed asset collateral since they have enough customers in other sectors that have fixed asset collateral. I have spoken with the different financial institute to hold the medical equipment as collateral and provide loan to our customers, but all of them refused"

According to the National Bank of Ethiopia, currently, there are 35 microfinance and 18 banks for a population of 107 million. These financial institutes have limited capital; as a result, getting loans has become a significant challenge of businesses in Ethiopia. Moreover, fixed asset collateral of more than 140% is required by most of the banks to provide a loan.

Looking at Both Nebyu and Samrawit, Henock asked them if they have any suggestion that will help them to solve this problem.

Samrawit replied, "the only solution for solving our customer's financing problem once and for all is to establish a financial institution that can provide loan to our customers." "Samrawit continued, Because of the National Bank regulation we cannot establish a Bank, so we need to go either for a microfinance or Corporative Union."

I also agree said Nebyu, "In the past two quarters we have lost more than 2 million USD accounts because of our inability of arranging finance.

"This is not something I can decide alone, I have to speak with the board of directors," Henock replied. I will let you know our decision in the coming two weeks. After leaving the meeting, Henock immediately phoned Helen, Rebeka, and Teddy, the shareholders and board members of the company to fix an appointment to discuss the recommendation of his management.

ESTABLISHING A FINANCIAL INSTITUTE

After greeting three of the Board members, Henock started explaining the agenda of the meeting to his shareholders. "The sale of HSHARY Trading PLC is not going as per our plan. One of the major factors that contributed to this issue is our financial capacity in selling with credit — currently, most of our customer's demands for 18 months of credit sales. As you know, we are not able to provide 18 months credit, and most of the financial institutes are not willing to provide financial assistance without fixed asset collateral. As a result, to keep HSHARY Trading growing, we need to find a way to finance our customers. Our chief sales and Marketing Officer and CFO have recommended us to establish a financial institute either microfinance or Corporative Union, which will be used to finance the credit sales need of the company." Tedy, one of the major shareholders and Board member, asked Henock, "how much the company lost because of unavailability of credit sales in this year?" "More than 2 Million USD, Henock replied. Wow, Helen jumped in, "I think establishing a financial institute is very important to accelerate the growth of the company as well as to be competitive in the medical equipment industry." Rebeka said, "I also agree but has some questions."

"What type of form the financial institution will have?"

"How is the application process?"

"What are the requirements for establishing the financial institute?"

"Because of the National Bank of Ethiopia regulation, we can only establish either microfinance or Corporative union," Henock continued explaining, "The application process of microfinance can take up to six months. The number and types of document required are also more than the one needed for Corporative Union. The corporative union application process is shorter than microfinance."

Teddy interrupted Henock and said, "If the application process for microfinance takes six months, then we have to go for corporative Union." Helen interrupted Teddy; "I think we should consider other factors as well before deciding on the Form of the financial institute formation."

I agree with Helen, Henock continued his explanation; "we should consider factors such Capital requirement, the minimum number of Shareholders requirement, Eligible scope of Operation, Taxation and industry regulation while making a decision regarding the form of the establishment."

REQUIREMENTS FOR ESTABLISHING A FINANCIAL INSTITUTE

Henock opened his laptop started his presentation. "The minimum capital requirement to establish microfinance is 10 Million Birr (nearly 335,000 USD). However, there is no minimum capital requirement to establish a corporative Union. Regarding the number of shareholders, the minimum number of shareholders to establish microfinance is five shareholders. There is no restriction on the number of shares a shareholder should have. However, in the Corporative Union, a shareholder cannot have more than 10% shares, and the minimum number of shareholders is fifty. The scope of operation is one of the other important factors to consider,"

Henock Continued, "Microfinance has a broader scope of operation than Corporative Union. A Microfinance can engage in all banking activities with the expectation of foreign currency-related services. However, Corporative Union operation is limited to saving and credit."

"Does this mean cooperative unions cannot give loan?" Helen asked. "No, no, no... Henock replied, "they can provide a loan, but the loan has to be related to saving." For example, if you do not have a saving in a corporative union, then you are not eligible to take a loan from this corporative.

After confirming Helen's satisfaction from her face, Henock continued to the next slide to present taxation. "Corporative Unions are exempted from 30% corporate profit tax. However, microfinance has to pay 30% corporate profit tax. But, both Corporative Union and microfinance shareholders have to pay 15% dividend tax."

"The other important factor that needs to be considered in our decision is the financial sector regulation," Henock continued, National Bank of Ethiopia governs Microfinance as a result; the microfinance business environment is highly regulated. Where us, Federal corporative agency is the one who is licensing and controlling Corporative Unions. In comparison, Corporative Unions business environment is less regulated than microfinance."

"So, what do you think, Shall we go for microfinance or corporative Union," Henock asked his board members while looking each of them at a glance.

Well, Rebka broke the silence; "I think we should go for corporative Union. Rebka continued, As we can see from Henock's presentation, the application process is simple and takes less time to get a license than microfinance, which is crucial since we can start quickly and compensate first and second-quarter sales performance in the remaining two quarters.

Also, there is no minimum capital requirement; therefore, we can start with minimum capital, which will help us to minimize our investment risk since we do not have financial institute market expertise.

Zero corporate profit tax and less regulated business environment makes the Corporative Union a better choice

"But, what about the restriction on the scope of operation" Teddy started explaining why Corporative Union will not work. Since the hospital has to make saving first for some time to take a loan, it will take time to be able to finance our customers. Do you think hospitals will agree to make saving for a certain period in a newly formed unknown Corporative Union? Also, do not forget that the minimum number of shareholders to establish a corporative union is fifty. As a result, it will be difficult to control the Corporative Union and make it operate as we want."

Teddy Continued, "I think, we should go for microfinance since the minimum number of shareholders is five, it will give us the power to control the operation of the company. Also, saving is not a requirement to take a loan, which will make us start the loan service quickly. Moreover, microfinance has a wider scope of operation and flexibility".

Rebeka turned her face to Teddy and started arguing. Know the discussion is getting fiercer and fiercer.

"Teddy, we can build the brand of the corporative Union by doing an aggressive promotional activity and can get the trust of the consumer. Moreover, please do not forget that microfinance has to pay 30% corporate profit tax."

