

**CUSTOMERS' PREFERENCES AND PERCEPTION TOWARDS INNOVATIVE  
FINANCIAL SERVICES IN RETAIL BANKING - A STUDY ON CUSTOMERS OF  
COMMERCIAL BANKS IN PALAYAMKOTTAI**

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**ABSTRACT**

The present paper is the outcome of an empirical study conducted with the objective of customer perception and preference towards innovative financial services offered by commercial banks and expectation of financial services in customers. Finance is a powerful intervention for economic development. Access to finance, especially for the poor, is empowering because financial exclusion offer leads to broader social exclusion. The recently announced Jan Dhan Yojava by the government marks a landmark in the quest for universal financial access. To fulfil those needs and wishes in way so that customer will be satisfied with banking service for a long time period. The study targeted number of customer questionnaires' distributed on a convenience sampling basis by the 5 banks achieved the minimum projection of 100 consumer questionnaires' distributed approach of improving the quality of banking service based on customer perception and preference towards innovation financial services offered by commercial banks in vallioor. This study can be concluded that people have more than half of the people have positive perception and are satisfactory with banking service.

**Key words:** Finance, Bank, Service, Customer, Economic.

## **INTRODUCTION**

The banking sector is one of the biggest service sectors in India and nowadays is in a way to attract the biggest market of Asia in investment. The banking sector today is focusing on how to provide efficient services to its customers. The Indian Banking System consisting of various public and private sector financial institutions whose objective is serving the people for their financial and economic needs. At the time of independence, Indian banking system was not sound. The strengthening of the banking system took place after the establishment of the Reserve Bank of India in 1935 as it was empowered to regulate banking by issue of directive, inspection, mergers, amalgamation etc. In 1949 two major actions were taken which were very important from the point of view of structural reforms in banking sector. First, the Banking Regulation Act was passed. It gave extensive regulatory powers to Reserve Bank of India (RBI) over the commercial banks. On 19th July, 1969, Fourteen major Indian commercial bank were nationalized and on 15th April, 1980, Six more were added on to constitute the public sector banks.

## **REVIEW**

**Li et al., (2001)**<sup>1</sup> in their study found that as an international financial center, the banking industry in Hong Kong (HK) plays a significant role. Because of increasingly competitive pressure from domestic and overseas banks, HK banks must tightly control cost and improve quality and efficiency of operations in order to maintain profitability. For this purpose, quality management has emerged as an effective tool in recent years. In fact, it has been regarded as a vital strategic element for meeting the challenge of the new and intensified competition in the financial services industry. This paper reports the result of a survey on quality management initiatives in HK's banking industry between 1997 and 2000. The trend of changes in these years is analyzed and the results from HK are compared with those from British financial institutions. The results show that HK banks have gradually adopted quality initiatives and gained significant success in quality management over the past 3 years. They focused more on meeting service

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<sup>1</sup> Li et al., (2001), "Quality management initiatives in Hong Kong's banking industry: A longitudinal study", *Total Quality Management*, 12 (4): 2001, pp.451- 467.

standard and providing prompt services while banking institutions in the UK focused more on understanding and meeting customers' needs.

**Mr. Sameer Ratolikar (2001)**<sup>2</sup>, in case of the study of internet banking frauds and defenses, has described in short the different kinds of frauds in internet banking and various remedial measures that can be taken to prevent them. In 2001, a report of the Expert Committee on Legal Aspects of Bank Frauds headed by Dr. N. L. Mitra of Reserve Bank of India described various kinds of E-Banking frauds and risks in India and the losses incurred by RBI due to it. They have mentioned the steps taken by RBI to prevent as well as eradicate these frauds by applying various remedial measures

**Heikki Karjaluoto(2002)**<sup>3</sup> in his article entitled "Electronic Banking in Finland Consumer Beliefs, Attitudes, Intentions, and Behaviors", found that well educated and relatively wealthy segment uses Internet banking services. Internet banking was considered a fast way to take care of banking affairs. Personal banking experience, and prior experience of computers and technology were the main factors underlying the formation of attitude toward Internet banking. Attitude towards using computers was found to be the most significant factor affecting intention to engage in Internet banking. Internet banking users had a more positive attitude toward technology, especially toward computers, than the nonusers. A negative attitude toward technology, valuing personal service, and demographic characteristics were found to be most substantial barriers to the adoption of Internet banking in Finland.

