

CHAPTER-I

INTRODUCTION AND DESIGN OF THE STUDY

1.1 Introduction

The Commercial Banking Business has changed dramatically over the past 25 years, due to technological changes. In the 1990s, the banking sector in India saw greater emphasis being placed on technology and innovation. Innovative banking practices in special villages in Indian banking industry has been growing at a fast pace and is challenged with several aspects like new regulations from time to time, changing customer needs and perceptions. ATM, Internet banking and Mobile banking then NEFT & RTGS has made it convenient for customers to do their banking from geographically diverse places. Banks also sharpened their focus on special markets and introduced a variety of services geared to the special needs of their special customers. Banking activities also transcended their traditional scope and new concepts like personal banking, retailing, and bank assurance were introduced. The sector was also moving rapidly towards universal banking and electronic transactions, which were expected to change the way banking would be perceived in the future. In a country of 1200 million Indians, which has only 500 million bank users, there is an urgent need to ensure financial inclusion and greater transparency, and banking technology will play a crucial role in driving this change.

1.2 Innovation to Rural Villages

“India lives in its villages. If villages perish India Too perishes”

- Mahatma Gandhi

Rural Development is the key to India's economic transformation as a majority of its population lives in the rural areas. Mahatma Gandhi said that India lives in its villages and destruction of these villages will lead to India's destruction. Hence, the focus is more on development of rural areas in all planning efforts. Villages in Tamil Nadu have relatively better facilities and services in terms of electrification, drinking water supply, road connectivity, transportation, education

and health infrastructure when compared to most other States. Yet, improving these amenities further so as to bridge the urban rural divide has been a principal policy focus of the Government of Tamil Nadu.

The Rural Development and Panchayat Raj Department is responsible for the implementation of various centrally sponsored and State schemes for poverty alleviation, employment generation, sanitation, capacity building, women's social and economic empowerment, apart from provision of basic amenities and services. The department is also entrusted with the responsibility of enabling the various Panchayat Raj Institutions (PRIs) to function as effective units of Local Self-Government. There are **12,618** Village Panchayats, **385** Panchayat Unions (co-terminus with blocks) and 32 District Panchayats under the purview of the department.

1.3 Statement of Problem

There is delay in carrying out the transactions with the large human force has led to the adoption of electronic banking system which further enabled to go for innovativeness in the banking sector. Adoption of electronic banking which supposed to ease banking transactions rather resulted to woes to customer. This occurs due to the outrages of the power failure in banks resulting to slow down in operation.

Banks began to look at banking as a means to replace some of their traditional branch functions for two reasons. They are

- Firstly, branches were very expensive to set up and maintain due to the large overheads associated with them.
- Secondly, e-banking products/services like ATM, Internet Banking, Mobile Banking and EFTS, RGTS, Other services and electronic funds transfer were a source of differentiation for banks that utilized them.

Being in a fiercely competitive industry, the ability of banks to differentiate themselves on the basis of price is limited. Technology has introduced new ways of delivering banking to the customer, such as ATMs and Internet Banking. Hence, banks have found themselves at the forefront of technology adoption for the past

three decades. It is imperative for banks to align their strategies in response to changing customers' needs and developments in technology.

The electronic banking has provided the scope for expanding the banking sector towards adopting innovativeness in their day to day operations. Even though the electronic led innovative banking has modernized the banks the level of awareness and effectiveness of its practices has been largely left unmeasured. This creates flutter regarding the effectiveness of the innovative banking practices in the rural areas. Our research aims to fill this gap in the current innovative banking practices literature.

1.4 Scope of Study

Most of the banks have begun to take innovative banking practices as approach towards banking with the objective of creating more value for customers. The current study involves the innovative banking practices offered by the commercial banks. Those innovative banking practices are ATM, Internet Banking, Mobile Banking, EFTS, RGTS and Other services. The level of the awareness and the perception level of the banking customers in the rural areas have been measured with the help of well-structured interview schedule which has been tested for its reliability. The study has carried out with the above research process in the thirty three special villages that are in the Salem district as classified by the government of Tamilnadu.

