

SHIVKASHI BANK: CHALLENGES FOR GROWTH

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Abstract— This case study highlights the journey and operations of Shivkashi Mercantile Co-operative Bank Limited, commonly known as Shivkashi Bank, from its inception in 1997 to its current status as a prominent multi-state urban cooperative bank. Under the leadership of CEO Mr. Kulkarni, the bank has demonstrated robust financial performance, strategic expansion, and a commitment to financial inclusion. Leveraging technological advancements, the bank has embraced digital banking, joined national ATM networks, and provided innovative customer services. Additionally, the bank has prioritized microfinance initiatives, particularly through Self-Help Groups (SHGs), to promote financial empowerment among marginalized communities. The case study is descriptive in nature and highlighted that Mr. Kulkarni, CEO of the Bank is facing many issues and challenges related to new marketing strategies and housing finance operations. The case study can be covered in management courses either in UG or PG level while faculty member is teaching subjects like service marketing, financial services or marketing of financial services.

Article Type— Case Study

Keywords— Banking Sector, Microfinance, Marketing Strategies, Financial Inclusion

I. INTRODUCTION

Shivkashi Mercantile Co-operative Bank Limited commonly known as Shivkashi Bank. Initially, it was registered under the Co-operative Society Act in Uttar Pradesh in 1997. The bank got the license for conduction of business of banking as a Primary Urban Co-operative bank in a district from The Reserve Bank of India. Shivkashi Bank started its proper banking operation in the year 1998. The bank was rated amongst the best Urban Co-operative Banks in the state and achieved a deposit base of more than Rs. 200 crores on 31st March, 20XX. After being approved as a Tier-II bank, the bank was able to expand its operations to the entire state of Uttar Pradesh. The bank has constantly been endeavoring to expand and has taken over an Urban Co-operative Bank by the name of Bhojpur Co-operative Bank Limited of Madhya Pradesh. Due to this joint venture, first, the bank was de-registered from the UP-Co-operative Societies and it was again registered in the Multi-state Co-operative Societies Act of the Central Government, New Delhi. As a result, In the state of Uttar Pradesh, Shivkashi Bank emerged as the first multi-state urban cooperative bank. The CEO of the bank is Mr. Kulkarni and under his able leadership, profitability and other financial performance of the bank was growing continuously. However, the other directors of the bank were worried about the further expansion, competition, future profitability, and the better brand image of the bank.

The board of directors continued to look and watch all the operations of the bank; they were a reputable, experienced group with a wide range of backgrounds. These experts are from a variety of backgrounds, including industrialists, farmers, traders, professionals, chartered accountants, retired senior bank employees, and others. The Bank has upheld the strictest standards for bookkeeping and has completed its yearly accounts and had them audited quickly. The bank takes pleasure in the fact that, with the completion of yearly accounts, the Balance Sheet published on April 1st each year. In the bank, there is a high level of IT awareness. The bank has a reputation for handling corporate affairs with professionalism and openness. In addition to posting their results, policies, interest rates, fees, and other information at their branches, the bank constantly updates their website with these details. The bank's senior staff members are well-versed in information technology and frequently utilize electronic mail and video conferencing, among other technical communication platforms, to facilitate their customers. The idea of a "paperless office" is one the bank is progressively embracing. With complete computerization and highly qualified staff, the bank's management was professionalized. With the successful implementation of the "Core Banking System," all of their clients may now access branch banking. Banking facilities offer internet and mobile phone banking to their clients.

The Bank has successfully joined the NPCI-managed Ru-pay ATM network, which spans the entire nation. Consequently, Shivkashi Bank customers can use their ATM cards at all other banks' ATMs in addition to their own. There were ATMs and cash deposit devices at every bank branch. The first cooperative bank in Northern India to provide debit card services to its customers is Shivkashi Bank. The ATM-cum-Debit Card from Shivkashi Bank is approved at all retailers that use 10 lakhs swipe point of sale systems to support IT-based banking services to their customers. In addition, Shivkashi Bank was actively involved in RTGS and NEFT facilities as a sub-member of a public sector bank. In addition to being a member of the RTGS and NEFT network, the bank has agreements with a top private sector bank for the issuance of at-par checks to their customers who send money and for the quick retrieval of their instruments.

The bank's overall business has expanded to almost Rs. 800 crores in a short amount of time. The public's and shareholders' faith in the bank was evidenced by the total deposit amount of Rs. 498 crores, advances of Rs. 385 crores, and investments of Rs. 225.50 crores. Since its inception, the Bank has demonstrated consistent growth and profitability. The bank has consistently given its members a 12% dividend.

The government and major institutions make up a very small portion of the Bank's deposit base. The Bank is dependent upon the faith and trust that individual investors have shown in it. Consequently, the Bank's customer base now numbers well over 60,000. The Bank has adhered to the RBI's rules in all aspects of its operations, and RBI officials were quite pleased with the way the Bank was operating. The bank has zero exposure to the share and debenture markets because it neither invests in shares or debentures nor extends credit against their security. The bank's capital-to-risk assets ratio has always been higher than 18%, and it. Since its establishment, the bank has consistently maintained an "A" audit classification. By investing in Government and Approved Securities by RBI guidelines, the bank has effectively met the targets for maintaining SLR and has never experienced a single day of default. The necessary ratio of 40% of overall funding to the priority sector is consistently upheld by the bank. The bank has focused primarily on loans to priority sectors, with the pleasant outcome that as of 31.3.20XX, these advances accounted for 87.23% of all advances.