Teddy interrupted Rebeka, "Rebeka; Narrow scope of operation will definitely affect the revenue of the corporative Union. So it is better to pay 30% corporate profit tax and engage with a wider scope of operation " "Also it will take time to build the brand of the corporative Union, even with aggressive marketing activities and success is not guaranteed."

Angrily, Rebeka replied, "Well that does not work for me" and continued explaining her points. "Guys, please do not forget that we need 10 million Birr which is nearly 350,000 USD to establish microfinance, from where will we get this Money?", Rebeka continued, "If we take 350,000 USD from HSHARY and establish the microfinance it will dry the working capital of HSHARY."

Helen jumped in; It seems when is supporting Teddy "even for corporative Union, we need capital and budget for promotional activities."

While Teddy and Rebeka are arguing, Henock understood that the discussion is getting intense and both Rebeka and Teddy have valid points. If they continue like this, it may take days to come into an agreement.

Therefore, he wanted to interrupt and make a proposal. "Both of you has valid points, and I understand if we continue like this, we will not make a decision sometime soon. So I would like to recommend sleeping on the matter for three days and voting to decide the way forward."

All of the board members agreed with the proposal and decided to meet after three days.

1. In countries where financial service is not adequately available, organizations should develop a strategy for financing their customers.

2. Organizations should evaluate their sales performance periodically in order to understand the current problem and to develop a strategy that will help to improve their performance.
3. Before deciding to enter into a new product portfolio, organizations should evaluate if the existing portfolio is served at the maximum and if the necessary resource is available.
4. Organizations should analyze the advantages and disadvantages of establishing a firm or entering into a new market before making their decision.

QUESTIONS FOR DISCUSSION

1. Shall HSHARY Trading PLC board decide to establish a Microfinance or Corporative Union?
2. Shall the company increase its product portfolio or focus on expanding the market share of its existing portfolio to boost its revenue?
3. In Ethiopia, most of the medical equipment buyers want to buy medical equipment with more than 18 months installment due to lack of capital. Shall the company establishing a leasing firm to tap this opportunity
4. Will joining the financial institute market where the company does not have enough expertise distract its focus and affect the medical Equipment business?
5. The government of Ethiopia has restricted foreign investors and financial institutes from operating in Ethiopia with the primary reason of protecting local financial institutes. Shall the government review its policy and open the financial sector to solve the problem of accessing the commercial loan facility

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TRENDS IN PERFORMANCE OF INDIAN BANKS OVERSEAS - ANALYSIS ON SELECT INDIAN BANKS

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ABSTRACT

While banking sector has been competing across the world towards global development, the Indian banks too have been playing a vital role globally. The Indian banking industry is exposed to large scale domestic and international competition to achieve economic growth. The trends in performance of select Indian public & private sector banks overseas with that of all Indian banks overseas is reviewed in terms of deposits, loans and advances, total business, investments, borrowings etc., with the aid of growth rates.

KEYWORDS

deposits, loans & advances, investments, total business.

JEL CODE

G21

INTRODUCTION

Banking sector plays an important role in economic development, globally. International banking is an area where India's presence is expected to show appreciable increase. With the growth in IT sector and other IT enabled services, there has been tremendous potential for international banking business opportunities. This again will offer enormous scope to Indian Banks across the globe to increase their forex business and international presence. Globalization would provide opportunities for Indian corporate entities to expand their business in other countries. Indian Banks wanting to increase their international presence could naturally be expected to follow these corporates and other trade flows in and out of India.

In the present study, six Indian banks (three Public Sector Banks and three private sector banks) are identified basing on their significant contribution to the banking business of all Indian banks overseas viz. SBI, Bank of Baroda, Bank of India, ICICI Bank, Axis Bank and HDFC Bank. An attempt is made to examine the trends in terms of basic performance indicators such as deposits, loans and advances, total business, investments, and borrowings of these select banks. Further, compound growth rates for every four year period under the total study period of eight years are computed for the purpose of analysis and interpretation.

REVIEW OF LITERATURE

An attempt is made to review the literature available on Indian Banks operating overseas, so as to develop appropriate research design. The outcome of such review is presented here under:

Vivek Kumar, Vishal Maurya (2009), in their study "Comparing the Technical Efficiency of Indian Banks Operating Abroad and Foreign Banks Operating in India" – RBI publication 2009, aimed to compare the technical efficiency of Indian Banks operating overseas and foreign banks operating in India and to investigate the effect of openness of the country.

M.Senthil Mathi (2011), in his study "Challenges of Globalization in Indian Banking Sector" (Indian Streams Research Journal - May 2011), mentioned that Indian banks have done a great job in extending banking service after globalization.

Garima Chaudhary (2014), in her study "Performance Comparison of Private Sector Banks with the Public Sector Banks in India" (International Journal of Emerging Research in Management & Technology- Feb. 2014) mentioned that the Indian economy has witnessed the expansion of many banks in the global market.

NEED FOR THE STUDY

It appears that there has been no much emphasis on the performance of Indian banks that are operating overseas. Even, while reviewing various studies on the present subject, it revealed that the previous researches focused mainly on peripheral areas and not much attention was paid to evaluate the performance of Indian banks overseas. In other words, it can be said that an in depth study was not conducted so far on the present subject. The present study has divulged various socio, political and economic factors which influence the spread of International banking and hence there is a need to identify the country-wise spread and concentration of Indian banks overseas.

OBJECTIVES

1. To examine the trends in performance of Indian banks overseas.
2. To offer a suggestive framework for strengthening operations of Indian banks overseas.

RESEARCH METHODOLOGY

The design of the present study is descriptive and analytical in nature and covers the period of eight years commencing from 2009-10. The data which is required for the analysis and that could fulfill our objectives has been collected mainly from two sources, viz. 1) primary data and 2) secondary data.

Primary data is collected from the officials and other employees concerned through interviews and discussions with Experts, Chief Finance Officers, Finance Managers, Branch Managers and other Bank officers regarding different aspects.

The study is also based on the secondary data obtained from the audited balance sheets and profit & loss accounts, operational reports, budgets, manuals, annual reports of Public Sector and Private Sector banks, etc.