## **OBJECTIVE**

1. To study the factors influencing the choice of service providers with regards to the innovative financial services.

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<sup>2</sup> Mr. Sameer Ratolikar 2001, Internet banking- Frauds & Defenses: A Case Study, Ethical Hacker, AGM & Chief Information Security Officer

<sup>3</sup>Heikki Karjaluoto.,( 2002) "Electronic Banking in Finland Consumer Beliefs, Attitudes, Intentions, and Behaviors", Project Submitted to Jyvaskyla Studies in Business and Economics, University of Jyvaskyla., pp 124-144

2. To study the customers' perception on the quality of service providers of innovative financial services and to find the quality gap.
3. To analyze the customers' level of satisfaction with regards to innovative financial services offered by the service providers.

### **SAMPLING DESIGN**

In order to study the customers' perception, awareness and satisfaction towards retail banking services, the sample of 100 respondents were collected. This study was based on proportionate and convenience sampling methods. For the selection of sample banks for the study, proportionate sampling was adopted. For the selection of respondents from these banks, convenience sampling method was used. Moreover, the sampling design consisted of three steps.

In the first step a list of Public and Private sector banks functioning in Tirunelveli district was prepared. The data were obtained from these banks.

The second step is selection of the sample banks for the study. In this case, proportionate sampling was used. The customers of these Public and Private Sector Banks were large in number and hence a comprehensive list of customers could not be prepared

In the third step respondents were selected from the selected banks by applying convenience sampling method. Utmost care was taken to minimize bias in selection of sample respondents.

Therefore, a sample of 100 customers representing various categories such as Students, Professional, Business, Private employee, Government employee, Retired persons were selected by applying convenient sampling method

### **SCOPE OF THE STUDY**

This study was conducted to obtain a better understanding of customers perception towards service quality in commercial banks in Palayamkottai. This study is restricted to service quality of various commercial banks in Palayamkottai. An approach to the study has been made from the point of view of customers who have various accounts in commercial banks.

There are 204 Taluks and 9 Blocks (Town Panchayats) in Tirunelveli District. 8 banks and 20 branches are selected in palayamkottai for the study. It is an enquiry into five service quality dimensions namely Tangibility (6 factors), Reliability (10 factors), Responsiveness (11 factors), Assurance (8 factors) and Empathy (7 factors).

### SERVICE QUALITY GAP

This section discusses the customers' service quality gap measured for each of the service items under the five broad dimensions

**Tangibility Dimension :** In the Table an attempt has been to discuss the perceived and desired levels of average scores and the resultant service quality gap of 100 respondents of the sample banks that arises in the case of the tangibility dimension.

#### SERVICE QUALITY GAP IN THE BANKS: TANGIBILITY DIMENSION

Description of factor on	Perceived level		Desired level		Gap	
	Score	CV	Score	CV	Score	CV
Printing passbook and statement of account	<b>6.56</b>	<b>34.6</b>	<b>4.61</b>	<b>13.62</b>	<b>-1.66</b>	<b>-129.3</b>
Supportive to tax file	<b>5.6</b>	<b>24.3</b>	<b>2.13</b>	<b>14.5</b>	<b>-2.3</b>	<b>-45.3</b>
Innovative Retail Banking services are cyber risk free	<b>3.6</b>	<b>21.1</b>	<b>1.2</b>	<b>15.2</b>	<b>2.03</b>	<b>-56.2</b>
Save money as of no need to travel to branch	<b>5.2</b>	<b>11.1</b>	<b>11.2</b>	<b>15.6</b>	<b>1.02</b>	<b>-56.2</b>
Use of modern technology in services	<b>3.2</b>	<b>21</b>	<b>5.1</b>	<b>4.6</b>	<b>5.03</b>	<b>-55.2</b>
ATMs are conveniently located and provide fast service	<b>6.3</b>	<b>12.1</b>	<b>2.3</b>	<b>5.2</b>	<b>6.01</b>	<b>-25.3</b>

Source : Computed from Primary Data

Table shows that in the case of the perceived level of service quality on tangibility dimension. "Printing passbook and statement of account, brochures and pamphlets" constituted

the highest service of all the sample banks with a value of (6.56). The next highest tangible factor is “ATMs are conveniently located and provide fast service” which has a score of (6.3). It is followed by the “The banks atmosphere was very pleasant” (3.42), “Save money as of no need to travel to branch”(3.2), “Innovative Retail Banking services are cyber risk free” (3.6) and “Use of modern technology in services” (3.2).