II. FINANCIAL INCLUSION

In the cooperative sector, the bank was a leader in pushing for financial inclusion. The bank has started microfinance to self-help groups (SHG), which is an extraordinary effort. To manage this effectively, the bank has partnered with the Janhit Foundation an NGO that trains SHG members in improved money management in addition to livelihood improvement. Nearly all of the women in these organizations were BPL members, and many of them were made up of women from minority communities. The bank has connected around 6200 Self-Help Groups (SHGs) with a combined membership of about 85,000 people to its

microloan programme. With just two accounts designated as non-performing assets, the bank has paid out a total of Rs. 25.27 crores to these SHGs by the end of 20XX. Bank records indicated that their contribution to support SHG is increasing continuously.

III. CUSTOMER SERVICES INITIATIVES

The bank has made certain steps to raise the bar for customer service standards to improve their experience and satisfaction. A few of the initiatives were the bank's extended daily working hours of 9:30 a.m. to 5:00 p.m. and 10:30 a.m. to 3 p.m. every Saturday. Additionally, a branch's employees did not take lunch or tea breaks collectively, meaning that client service continued during lunch. A 'May I Help You' counter was installed in every bank branch to assist new clients in completing their tasks quickly and clearly. The employees manning these counters have received extensive training on how to respond to questions, offer advice, assist with various form completion, etc. Additionally, every branch has a drop-box set up where clients can leave checks for 24 hours for clearing or transfer. Passbook printers were also installed in the branches. Additionally, the Bank offers a free SMS service via which they send helpful information to all of their subscribers. A portable camera has also been given to each branch so that clients can submit their passport-size photographs. In addition, the bank maintains a record of its loyal clients and offers customized services to meet their requirements. They make a close connection with the client to make them happy. The bank sends birthday, anniversary, and special occasion wishes to its esteemed clientele. The bank also answers calls from clients and provides entertainment over the phone. It should be mentioned that the bank has a first-rate branch infrastructure to raise client satisfaction. Every bank location had amenities including air conditioning, spotless restrooms, comfortable waiting areas, and drinking water available. The bank was powerful and able to supply security personnel. CCTV was activated in every branch.

IV. CURRENT STRATEGIES

Bank is providing a 7% interest rate to their customers on saving accounts whereas; other banks are providing only 4% to 6%. The bank is also providing zero balance accounts without any charges and distributing ATM cards to every customer. On fixed deposits, the bank is providing 9% to 9.75% interest. The lending rates of the bank were higher than other banks, but lower than NBFCs. The bank objectives are to serve needy persons and social cause is more important than higher profitability, therefore, Shivkashi Bank is more focused on small ticket sizes for lending purposes. The Bank has also appointed regular employees for marketing, although the team is very small and till now, they have not appointed any business associates. At present bank has less than 1% NPA of their assets and has not appointed any recovery officer or agent.

V. CHALLENGES FOR THE GROWTH

Mr. Kulkarni is the CEO of the bank and he is involved in all the strategic decisions. He felt that promotional strategies like TV commercials, hoardings, and newspaper advertisements would not explore the market and therefore, he adopted traditional promotional strategies like the distribution of leaflet in newspapers, announcements through auto ricksha, and starting promotional camp "Samadhan Aawas Mela" in specific locations. The Company appointed various channel distributors including small vendors in targeted locations. The Company also started various two-days Paramarsha Shivir - a one-on-one personal awareness campaign by the organization, but it was not enough to reach the potential customers. Mr. Kulkarni also felt that the promotional strategies of the bank were not able to create awareness about housing finance which was exclusively available from the bank to a particular class of potential customers. The newspaper inserts into low-income group residential areas of the city was not attracting the potential customers of Self-Help Group (SHG). The SHG also faced tough competition from many new players like Mass Finance of Gujarat, Muthoot Finance of South India, and AU Finance from Rajasthan. The target markets of these companies were also the same segment.

Mr. Kulkarni also faced many problems in financing housing loan to their potential customers. As per The Reserve Bank of India guidelines all financial institution including housing finance companies has to submit the Know Your Customer (KYC) format and other statutory requirements of their customers. Collecting documents like PAN cards and address proof had become a great challenge for the Self-Help Group (SHG). Many times, the applicant may be in a position to submit but fails for the co-applicants' documents. Formal documents reduce the risk of any housing finance company.

Twenty percent of the property amount had to be contributed by the loan seeker as margin money as per mandatory regulation of RBI and this should be routed through the bank. Whereas, 40 percent of customers have legal cash that is not routed through banks. This twenty percent margin money was a great challenge faced by the loan seeker. Secondly this had to be provided through a cheque or demand draft as a formal payment instrument. Potential consumers had a peculiar financial habit of not keeping funds in the bank. They may fail to pay on a regular frequency.

Recently, despite all these issues, Mr. Kulkarni has rejected the very attractive offer of a national-level private sector bank as he has a high level of satisfaction by supporting and contributing to the growth of the weaker section of society through SHG.

Questions for Discussions:

Q1. What are the major challenges in front of Mr. Kulkarni for the expansion of SHG business?

Q2. Comment on the present promotional strategies of the bank.

Q3. Do a SWOT analysis of Shivkashi Bank.

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Dr. Sachin K. Mittal is a faculty member in the area of accounting and finance at N. L. Dalmia Institute of Management Studies and Research, Mumbai. He has more than twenty years of working experience in Teaching, Financial Analysis, Planning and Research. He was the Ph.D. guide of DAVV, Indore and eight faculty members have been awarded their Ph.D. under his supervision. He has attended several national and international conferences in India and abroad and presented the papers. He has many publications to his credit including in ABDC category of journals. He has developed a number of management case studies on Indian companies which have been published in Ivey publication, case centre, journals and in case monographs.

Mr. Lavish Mittal is pursuing PGDM course in finance area from N. L. Dalmia Institute of Management Studies and Research, Mumbai. He has also done B.A. in Economics from Wilson College of Mumbai University. His area of interest is equity research, investment banking and corporate finance.