1.5 Significance of the Study

Innovative banking in our economy today is a welcome development and also its impacts in the society are over-whelming, so this research is significant in so many ways. The study will expose the strength and weakness of innovative banking practices. It will motivate banks and other economic agents to adapt to innovativeness in their banking services. Knowledge in the area of electronic banking will also be advanced. Apart from contributing to the knowledge of electronic banking, it forms a reference for future research in innovative banking practices. The study aims to bring out the awareness level of the customers in the special villages towards the innovative banking practices followed by the commercial banks.

There is a general view that the customers of the villages' area are unaware of the banking practices followed by the commercial banks. It holds the purview they are yet to become familiar with the innovative banking services. The knowledge of the innovative banking will help the customers in a great deal with reduction in the time taken to carry out the transactions also minimizing the errors involved. This study has assumed significance on the note and has put-forth special efforts in measuring their awareness and perception level towards the innovative banking practices.

1.6 Objectives of the Study

The main Objectives of the Study are,

- To study the innovative banking practices offered by commercial Banks in special villages.
- To evaluate the awareness level of innovative banking practices those are offered to special village customers.
- To study the perception of special village customers on Innovative Banking practices in Salem District.
- To offer the recommendations, suggestions for better innovative banking practices in special villages.

1.7 Research Methodology

Research design is empirical in nature since the study is conducted by using both analytical and diagnostic type of research. The study is conducted in two stage format, with a pilot study followed by the main study. The major part of the study is based on primary data.

The Research Questions are

In order to get information from respondents the following questions were formulated

1. What are the various types of innovative banking practices and the extent of innovative banking activities provided by the commercial banks for the customers of special villages in Tamil Nadu?

2. To what extent the special villages in Tamil Nadu are aware and satisfied with the innovative banking operations of the banks?
3. What are the major problems faced by the special villages banking customers and using the innovative banking practices services offered by the bankers in Salem District?

1.8 Sampling Design

A sample will be determined to obtain a representativeness of the whole population on the economic implications of innovative banking practices offered by the banks in the special villages. The sampling technique is the process through which the sample for the study is selected. The selection of the sample was done based on the non-probability sampling technique. Convenience Sampling Technique is adopted for the selection of sample for the study.

The sampling frame consists of the special villages in Salem District. In this research study we have identified the problems of banking sector in Innovative Banking Practices special village in Salem District through questionnaire method for the data collection. The sample of 990 banking customers who have their banking practices with different banks operating in special villages in Salem District have been selected based on the convenience basis. But only 909 effective and valid questionnaires were used for the analysis of the study. The remaining 81 were rejected due to the unfilled nature of the questionnaire. Thereafter, the questionnaire was administered to customers for giving their response on innovative banking practices offered in the banking sector.

Table No: 1
List of Population

Salem DT	Population	Male	Female
Special Villages	16,26,162	8,52,453	7,73,709
Urban	13,90,184	7,11,180	6,79,004
Total	30,16,346	15,63,633	14,52,713

The following table lists out the special villages as classified by the government of Tamilnadu

Table –2

List of Special villages in Tamil Nadu

S.No	Districts Covered	List of Special villages				
		Special Grade	Selection Grade	Grade I	Grade II	Total
1	Kanyakumari	1	10	29	15	55
2	Erode	-	15	18	9	42
3	Coimbatore	1	13	15	8	37
4	Tirunelveli	4	12	16	4	36
5	Salem	-	15	14	4	33
6	Dindugal	-	13	8	2	23
7	Thanjavur	-	11	7	4	22
8	Theni	-	12	6	4	22
9	Namakkal	-	10	8	1	19
10	Thoothukudi	1	11	4	3	19
11	Kancheepuram	1	8	7	2	17
12	Vellore	-	8	8	-	16
13	Tiruppur	-	6	6	4	16
14	Cuddalore	1	8	5	2	16
15	Thiruchirapalli	-	7	9	-	16
16	Villupuram	-	10	4	1	15
17	Sivaganga	-	4	7	1	12
18	The Nilgiris	1	6	4	-	11
19	Karur	1	3	5	2	11
20	Thiruvallur	-	5	5	-	10
21	Thiruvannamalai	-	4	3	3	10
22	Dharmapuri	-	8	2	-	10
23	Madurai	-	4	5	-	9
24	Virudhunagar	-	2	4	3	9
25	Nagapattinam	1	2	5	-	8
26	Pudukkottai	-	5	3	-	8
27	Thiruvarur	-	4	3	-	7
28	Ramanathapuram	-	1	3	3	7
29	Krishnagiri	-	5	-	1	6
30	Perambalur	-	-	1	3	4
31	Ariyalur	-	-	1	1	2
	Total	12	222	215	80	528

1.9 Overview of Selection of Sample

The following table explains the list of the special villages along with the population that are classified in the Salem district and the sample size that has been selected from proposed Non Random Sampling Methods the sampling frame.