### SERVICE QUALITY GAP IN RELIABILITY DIMENSIONS

In Table it is attempted to discuss issues in the case of the perceived and desired levels of average score and the resultant service quality gap that arises in the case of the reliability dimension of the 100 respondents of all sample banks.

#### SERVICE QUALITY GAP IN THE BANKS: RELIABILITY DIMENSIONS

Description of factor on	Perceived level		Desired level		Gap	
	Score	CV	Score	CV	Score	CV
<b>Reliability</b>						
Take control of my finances at any time	<b>4.61</b>	<b>13.62</b>	<b>-1.66</b>	<b>13.62</b>	<b>-1.66</b>	<b>-129.3</b>
No time restriction	<b>2.13</b>	<b>14.5</b>	<b>-2.3</b>	<b>14.5</b>	<b>-2.3</b>	<b>-45.3</b>
Low service cost	<b>1.2</b>	<b>15.2</b>	<b>2.03</b>	<b>15.2</b>	<b>2.03</b>	<b>-56.2</b>
Control over transactions financial	<b>11.2</b>	<b>15.6</b>	<b>1.02</b>	<b>15.6</b>	<b>1.02</b>	<b>-56.2</b>
Online purchases	<b>5.1</b>	<b>4.6</b>	<b>5.03</b>	<b>4.6</b>	<b>5.03</b>	<b>-55.2</b>
Need not carry cash	<b>2.3</b>	<b>5.2</b>	<b>6.01</b>	<b>5.2</b>	<b>6.01</b>	<b>-25.3</b>
Convenience in bill payment facility	<b>2.6</b>	<b>2.5</b>	<b>5.3</b>	<b>5.6</b>	<b>-9.6</b>	<b>-5.6</b>
Developed privacy policy	<b>-1.66</b>	<b>13.62</b>	<b>-1.66</b>	<b>-129.3</b>	<b>-1.66</b>	<b>13.62</b>
Banking formalities	<b>-2.3</b>	<b>14.5</b>	<b>-2.3</b>	<b>-45.3</b>	<b>-2.3</b>	<b>14.5</b>
Time restriction for transaction	<b>2.03</b>	<b>15.2</b>	<b>2.03</b>	<b>-56.2</b>	<b>2.03</b>	<b>15.2</b>

Source : Computed from Primary Data

Table shows that in the case of the perceived level of service quality on tangibility dimension. “Take control of my finances at any time” constituted the highest service of all the sample banks with a value of (6.56). The next highest tangible factor is “Take control of my finances at any time” which has a score of (6.3). It is followed by the “No time restriction (3.42), “Control over transactions financial”(3.2), “Convenience in bill payment” (3.6) and “Developed privacy policy” (3.2).

### SERVICE QUALITY GAP IN ALL BANKS: RESPONSIVENESS DIMENSION

The perceived and desired levels of average score and the resultant service quality gap of all customers in the case of the responsiveness dimension of all the banks are shown in Table

#### SERVICE QUALITY GAP IN BANKS: RESPONSIVENESS DIMENSION

Description	Perceived level		Desired level		Gap	
	Score	CV	Score	CV	Score	CV
Complaints and queries are rectified without any delay	<b>6.61</b>	<b>-129.3</b>	<b>-4.66</b>	<b>13.62</b>	<b>-1.66</b>	<b>13.62</b>
Latest schemes, financial products and financial services are being informed to the customer	<b>1.13</b>	<b>-45.3</b>	<b>-1.3</b>	<b>14.5</b>	<b>-2.3</b>	<b>14.5</b>
Easy to access any information at anytime/anywhere	<b>2.2</b>	<b>-56.2</b>	<b>103</b>	<b>15.2</b>	<b>2.03</b>	<b>15.2</b>
Provides up-to-date information	<b>3.2</b>	<b>-56.2</b>	<b>1.02</b>	<b>15.6</b>	<b>1.02</b>	<b>15.6</b>
Website updated regularly	<b>3.1</b>	<b>-55.2</b>	<b>2.03</b>	<b>4.6</b>	<b>5.03</b>	<b>4.6</b>
Fast transaction service	<b>3.3</b>	<b>-25.3</b>	<b>5.01</b>	<b>5.2</b>	<b>6.01</b>	<b>5.2</b>
Proper action in case of wrong online transaction and customer inquiry	<b>-1.66</b>	<b>13.62</b>	<b>-1.66</b>	<b>-129.3</b>	<b>-1.66</b>	<b>-129.3</b>
Delivers emails to their customers on regular basis about new updates and related service	<b>-1.3</b>	<b>14.5</b>	<b>-2.3</b>	<b>-45.3</b>	<b>-2.3</b>	<b>-45.3</b>

Table shows that in the case of the perceived level of service quality on tangibility dimension. “Complaints and queries are rectified without any delay” constituted the highest service of all the sample banks with a value of (6.62). The next highest tangible factor is “Latest schemes, financial” which has a score of (3.3). It is followed by the “Proper action in case of wrong online transaction and customer inquiry (5.6), “Delivers emails to their customers on regular basis about new updates and related service”(-1.3), “Delivers emails to their customers on regular basis about new updates and related service” (-1.66).