LIMITATIONS

1. A benchmark of six banks was selected for detailed study.
2. Certain analytical deficiencies cannot be ruled out due to numerical approximation and adjustments in the process of calculating averages, percentages for the purpose of analysis.

ANALYSIS**TOTAL DEPOSITS**

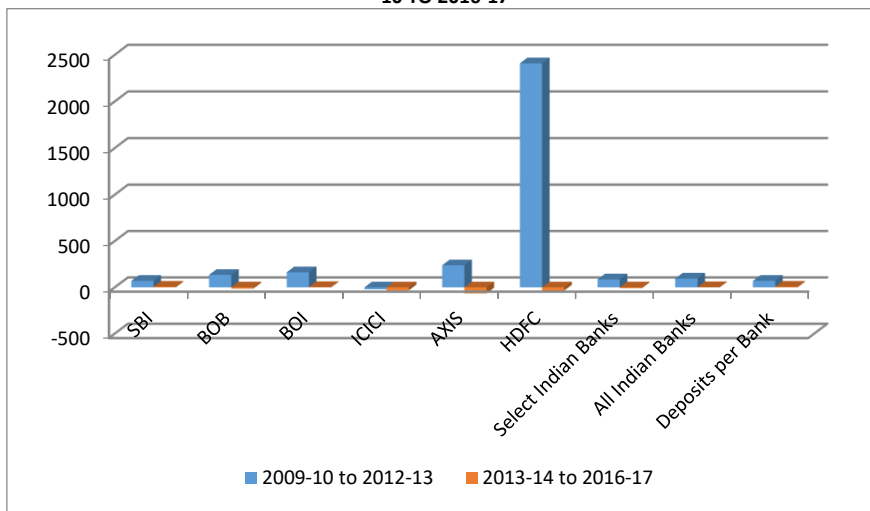
Mobilization of resources in the form of deposits is considered to be the supreme task for any banking institution and hence the concerned data for all the select six Indian banks vis-a-vis all the Indian banks together is collected and computed for the period 2009-17 and the results are furnished in Table 1.1 & Figure 1.1.

A glance into the growth rates of deposits (Table 1.1 & Figure 1.1) for the select six Indian banks as well as all the total Indian banks as a unit discloses that the highest growth rates were recorded by all the six banks except ICICI, out of which growth rate of HDFC Bank topped with 2409.38 per cent during 2009-13. However, it is significant to notice that except SBI & BOI, the remaining four banks registered down trend in growth rate during the study period. It is attributed to closure of some branches. This reflects that these banks need to strengthen their deposit base.

TABLE 1.1: PERIODICAL COMPOUND GROWTH RATE OF DEPOSITS OF THE SELECT INDIAN BANKS VIS-A-VIS TOTAL INDIAN BANKS OVERSEAS DURING 2009-10 TO 2016-17

Year	SBI	BOB	BOI	ICICI	AXIS	HDFC	Select Indian Banks	All Indian Banks	Deposits per Bank
2009-10 to 2012-13	70.56	134.53	162.67	-19.81	238.04	2409.38	86.50	95.24	70.56
2013-14 to 2016-17	6.94	-13.31	3.30	-32.04	-64.91	-34.51	-8.52	1.77	6.94

FIGURE 1.1: PERIODICAL COMPOUND GROWTH RATE OF DEPOSITS OF THE SELECT INDIAN BANKS VIS-A-VIS TOTAL INDIAN BANKS OVERSEAS DURING 2009-10 TO 2016-17



LOANS AND ADVANCES

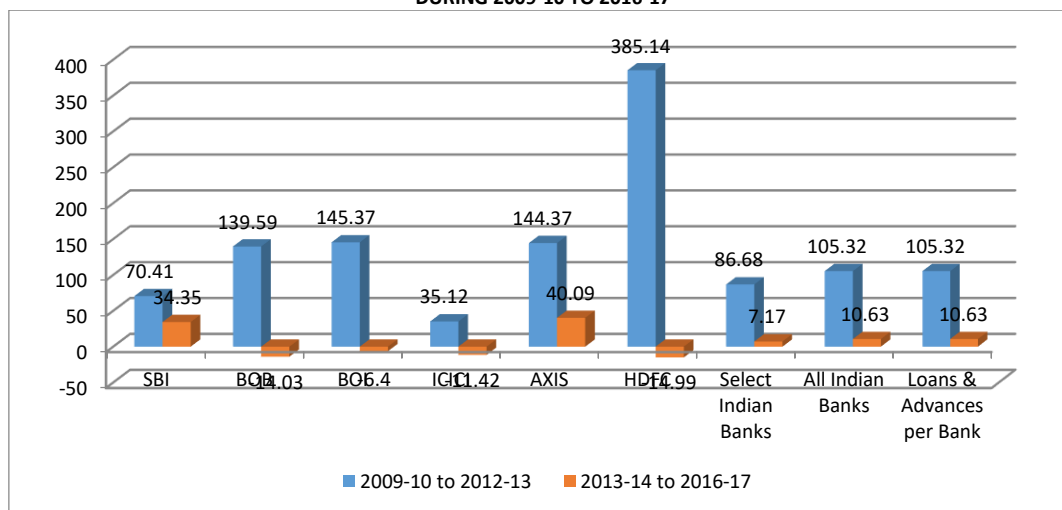
The extent of loans and advances sanctioned will be usually taken a bench mark to evaluate the operational performance of any banking institution. Hence the relevant statistical data was procured and computed for the select public sector as well as private sector banks together and the results were exhibited in Table 1.2 & Figure 1.2.

The trends in periodical growth rates are incorporated in Table 1.2 & Figure 1.2. From the table it can be seen that there has been a gradual rise in the Loans and Advances of 105.32 per cent by all the Indian banks together and simultaneously select Indian banks witnessed 86.68 per cent growth rate during the first four year period of study. A quick look into interbank comparison among the select Indian banks reveals that HDFC bank registered higher growth rate of 385.14 per cent during the first four years period 2009-2013 but subsequently decreased to -14.99 per cent in the next four years period 2013-17. Among the select six banks, although SBI had an impressive Loans and Advances of 70.41 per cent in first four years, decreased to 34.35 per cent in next four years while all other banks showed a negative trend in the compound growth rate of loans and advances, except AXIS bank. These trends can be attributed to positive response of foreign countries towards the Indian banks, in global expansion.