Table -3

List of Proposed Non Random Sampling Methods Population and Selection of Sample

S.No	Name of the Special Villages	Population	Sample Size
1	Arasiramani	10,104	30
2	Attayampatti	8,632	26
3	Ayothiapattinam	7,341	22
4	Belur	9,409	28
5	Edaganasalai	11,133	34
6	Ethapur	6,700	20
7	Gangavalli	8,484	26
8	Ilampillai	11,120	34
9	Jalakandapuram	11,742	35
10	Kadayampatti	14,102	43
11	Kannankurichi	9,632	29
12	Karuppur	8,312	25
13	Keeripatti	9,470	29
14	Kolathur	12,080	36
15	Konganapuram	8,141	25
16	Mallur	10,122	31
17	Mecheri	11,900	36
18	Nangavalli	12,341	37
19	Omalur	11,402	34
20	Panaimarathupatti	11,632	35
21	Pethanaickenpalayam	10,101	30
22	P.N.Patti	9,900	30
23	Poolampatti	7,362	22
24	Sankari	10,302	31
25	Sentharapatti	10,689	32
26	Thammampatti	6,540	20
27	Tharamangalam	11,759	35
28	Thedavur	6,871	21
29	Thevur	11,421	34
30	Vanavasi	11,149	34
31	Vazhapadi	10,306	31
32	Veeraganur	9,468	29
33	Veerakkalpudur	8,640	26
Total		3,28,307	990

** Proposed Non Random Sampling Methods = Total Number of Population /

Special Villages Population = Sample Total size

1.10 Area of the Study

The Salem district has been chosen for the purpose of study because of the following reasons

- The Salem district has the highest number of Selection grade villages among the various grades of special villages as classified by the government of Tamil Nadu.
- The Salem district is one of the industrialized areas that have high number of Selection grade villages when compared to other districts in the top five classifications.
- Salem district occupies 5th place in the list of special villages in Tamilnadu.

1.11 Methods of Data Collection

The primary data is collected through interview schedule Method. In addition, face to face interview methods and secondary sources of data have been collected for this research work. Secondary data is collected from books, newspapers, journals, periodicals, RBI Bulletins, banks as well as from internet.

The Sample was selected from thirty three Special villages in Salem District, out of 528 special villages in all over Tamilnadu. The thirty three Special villages in Salem District have excellent network of bank branches with adequate branches. The researcher has selected 33 special villages in Salem District to study level of awareness and perceptions towards innovative banking practices level.

1.12 Pilot Study

A pilot study was conducted to validate the interview schedule and to confirm the reliability and feasibility of the study. A sample of 60 filled in interview schedule was collected based on the awareness and perception level of innovative banking services in special villages.

1.13 Reliability Statistics Test

Based on the pilot study to analyze the reliability of the interview schedule the Cronbach Alpha was used the results were given below:

Table -4
Pilot Study Result

Particulars	No. of Respondents	Cronbach's Alpha Criterion
Banking Customers	60	0.837

The Cronbach Alpha reliability coefficient normally ranges from Zero to One. The consistency and the reliability of the scale improves when the results is nearer to one. In the current study it is 0.84 which enables to conclude that the data collection tool is reliable and consistent for collection of data for the main study.

1.14 Statistical tools used in the study

The following statistical tools were employed in the study to obtain torrent of results from the primary data analysis:

I. Descriptive Analysis

1. Percentage Analysis

II. Inferential Analysis

1. T- Test
2. Chi-square Analysis
3. Cluster Analysis
4. Regression Analysis

Factor Analysis

Both Exploratory Factor Analysis (EFA) and Confirmatory Factor Analysis (CFA) were used in this thesis. Factor analysis is an innovative banking customer of multivariate analysis that is concerned with the sharp internal relationship of a set of variables. The numerous variables used in a multi-item scale such as those utilized in the thesis, can be analyzed to note if those variables could be seen as approximately explaining a single factor (Degroot: 1982).