### SERVICE QUALITY GAP FOR ALL DIMENSIONS

The customers’ service quality gap between their perceived and desired levels of satisfaction of public sector banks in the area can be seen vide table

### SERVICE QUALITY GAP FOR ALL DIMENSIONS

S.No	Dimension	Total Score	Average	Standard	Coefficient of Variation
1	Tangibility	504	8.76	5.49	62.67
2	Reliability	164	7.91	5.00	63.21
3	Responsiveness	236	10.59	5.18	48.91
4	Empathy	408	11.02	7.10	64.43
5	Assurance	172	10.18	6.27	61.59

Source: Computed from primary data

Table shows a dimension wise analysis and indicates that the highest average among all dimensions was found in the case of empathy with a score of 11.02. The next highest average was found in the case of responsiveness with 10.59. This was being followed by assurance with a score of 10.18. Financial aspect took up the last position with a score of 7.91 and tangibility with a score of 8.76.

An analysis of the standard deviation indicates that the highest among all dimensions was found in the case of empathy with 7.10. The next highest standard deviation was observed in the case of assurance with 6.27 followed by tangibility factor 5.49. The lowest standard deviation



among all dimensions was found in the case of reliability aspect with 5.00 followed by responsiveness factor with 5.18.

An analysis of coefficient of variation of the dimension indicates that the highest variation among all dimensions was found in the case of empathy factor with 64.43 percent. This was followed by the reliability dimension with 63.21 per cent. Responsiveness aspect had the least variance of 48.91 per cent and proceeded by tangibility with 62.67 per cent.

## **FINDINGS:**

1. Reliability dimension entails consistency of overall performance and dependability. For this reason, it is able to be said that service providers honour their promises. Specifically, this involves accuracy in billing and resolving the complaints within the designated time. Of the five aspects, customer feedback has revealed that the largest gap exists in 'providing services as per the committed timeframe as is evident from the highest mean difference value of -1.80.

2. Assurance is the freedom from any risk and doubts, also service providers are expected to be the experts of the services they deliver, which involves customer faith over correct usage charges, confidentiality of the call details, profile and documents and availability of updated information with the customer service staff. For assurance, the major gaps perceived by the customers exists in 'Customer service gets support from organizations -1.30', 'Customer service staff can be trusted -0.59', 'Customer feel secured while dealing -0.55' and 'Customer service staff is always polite'. The overall contribution of assurance among all dimensions is 13.7%.

## **SUGGESTIONS:**

Based on the analyses and findings of the study the following suggestions were provided to explore the benefits of Lead bank scheme.

### **I. To the Government:**

1. The Government should introduce new schemes with low interest rate and with high subsidy rate.
2. The Government should take proper steps to implement new various schemes

3.The Government may extent loans to joint venture and partnership firm in order to provide employment opportunities to more people.

## **II. To the Bank Officials:**

1.The bank officials should aware of various Lead bank schemes.

2.They should visits each branch of the participating bank, atleast once in a month; during his visits he should guide the branch manager in removing bottlenecks.

3.The Bank officials should consider the power of the repayment of the beneficiaries before sanctioning the loan.

4.They should take proper steps to recover the loan promptly from the beneficiaries.

## **III. To the Beneficiaries:**

1. The beneficiaries should utilize the loan amount properly.

2.They should bear the responsibility of repaying the loan promptly.

## **CONCLUSION:**

The present study has been conducted for Service quality and customer behavior intentions in Delhi city. The study can be extended further to all the major cities and towns of India, covering all the telecom service providers for more reliability and applicability of its findings. To carry out a more elaborate study in this area, more consumer behavior related to the core purpose of telecom usage like speak, message, internet, personal use, business purpose, etc. as well as service provider aspects such as cost effectiveness and government policies supporting the service providers can be included. The research can also be extended to other service sectors as well.

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