TABLE 1.2: PERIODICAL COMPOUND GROWTH RATE OF LOANS AND ADVANCES OF SELECT INDIAN BANKS VIS-A-VIS TOTAL INDIAN BANKS OVERSEAS DURING 2009-10 TO 2016-17

Year	SBI	BOB	BOI	ICICI	AXIS	HDFC	Select Indian Banks	All Indian Banks	Loans & Advances per Bank
2009-10 to 2012-13	70.41	139.59	145.37	35.12	144.37	385.14	86.68	105.32	105.32
2013-14 to 2016-17	34.35	-14.03	-6.40	-11.42	40.09	-14.99	7.17	10.63	10.63

FIGURE 1.2: PERIODICAL COMPOUND GROWTH RATE OF LOANS AND ADVANCES OF SELECT INDIAN BANKS VIS-A-VIS TOTAL INDIAN BANKS OVERSEAS DURING 2009-10 TO 2016-17



TOTAL BUSINESS

The data relating to total business of all select banks against all Indian banks as a unit together and the relevant growth rates under different periods are exhibited in Table 1.3.

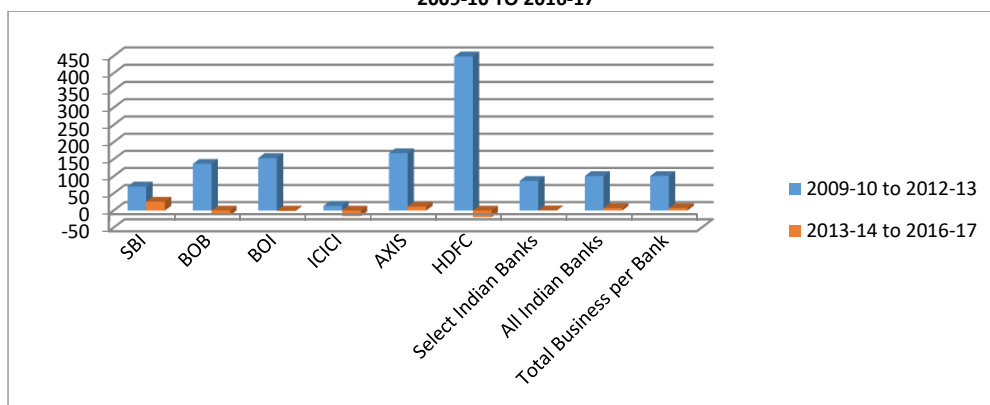
The details in relation to compound growth rates as shown in Table 1.3 along with graphical representation in Figure 1.3 clearly establish the fact that the period during 2009-2013 witnessed a remarkable progress in registering higher growth rates when compared to the other periods.

The trends in periodical growth rates are incorporated in Table 1.3 and Figure 1.3. A look at the table reveals that there has been a gradual rise in the total business of 101.10 per cent by all the Indian banks together and simultaneously select Indian banks witnessed 86.60 per cent growth rate during the first four year period of study. A quick look into interbank comparison among the select Indian banks reveals that HDFC bank registered higher growth rate of 448.58 per cent during the first four years period 2009-2013 but subsequently decreased to -19.04 per cent in the next four years period 2013-17. Among the select six banks, although SBI had an impressive total business of 70.46 per cent in first four years decreased to 25.75 per cent in next four years, all other banks showed a negative trend in the compound growth rate of total business.

TABLE 1.3: PERIODICAL COMPOUND GROWTH RATE OF TOTAL BUSINESS OF SELECT INDIAN BANKS VIS-À-VIS TOTAL INDIAN BANKS OVERSEAS DURING 2009-10 TO 2016-17

Year	SBI	BOB	BOI	ICICI	AXIS	HDFC	Select Indian Banks	All Indian Banks	Total Business per Bank
2009-10 to 2012-13	70.46	136.72	153.71	13.85	167.82	448.58	86.60	101.10	101.10
2013-14 to 2016-17	25.75	-13.59	-1.51	-16.56	11.30	-19.04	0.57	6.91	6.91

FIGURE 1.3: PERIODICAL COMPOUND GROWTH RATE OF TOTAL BUSINESS OF SELECT INDIAN BANKS VIS-À-VIS TOTAL INDIAN BANKS OVERSEAS DURING 2009-10 TO 2016-17



INVESTMENTS

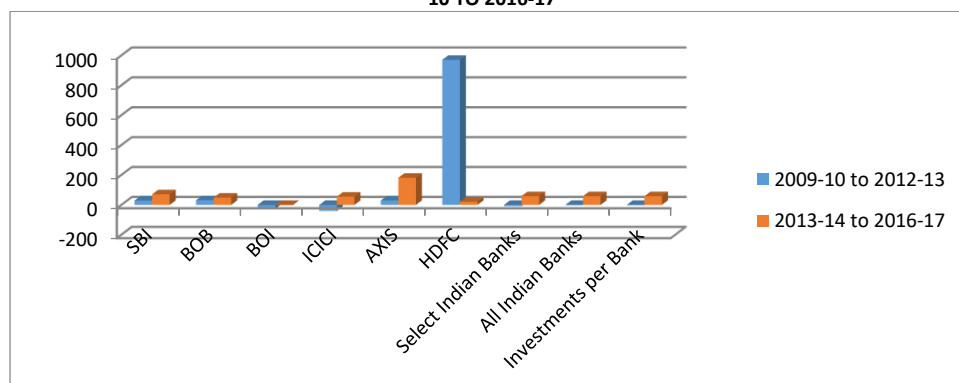
The investments made by the select banks vis-a-vis all Indian banks during 2009-2017 is recorded in Table 1.4 & Figure 1.4 and the trends in periodical growth rates are incorporated in Table 1.4 & Figure 1.4.

The trends in periodical growth rates are incorporated in Table 1.4 & Figure 1.4. A quick glance at the table reveals that there has been a gradual rise of 58.51 per cent in Investments by all the Indian banks together during the second four year period of study whereas in the first four years, there was a negative impact on the select Indian banks which witnessed 2.03 per cent. A quick look into interbank comparison among the select Indian banks reveals that SBI registered a growth rate of 29.24 per cent during the first four years period 2009-13 and subsequently increased to 70.70 per cent in the next four years period 2013-17 which showed the three-fold increase in Investments. The same trend was witnessed by Axis Bank during the study period which witnessed nine times growth in Investments.

