CHAPTER I

INTRODUCTION AND DESIGN OF THE STUDY

1.1. INTRODUCTION

A bank is a financial institution that accepts deposits and channels the money into lending activities. Banking is essentially a high contact service industry and there is a close interaction between service provider and the customers in the traditional banking scenario. Customer satisfaction and retention are very crucial for the success of any retail Bank. Customers perceive very little difference in the services offered by Retail Banks and any new offering is quickly matched by competitors. Retail Banks like any other service providers discovered increasing customer retention and have substantial impact on profits in meeting or exceeding customer expectation.

Service is an invisible offering which is dependent on and inseparable from the person who extends it. Services in Indian Banks are mostly branch-based in the recent past Banks stride with full scale technology enabled banking. Retail banking is typical mass-market banking where individual customers use local branches of larger commercial banks. It is an attractive market segment having a large number of varied classes of customers. It encompasses various financial products: different types of deposit account, consumer auto and other types of loan accounts, Demat, Insurance facility, Mutual fund, credit and debit cards, ATM’s, payment of bills etc. Banking services constitute a hybrid type of offering.
that consists of both tangible goods: loan schemes, interest rate paid, kinds of accounts and the intangible services: behavior and efficiency of the staff, speed of transactions, the ambience.

The forces of competition have been compelling the banks to innovate and introduce newer and newer add-on services. The evolving customer has ever been on the lookout for value proposition and the private sector banks are smart in responding to the requirement. While customers have a wide variety of options to choose from, banks have been able to reduce the cost, which has had a positive impact on the profitability of various Banks.

1.2. RATIONALE FOR SELECTING THE TOPIC

In India the growth ratio of Private Banks when compared to the public sector banks is 3:1 where Private Bankers are more of Technology oriented and they are entitled to decision at a great pace. This freedom and trust put on the Private Bankers have helped them to concentrate on expansion. This growth needs to be ascertained so that the reach of private Bankers and their technology can be of more use to the consumers. Due to increasing competition in retail banking, understanding the customer perception about service quality is becoming indispensible. The private sector Banks are posing a very stiff competition to the public sector banks through their initiatives for meeting customer expectations and gaining a cutting edge. This is reflected by the increasing market share and better profitability of private Banks in comparison to that of the public sector.
Banks. At the same time public sector banks have also responded to the Challenges posed by the private sector Banks through conscious efforts to enhance their service.

Information technology has enabled many private Banks, dominating the market with new product, service, and ideas. Banking industry is fast growing with the use of technology in the form of ATMs, e-banking, Telephone banking, Mobile banking, Bill pay service etc. Plastic card is one of the banking products that cater to the needs of retail segment have seen its number grow in geometric progression in recent years. The Private sector banks came on the scene as technology-savvy banks offer several innovative products at the front office for the customers based on technology, the demonstration effect caught on the reset of the banks. Banking has undergone rapid changes with the multichannel offerings, in this context an attempt is made to study the “Usage behaviour of retail banking services by the customers of Private Sector banks in Coimbatore District”

1.3. SCOPE OF THE STUDY

In this Global environment the customer is more knowledgeable, their expectations are very high and they need more convenience in any services they avail. The major services offered by the private sector Banks are taken into consideration in order to study the usage behavior of the customers. In the pre liberalization era the service at a bank was deposit and withdraw money Service standards were pathetic, Liberalization brought several changes to Indian service
industry, Post-liberalization was with Consumer oriented. The competence of the private sector bank is technology enabled service and better customer service attracting and retaining the existing customer is possible with better customer service.

In this global scenario, Banks have introduced many customer oriented services apart from the regular Banking activities. The study has been undertaken to highlight the usage behavior towards retail banking services of private banks in Coimbatore District. The study explores the awareness on the product and services, reason for selecting the private sector Banks, the usage behavior, satisfaction towards services provided. The sample respondents are the customers of selected private sector Banks. As such, there is a scope to examine whether the services provided by the Banks cater to the needs of various classes of customers.

In retail banking all the needs of individual customers are taken care of in a well-integrated manner. In the absence of quantifiable parameter to measure the satisfaction and usage behavior, an attempt is undertaken to study the usage behavior and satisfaction towards the retail banking services of the private sector bank. The present study not only brings to light the retail banking and usage Behavior, but also satisfaction towards instilled technological support by the banks.

1.4. NEED AND IMPORTANCE OF THE STUDY

Consumer behavior is dynamic and to be studied regularly, increasing awareness, living standards and urbanization has led to increase in the changing preferences and the same has forced the marketers to change their product features,
packaging styles, distribution channels and so on. There is a fundamental shift in the usage behavior of consumers from traditional ways to modern ways with respect to the services rendered. Due to the similarity of the offers of many Banking services, loyal customers have a huge value, since they are likely to spend and buy more, spread positive word-of-mouth, resist competitors’ offers, wait for a product to become available and recommend the service provider to other potential customers.