EFA refers to the determination of the number of common factors necessary and sufficient to account for the inter correlations of a given set of variables (Degroot: 1982).

It is traditionally used for to explore the possible underlying structure of a set of items without imposing any structure (Child: 1990).CFA, on the other hand, is where the number of factors is assumed to be known and the main issue is to fit a postulated pattern of zero and non-zero loading to a given correlation matrix (Degroot: 1982).CFA is more of a theory testing, rather than a theory rating method, as it is based on strong theoretical and empirical foundations (Hair: 1998).

T-Test

T-test is used in situations where the research wants to compare two statistics. The basic utility of a t-test is that it produces a straight forward easy to interpret results of significance. In the case of this thesis, two failed t-tests were used after all other analysis was completed only to note the differences of assumed mean and computed mean directly.

Cluster Analysis

This procedure attempts to identify relatively homogeneous groups of cases based on selected characteristics using an algorithm that can handle large number of cases (**Cox: 1980**). However, the algorithm has to specify the number of clusters. It allows the researcher to analyses the existence of different perceptions of the respondents. The number of clusters may be derived by trial and error method or by computing the large scale differences among co-efficient obtained from hierarchal clusters. This technique is considered appropriate, whenever the research is concerned with a comparison of mean scores, especially in the case of experimental study, involving manipulations such as in the case of this thesis (**Bray and Maxwell 1985, Townsend: 2002**). The basic assumptions of cluster analysis are that the variables should be quantitative at the interval or ratio level. The distances are computed using simple Euclidean distance among the appropriate variables. In the case of this thesis, clusters are formed with respect to the factors obtained though factor analysis.

Analysis of Variance (ANOVA)

ANOVA allows for the study of a single factor or several factors, but will only measure one variable (**Bray and Mon wall 1985, Townsend: 2002**). An

ANOVA works by measuring the variance of the population in two different ways; the first is by noting the spread of values within the sample; the second is by the spread out of the sample means. If the samples are from identical populations, these methods will give identical results. The basic assumptions for ANOVA are random sampling independent measurements, normal distribution and equal variance (Townsend: 2002).

1.15 Overview of Research Design

To accomplish the research objectives, analysis of the data will be of utmost importance. The Statistical analysis is carried out on each of the research questions based on the data extracted from the computation on which was affected using simple percentage after which comparisons were done to determine the effectiveness in achieving the desired objectives.

- Research Data : Primary as well as secondary data.
- Sample Size : 990 and 81 questionnaires were rejected due to the Unfilled nature and only 909 effective questionnaires were carried out for analysis of data.
- Research Software : SPSS version 22 software for analysis of the data
- Research Area : Thirty Three Special Villages in Salem District
- Analysis : Quantitative and Qualitative data Analysis.

1.16 Limitations of the Study

The study has the following limitations

1. The study was conducted only in Salem district of Tamilnadu. Hence, the results arrived from the study may or may not be applied to other areas.
2. The design of the study involves cross-sectional which involves all the commercial banks that operate in the special villages which disable to provide individual suggestions to the concerned banks.

1.17 Chapter Arrangements

The presentation of the study has been designed into five chapters.

The first chapter this chapter presents a brief Introduction about the innovative banking services and list of special villages in Salem district, Statement of the Problem, significance of the study, scope of the study, Objectives, Hypotheses, Methodology, and Tools used Period of study, Area of the study, limitations of the study and chapter arrangements.

The Second chapter it deals with various research studies on innovative banking services and its previous model in various banking sectors. The research gap is very helpful in the present study.

The Third chapter deals with the lucid picture of Conceptual Background on Innovative Banking services.

The Fourth chapter this chapter determine a model for depicting innovative banking services; it involves the application of multivariate statistical tools.

The Fifth Chapter summarizes the Findings, Suggestions and Conclusion of the study which was extracted on the basis of the result of the study.