TABLE 1.4: PERIODICAL COMPOUND GROWTH RATE OF INVESTMENTS OF SELECT INDIAN BANKS VIS-A-VIS TOTAL INDIAN BANKS OVERSEAS DURING 2009-10 TO 2016-17

Year	SBI	BOB	BOI	ICICI	AXIS	HDFC	Select Indian Banks	All Indian Banks	Investments per Bank
2009-10 to 2012-13	29.24	30.97	-26.30	-40.24	29.94	970.21	-8.49	-2.03	-2.03
2013-14 to 2016-17	70.70	48.55	-1.87	54.86	181.12	21.26	58.46	58.51	58.51

FIGURE 1.4: PERIODICAL COMPOUND GROWTH RATE OF INVESTMENTS OF SELECT INDIAN BANKS VIS-A-VIS TOTAL INDIAN BANKS OVERSEAS DURING 2009-10 TO 2016-17



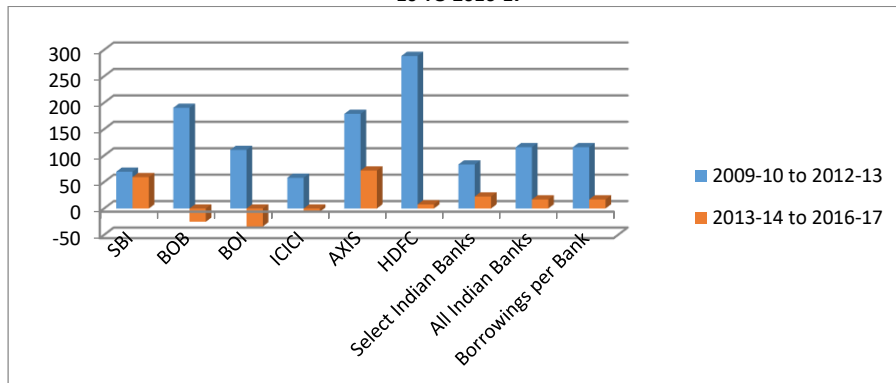
BORROWINGS

Enlistment of funds in the form of Borrowings is considered to be the important task for any banking institution and hence the requisite data for all the select six Indian banks vis-a-vis all the Indian banks together was collected and computed for the period 2009-17 and the results are furnished in Table 1.5 & Figure 1.5. A quick look into the growth rates of Borrowings (Table 1.5 & Figure 1.5) for the select six Indian banks as well as all the total Indian banks as a unit discloses that the highest growth rate of 288.51 per cent was recorded by HDFC Bank followed by Bank of Baroda with 190.43 per cent, during 2009-13. However, it is significant to notice that BOB, BOI & ICICI banks registered down trend in growth rate of Borrowings at the end of the study period. This reflects that these banks need to strengthen their Borrowings.

TABLE 1.5: PERIODICAL COMPOUND GROWTH RATE OF BORROWINGS OF SELECT INDIAN BANKS VIS-A-VIS TOTAL INDIAN BANKS OVERSEAS DURING 2009-10 TO 2016-17

Year	SBI	BOB	BOI	ICICI	AXIS	HDFC	Select Indian Banks	All Indian Banks	Borrowings per Bank
2009-10 to 2012-13	69.63	190.43	110.77	58.09	179.09	288.51	83.29	115.95	115.95
2013-14 to 2016-17	59.32	-24.90	-33.84	-6.05	71.84	7.77	22.78	17.16	17.16

FIGURE 1.5: PERIODICAL COMPOUND GROWTH RATE OF BORROWINGS OF SELECT INDIAN BANKS VIS-A-VIS TOTAL INDIAN BANKS OVERSEAS DURING 2009-10 TO 2016-17



CONCLUSION

In case of Deposits mobilization, Bank of Baroda topped the list in securing the maximum share of deposits of select Indian banks during the year 2009-10 and by the end of 2016-17, Bank of Baroda retained its top slot among the select six banks. A massive upsurge in loans and advances was experienced by all Indian banks overseas during 2009-2017. In the year 2009-10, State Bank of India occupied the first position and retained its top slot by the end of 2016-17. By the end of 2016-17, State Bank of India topped in total business among select six banks. All the select Indian banks had a considerable growth in their total business globally, except ICICI bank. During 2009-10, ICICI bank, topped in Investments among select six banks but by the end of 2016-17 & State Bank of India reached first position in Investments among select six banks. During the study period, the select six banks had a considerable growth in Investments except ICICI bank and Bank of India. As regards Borrowings, during 2009-10, State Bank of India occupied first position and continued to remain first at the end of the study period. Here, it is significant to note that BOB, BOI & ICICI banks registered down trend in growth rate of Borrowings at the end of the study period.

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AN EVALUATION OF CRM PRACTICES OF PROFESSIONAL COURIER SERVICE

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ABSTRACT

Business environment is today much more complex, competitive and turbulent. As the intense competition becomes a way of doing business, it is the customer who calls the shot in deciding the nature of products and services offered in the market. Customer Relationship Management (CRM) is therefore far more important today than in the just by gone era when the supplier was the king and the customer was at the mercy of suppliers. Customer Relationship Management (CRM) is being increasingly used to identify, attract and retain most valuable customers that help businesses to sustain profitable growth. For the period of data were collected during April- June 2020. The present study has been undertaken to evaluate the CRM practices of the Professional Couriers. The study revealed that the regular, high value customers are very much satisfied with the CRM practices and among others, the awareness about the existence of such innovative elements in the service mix is low or lacking. It is concluded that sensitizing the customers and also the prospective customers about the enriched services profile will go a long way in not only in retaining the loyal customer base and also in widening it.

KEYWORDS

customer relationship management, business, market, customer, professional courier.

JEL CODES

D18, M31.