Technological innovation in banking services is an opportunity to differentiate mature market. The technological innovation includes ATM, Internet banking, Phone Banking, Mobile banking etc. These technologies can be used by the customers in an independent way without interaction of an assistant or an employee. Nowadays, banking automation service is indispensible in order to obtain efficiency to provide basic financial needs.

Generation of leads to cross sell third party Insurance products and creating additional revenues with utmost customer satisfaction has become focal point worldwide for the success of a Bank. It is highly essential to analyze the usage behavior of the retail banking services since Private sector Banks meets market demands and challenges with innovation of new offering with minimum dependence on branches – a multi-channel bank and to eliminate the disadvantage of an inadequate branch network. This is the main reason for choosing this research topic - “A Study on usage behaviour of Retail Banking Services by the customers of Private Sector Banks in Coimbatore District”
1.5. STATEMENT OF THE PROBLEM

In modern competitive environments services are gaining increasingly more importance. Nowadays, great attention is paid to all the Bank-customer touch-points, aiming to optimize the interaction and user friendly services. Higher penetration of technology and increase in global literacy levels has set up the expectations of the customer higher than never before. Increasing use of modern technology has further enhanced reach and accessibility.

The aim of the study is to trace the usage behaviour of various services by different class of customers and their satisfaction towards the services rendered by private sector Banks. The independent variables such as age, gender, education, family income, number of years of banking, frequency of visit to bank is treated with the dependent variables such as awareness on the product, awareness on supplementary service, reasons for selecting private bank, usage of internet banking, phone banking, ATM, Mobile banking, bill pay service, satisfaction towards third party insurance products, satisfaction towards quality of service, satisfaction towards guidance and counseling services and so on. The study also identifies the product and service usage in terms of customer convenience pattern. The reason for choosing this topic is to analyze customer usage behaviour towards different services provided by the private sector banks and to suggest strategies for enhanced services in order to make it more competitive and customer friendly. The study will help the Private sector Banks to reorient their marketing strategies for better reach among customers in order to compete with its rivalry with technology as its core competence.
In the competitive and post liberalization era, every customer is concerned about the safety of their funds and also expects good and effective returns from their funds. They are always busy and expect to complete all their engagements from a single place. They are not ready to run around paying their electricity bill at one place, telephone bill at another place. In fact the perception and the expectation of the customers have undergone a vast change with the availability of banking services at their door steps through the help of technology. Though the Private sector Banks are providing supplementary services with multiple channels, enquiries have been made on the following.

1. What are the retail banking services provided by the private sector banks?

2. How far the services cater to the needs of the customers of private sector banks?

3. To what extent the services are utilized by the customers of private sector banks?

4. What are the factors influencing the customers with the usage of retail banking services?

To succeed, a bank must distinguish itself from its competitors not just in the quality of the core product but also in how it manages the “Service surround”. Every interaction with a customer provides an opportunity to be unique. Hence the present study has been carried out to examine the usage behavior and offer solutions for improved usage among the customers of private sector banks.
1.6. OBJECTIVES OF THE STUDY

• To study the Retail Banking services with respect to private sector Banks in Coimbatore District

• To study the customer awareness on Retail banking products and services offered by the private sector Banks in Coimbatore District

• To focus on utilization of the retail banking products and services by the customers of private sector Banks in the Coimbatore District.

• To assess the factors influencing the customers with the usage of Retail Banking services of private sector Banks.

• To identify the areas which need improvement so that the Retail Banking service of the private sector Banks can be enhanced

1.7. RESEARCH DESIGN

The design of the study is Descriptive in nature. It is a fact finding investigation with adequate interpretation, it gathers the information for formulating more sophisticated studies.

1.7.1. METHODOLOGY OF THE STUDY

The validity of research is based on the systematic method of data collection and analysis. Both primary and secondary data were used for the study. Banks were selected based on the ground of concentration of Private sector Banks in that area.
1.7.2. SOURCES OF DATA

The primary data was collected through the questionnaire from selected sample respondents. Secondary data collected from regional, branch offices of the private sector Banks, websites of the banks and lead Journals. The primary objective of the study is to analyze the usage behaviour of retail banking services by the customers of Private sector banks. The secondary data were collected from different sources like newspapers, magazines, journals, books, websites, and various institutions such as, Bharathiar University Library, Coimbatore and Research Learning Centre, PSG School of Management, Coimbatore. Data at the District level were collected from collectorate of Coimbatore.