INTRODUCTION

Business environment is today much more complex, competitive and turbulent. As the intense competition becomes a way of doing business, it is the customer who calls the shot in deciding the nature of products and services offered in the market. The customers are becoming demanding, dominating and selective. In fact, the perception and the expectation of the customers have undergone sea change. Now-a-days they have also become more immune to marketer's pressure. This means that the advertising and marketing gimmicks will work only when they see real quality in the provision of services at the ground level. Such developments have made the customer the king and as in any monarchy, the king must be flattered. Customer Relationship Management (CRM) is therefore far more important today than in the just by gone era when the supplier was the king and the customer was at the mercy of suppliers.

We are in the midst of new realities, where businesses are being buffeted by major gale force of winds- globalization, liberalization, Privatization and technology among them. The end result is consent chum, competition and change. In such hostile environment incremental changes will not suffice: organization have to radically transform themselves, not once or twice but continuously and search for new ideas.

In today's competitive business world, achieving customer satisfaction by delighting the customer is a key element in setting the business goals and objectives of the corporate. Improving performance in service, delivery and responsiveness to the customers have become a source of advantage in many industry and service sectors. Customer Relationship Management (CRM) is being increasingly used to identify, attract and retain most valuable customers that help businesses to sustain profitable growth. Mainly, successful companies are achieving long term performance in CRM by gaining deep insights about their customers which help them design product/ service offerings that match or exceed the customer expectations which in turn help in building customer expectations which in turn help in building customer trust and gain loyalty.

STATEMENT OF THE PROBLEM

Marketing the courier services focuses our attention on the application of modern marketing principles in the business process. Courier marketing is a managerial process that makes possible planned development of services. It is an organized effort to make the services commercially viable to the courier organizations Vis-à-vis, affordable to the users who make use of their multidimensional services. It is even a social process that draws our attention on sub serving the social interests by offering concessional, subsidized services to the selected segments that deserve it. The Courier marketing thus proves to be a device to promote the business by using fair practices. The marketing concept makes it essential that the organizations formulate sound services. The courier marketing practices thus make possible formulation of different sub mixes of the marketing mix, such as the product mix, the promotion mix, the prices mix, the place mix and the people mix. In addition, the development of sound marketing inputs becomes a focal point which makes the ways for the development of quality outputs. The courier marketing draws out attention on studying the behavioral profile of users or prospects and tailoring the marketing inputs in tune with the changing preferences. The market segmentation thus happens to be an important aspect of courier marketing. Thus the following facts emerge regarding the courier marketing:

- It is a managerial process that helps in managing the courier organizations in the face of changing market conditions.
- It is a planned effort that makes possible an optimal development of courier organizations.
- It is a professionalized game that requires professional excellence to make the service nationally and internationally competitive.
- It is a customer – satisfaction – engineering that makes the ways for winning and keeping the customers for the long time to come.
- It is a social process that paves avenues for sub serving the social interests.

With regard to the new practices emerging in the marketing of courier services, the following questions arise:

1. What are the new CRM initiatives taken by courier service providers?
2. What is the opinion of the service user with regard to the courier services in general?
3. Are all the customers aware of the various CRM practices?
4. Are they satisfied with the CRM practices?

REVIEW OF LITERATURE

In seeking answer to the above question, the researcher attempted to peruse some literature available on CRM.

The section makes a brief review of literature relevant to CRM in services marketing. There are only limited studies which are directly relevant to the study concerned. The researcher has made an attempt to present a brief review of the literature available, which consists of articles/ research work in the related area. Mitteleman's study (Oct 2002) on "Customer relationship management strategies and companywide implementation" highlights that CRM is the strategic process for shaping the interactions between a company and its customers with the goal of minimizing satisfaction of customer. CRM is a complex set of activities which together from the basis for a sustainable and hard to imitate competitive advantage offered by the customer-focused organizations. This study addressed the strategic and implementation issues from a cross function perspective: it included issues of retail, pharmaceuticals, travel/ hospitality and automotive industries.

Evvin Kinikin's article on "Introduction to customer relationship Management", (November 15, 2004) asserts that CRM is an enterprise-wide initiative built upon a technology infrastructure that enables the integration of customers, sales and marketing initiatives. CRM projects are often designed to integrate call centers, help desks, sales data, preferences and buying patterns and all methods of customer communication, including telephone, e-mail and internet. 60%-80% of CRM projects fail to deliver returns is the indicative of the industry's quick promises and company (rather than customer) centric approaches. The critical success factors for a CRM project are largely the same as for any other technology product. In fact, CRM projects have failed due to unclear business objectives, long 'big bang' project. Extensive customization and poor project management. But the business potential of CRM means that project success or failure may be at least as visible and potentially more costly especially if competitors get there first.

Arundhuti Dasgupta in her article "Managing customers" (Indian Management, February 2003) states that internationally, CRM has had an unexciting back record. The companies looked at it as a piece of software solution rather than a strategy to deliver results. In India, companies have been slower to adopt CRM strategies, but slow and steady appears a good way to go

Arindam Banerjee in, "Road map for successful CRM implementation" (Indian Management, July 2002) states that traditional approaches to CRM have yield weak results because they have been technology led. Ideally the prime movers of a CRM strategy should be line functionaries in marketing, finance or operations. Indian banks, just moving into CRM can learn from the mistakes made in the west. Cheryl Rickman's study on, "Customer Relationship Management Technology Vs Culture" (December 2002, Effective Executive) reveals that CRM is at the forefront of today's business vocabulary. It is quoted that according to Meriden research, \$ 6.7 bn was spent globally on software in 2001. However businesses are increasingly learning that along with technology and software, culture is equally a crucial factor in developing a successful CRM strategy. The article discusses why business should concentrate not only on technology but also on other crucial points for CRM success. (Izogo & Ogba, 2015). Service quality is considered as customer's assessment and satisfaction regarding the services they receive from their organizations. Therefore, success of any service related organization is actually based on the service quality and the satisfaction of their customers with the services provided to them (Makanyeza, Makanyeza, Chikazhe, & Chikazhe, 2017). Service quality and customer satisfaction are considered as two terms that can be used for each other and service quality ass

OBJECTIVES OF THE STUDY

1. To highlight the role of CRM in service marketing particularly in the context of courier service operations.
2. To present a brief account of the activities of the Professional Courier Service.
3. To present a profile of the respondents.
4. To assess the level of awareness of respondents about various courier services and to ascertain their opinion on CRM components of Professional Courier Service.
5. To categories the respondents based on their satisfaction on the CRM practices of the professional Courier Services and to identify the factors influencing the satisfaction of respondents with regard to CRM practices.
6. To offer suitable suggestions to improve the effectiveness of CRM practices in order to improve customer satisfaction.

METHODOLOGY

The study is mainly based on firsthand information collected from the users of the service of The Professional Couriers. The primary data have been collected from respondents through interview schedule.

In addition, secondary data relating to the Professional Courier Service (also referred to as "Professional Couriers" by the company in its hand books) have been collected from the pamphlets and hand books of the company and its website.

SAMPLING

Selection of Courier Service

Through many courier service providers are operating in Erode, the Professional Courier Service has been purposely selected as it is the only company having maximum number of branches (eight) in Erode town.

Selection of respondents

As the sample frame giving the exact number of users of the Professional Courier Service is not available, the researcher adopted. Convenient Sampling Method to select the respondents.

Since there are eight branches in Erode Town in each branch 25 customers have been contacted, during their visit to the branches for available the service of the Professional Courier Service, and response elicited. Thus the sample size is 200.

Tool of Data Collection

Interview schedule (appendix) prepared for the purpose of the study was used to collect data from the sample respondents. The interviews were carried out by the Researcher in the respective branches.

Period of data Collection

Primary data were collected during April- June 2020.

Frame work of Analysis

- a) Percentage Analysis
- b) Chi-square technique
- c) Weighted average score

LIMITATIONS OF THE STUDY

1. For Want of Time and resources sample size is restricted to two hundred.
2. The accuracy of the figures and data is subject to the respondent's view.

FINDINGS

The profile of the respondents has been based on the demographic factors and also on the courier service related factors viz, gender, age, educational qualification, occupational status, monthly income, period of customer ship, area of using the service, purpose of using the service, item sent, amount spent (p.m) on Professional Courier Service.

- 61% of the respondents were male and 39% were female.
- 72% of the respondents were young and their age was 30 or female.
- Except 26% of the respondents who had completed up to school, others (84%) had received higher education.
- Of the total respondents, 46.5% were having business/ profession: 34.5% were employees and the remaining 19% were students and others.
- Among the respondents only a small percentage (5.5%) of respondents had income above Rs. 20,000 p.m.
- As high as 68.5% of the respondents knew about the Professional Courier through advertisements.
- 37.5% of the respondents had been using Professional Courier Service for a period of less than two years and others were the customers for a longer period.
- 73.5% of the respondents were using Professional Courier Service for local & state wide service whereas 10.5% of them used it for national wide service and only 16% of the availed international service.
- As high as 51% of the respondents were using the service for business purpose whereas 45% of them were using if for personal purpose another 5% of them for social purpose.

- 46% of the respondents sent postal covers through Professional Courier Service and not parcels.
- Majority of the respondents (56%) had sent up to 100 p.m on the Professional Courier Service and only 15% spent above Rs.500.
- a) Awareness about other courier services**
All the respondents were aware of at least three courier service providers other than Professional Couriers: Blue dart, DTDC courier and French Express were known to majority of the respondents.
- b) Reason for opting the courier services**
The analysis of ranking reveals that 'quick delivery' is the most important reason for choosing courier service. Further, 'reliability and safety' influences the respondents to use courier services rather than the Government owned postal services.
- c) Opinion on CRM components**
 - Relationship based pricing was satisfactory for 52% of the respondents, while it was not so for 9.5% of the respondents. As high as 38.5% of the respondents were not aware of it.
 - Track and Trace facility (knowing the status of the letters/ parcels) evoked a favorable response from 85.5% of the respondents and only 2% were not favorable. This facility was not known to 12.5% of the respondents.
 - With the exception of just 6.5% of the respondents all others expressed satisfaction on the facilities available in the offices of The Professional Couriers.
 - Hand carrying of valuable documents was satisfactory for majority (50.5%) of the respondents. However 26% of the respondents were unaware of this service.
 - Door pickup facility was given favorable response by 85.5% of the respondents. Even this facility was not known to 11.5% of the respondents.
 - Credit facility offered by The Professional Couriers on selective basis evoked favorable response from 81.5% of the respondents and 14.5% were not aware of it.
 - As high as 72.5% of the respondents were satisfied with the contents of the web site of the country.
 - 69% of the respondents had faced problems relating to late or non-delivery.
 - 17.4% of the complaints remained unattended by The Professional Couriers.
- d. Service user's satisfaction on CRM components**
The aggregate satisfaction scores based on respondent's opinion on CRM components reveal that 53% of the respondents were highly satisfied, 45.5% of the respondents were moderately satisfied and only 3% of the respondents expressed low satisfaction. Overall satisfaction scores reveal that all the eight CRM Component gave high or moderate satisfaction to a vast majority of the respondents.
- e. Factors influencing service uses satisfaction.**
The chi-square results showed that Age, Educational Qualification, Occupational status, Monthly income, Area of using, Purpose of using, item sent, Amount Spent (p.m) did not significantly influence the level of Satisfaction; whereas, the other two factors namely gender and period of customer ship are significantly influencing the Satisfaction level of the respondents.

SUGGESTIONS

Based on the finding of the study, the following suggestions are offered:

- The Professional Couriers must make use of the services of marketing professionals to arrive at many more creative marketing decisions to improve the CRM components further.
- The study brings to the fore, the fact that 38.5%, 12.5%, 26%, 11.5%, 14.5% of the respondents are unaware of (a) Concession in charges, (b) Track and Trace facility (c) Hand carrying of valuable documents (d) Door pickup facility and (e) Bill payment on later dates facility respectively. This makes it essential that the professional couriers must be instrumental in not only introducing innovative ideas but also propagate the same to the masses.
- With the expansion job markets in urban areas coupled with high congestion and cost of living in towns and cities, a high percentage of rural population prefer to reside in rural and semi urban areas. This provides scope for Professional Courier Service to generate profitable business. Therefore it is Suggested that more number of franchisees, may be granted permission to Provide service in rural areas.
- The study shows that the CRM components benefit only regular customers. The Professional Couriers should design a package of benefit which could cater to small and large-sized occasional users so they also become loyal customers.
- Of the respondents who had grievances, 17.4% stated that there was no response from The Professional Couriers regarding their complaints. This trend will increase the probability of making the aggrieved customer a defector. It is highly essential that the organization takes steps to discover the reasons as to why the customers become defectors and then rectify it.
- The respondents opined that there existed cast difference in the rates fixed for booking parcels and postal covers by different courier service providers. It is suggested that the service providers may forum and bring out uniformity in rate structure so that the customers can differentiate the service providers only on the basis of quality of services.
- Some service-users felt that due to improper handling by delivery personnel the postal covers and parcels are received in fragile manner. Adequate care should be taken while loading and unloading parcel and postal cover bundles so that they reach the addressee intact.

CONCLUSION

The courier organizations are formulating a sound marketing mix for improving the quality of services to become highly competitive. It is in the face of emerging business conditions, the courier service providers are becoming highly creative and focus their attention on introducing customer relationship enhancing components in the marketing mix. The present study has been undertaken to evaluate the CRM practices of the Professional Couriers. The study revealed that the regular, high value customers are very much satisfied with the CRM practices and among others, the awareness about the existence of such innovative elements in the service mix is low or lacking. It is concluded that sensitizing the customers and also the prospective customers about the enriched services profile will go to a long way in not only in retaining the loyal customer base and also in widening it.

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TABLES

TABLE 1: PERIOD OF CUSTOMERSHIP AND SATISFACTION ON CRM PRACTICES

Period of customer ship (years)	Satisfaction on CRM Practices			
	Low	Medium	High	Total
Less than 2	26(34.7)	28(37.3)	21(28)	75
2-5	23(34.8)	23(34.8)	20(30.3)	66
Above5	8(13.55)	31(52.5)	20(33.9)	59
Total	57	82	61	200

TABLE 1.1: PERIOD OF CUSTOMERSHIP AND SATISFACTION ON CRM PRACTICES (CHI-SQUARE TEST)

Factor	Calculated X2 Value	Table Value	DF	Remarks
Period of Customership	9.6958	9.488	4	Significant at 5%level

Result: As Shown in table 6.1 the calculated value (9.6958) of Chi-Square is more than the table Value. Therefore, the null hypothesis is rejected. Hence there exists significant relationship between the respondents ‘period of customer ship and satisfaction regarding the CRM practices of professional courier service.

TABLE 2: AREA OF USING THE SERVICES OF PROFESSIONAL COURIERS AND SATISFACTION ON CRM PRACTICES

Area of using the services	Satisfaction on CRM Practices			
	Low	Medium	High	Total
Local and state wide service	45(30.6)	57(38.8)	45(30.6)	147
National wide service	6(28.6)	8(38.1)	7(33.33)	21
International service	6(18.7)	17(53.1)	9(28.1)	32
Total	57	82	61	200

TABLE 2.1: AREA OF USING THE SERVICES OF PROFESSIONAL COURIERS AND SATISFACTION ON CRM PRACTICES (CHI-SQUARE TEST)

Factor	Calculated X2 Value	Table Value	DF	Remarks
Area of Using	2.7889	9.488	4	Not Significant at 5%level

Result: The Chi-square test proves that there is no significant relationship between area of using the service and level of satisfaction as the calculated value (2.7889) of chi-square is less than the table value (9.488). Therefore, the null hypothesis is accepted.

TABLE 3: PURPOSE OF USING PROFESSIONAL COURIERS AND SATISFACTION ON CRM PRACTICES

Purpose of using the service	Satisfaction on CRM Practices			
	Low	Medium	High	Total
Personal purpose	28(31)	30(33.33)	32(35.6)	90
Business purpose	27(26.7)	49(48.5)	25(24.7)	101
Social purpose	2(22.22)	3(33.33)	4(44.4)	9
Total	57	82	61	200

TABLE 3.1: PURPOSE OF USING PROFESSIONAL COURIERS AND SATISFACTION ON CRM PRACTICES (CHI-SQUARE TEST)

Factor	Calculated X2 Value	Table Value	DF	Remarks
Purpose	5.745	9.488	4	Not Significant at 5%level

Result: Table 6.1 Shows that the the calculated value (5.745) of Chi-Square is less than the table Value (9.488). Therefore, the null hypothesis is accepted. Hence there does not exists a significant relationship between the purpose of using Professional Courier Service and satisfaction regarding the CRM practices of professional courier service among the respondents.

TABLE 4: ITEMS SENT AND SATISFACTION ON CRM PRACTICES

Item sent	Satisfaction on CRM Practices			
	Low	Medium	High	Total
Postal Cover	27(29.3)	31(33.7)	34(36.9)	92
Parces	11(28.9)	14(36.8)	8(21)	38
Both	19(25.33)	37(49.33)	9(12)	75
Total	57	83	61	200

TABLE 4.1: ITEMS SENT AND SATISFACTION ON CRM PRACTICES (CHI-SQUARE TEST)

Factor	Calculated X2 Value	Table Value	DF	Remarks
Item sent	5.366	9.488	4	Not Significant at 5%level

Result: The calculated value of chi-square is less than the table value. Therefore, the null hypothesis is accepted. It is concluded that there is no significant relationship between the items sent through courier service and level of satisfaction.

TABLE 5: AMOUNT SPENT ON COURIER SERVICE AND LEVEL OF SATISFACTION ON CRM PRACTICES

Amount spent per month	Satisfaction on CRM Practices			
	Low	Medium	High	Total
Upto Rs 100	36 (32.1)	44 (39.3)	32 (28.6)	112
Rs100-500	16 (28)	23 (40.4)	18 (31.6)	57
Above Rs.500	5 (16)	15 (48.4)	11 (35.5)	31
Total	57	82	61	200

TABLE 5.1: AMOUNT SPENT ON COURIER SERVICE AND LEVEL OF SATISFACTION ON CRM PRACTICES (CHI-SQUARE TEST)

Factor	Calculated X2 Value	Table Value	DF	Remarks
Amount spent	3.071	9.488	4	Not Significant at 5%level

Result: The calculated value of chi-square is less than the table value. Therefore, the null hypothesis is accepted. It is concluded that there is no significant relationship between the amount spent and level of satisfaction.

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