1.7.3. SAMPLING

Coimbatore District is purposefully selected, in the first exploratory stage of study review of literature was undertaken to familiarize with various aspects of the study. In the second stage primary data were collected from the customers of the Private sector Banks. Four hundred and eighty eight respondents were selected on convenience sampling method. A questionnaire is designed to understand various aspects such as products and services offered by the Bank, utilization of supplementary services and quality of services aspects, problems faced by the respondents with open ended and closed end questions. In case of closed end questions Likert’s 5 point scales, check list have been included. The data were collected during the time in which people usually go to Banks from 10 a.m. to 12 p.m. and from 1 to 3 p.m.
The aim of the study is to examine the usage behaviour of retail banking services of private sector Banks in Coimbatore District. A study of this nature required the selection of a suitable place; to fulfill this, collection of primary data from the customers of private sector Banks become pertinent.

1.7.4. SAMPLE SELECTED FOR THE STUDY

The study area is limited to Coimbatore District. Coimbatore, the second biggest city of the southern state of Tamil Nadu, is identified as one of the fast developing metros of India. The city of Coimbatore called as the “Manchester of South India” with a salubrious climate. The city is endowed with large number of Educational Institutions, Textile Mills, Foundries and Agro based industries. It is also known for the manufacturing of the centrifugal pump sets and a host of engineering goods. Hill stations like Ooty, Kodaikanal, Mudumalai–wild life sanctuary and Top slip are within easy reach from Coimbatore. It is connected by Air with Chennai, Trichy and Mumbai. It is the 3rd largest city in Tamil Nadu. It is poised for a spectacular growth in the near future. The Coimbatore District, being an industrial area, many public, private and foreign banks has established their branches.

There are totally 45 banks spread over Coimbatore District. Of these, 29 are public sector banks and 16 private sector banks. A Sample of 10 banks was selected from broad categories of private sector banks. Coimbatore district has six taluks: Coimbatore North (revenue villages 34), Coimbatore south (revenue villages 47), Mettupalayam (revenue villages 19), Pollachi (revenue villages 131),
Sulur (revenue villages -41), valparai (revenue village - 1). Among these 6 taluks, private sector banks were selected from 4 taluks of Coimbatore District. A list of Private sector banks selected is provided below.

1. AXIS Bank Ltd.
2. ICICI Bank Ltd.
3. HDFC Bank
4. Karur Vysya Bank
5. South Indian Bank Ltd.
6. Lakshmi Vilas Bank Ltd.
7. Catholic Syrian Bank
8. Karnataka Bank
9. Federal Bank
10. ING Vysya Bank Ltd.

1.7.5. FRAMEWORK OF ANALYSIS

The study being “Usage behavior of retail banking services by the customers of private sector banks in Coimbatore district”, centers around the dependent variable customers usage behavior and their relationship with the related independent variables such as Age, Gender, Marital status, Education, Occupation, Family Income, Number of years of banking and Frequency of visit to bank.
Statistical tools Mean, range, Standard Deviation, chi square, Multiple regression, Discriminant analysis, Factor analysis, Spearman’s Rank correlation, Garrett ranking were used appropriately.

1. CHI SQUARE TEST

The chi square test is an important test among the several tests of significance developed by statisticians. It is statistically measured and used in the context of sampling analysis for comparing variance to a theoretical variance. As a non-parametric test it can be used to determine if categorical data shows dependency or the two classifications are independent. It can be used to make comparison between theoretical populations and actual data when categories are used. In the present study the chi square test is used to test association between two attributes. In the present study chi square test is applied to find out the association between personal profile of the respondents and the various aspects of usage behavior such as awareness on the product, awareness on the service and level of satisfaction towards quality of services.

$$\chi^2 = \frac{\sum(O-E)^2}{E_i}$$

Where,

O = Observed frequency

E = Expected Frequency

R = Rows

C = Columns
The chi square value is calculated by \((R-1)(C-1)\) degrees of freedom at 5 per cent level of significance. If the chi square value is greater than the table value, the hypothesis is accepted so there is no association between two attributes. If the chi square value is less than the table value, hypothesis is rejected and there is association between two attributes.

2. GARRETT RANKING TECHNIQUE

This technique was used to rank the preference of the respondents on different aspects of the study is used to rank the items under study. The various issues are preference for selecting a bank for a loan product on brand image, location, service, charge, convenience and preference for supplementary service such as internet banking, phone banking, ATM, mobile banking and bill pay services. The order of merit given by the respondents were converted into ranks by using the following formula.

\[
\text{Percentage position (PP)} = \frac{100 (R_{ij} - 0.5)}{N_j}
\]

Where,

\(R_{ij}\) = Rank given for \(i^{th}\) factor by \(j^{th}\) individual

\(N_j\) = Number of factors ranked by \(j^{th}\) individual

The percentage position of each rank thus obtained is converted into scores by referring to the table given by Henry E. Garret. Then for each factor the scores
of individual respondents are added together and divided by the total number of respondents for whom the scores were added. These mean scores for all the factors were arranged in the descending order, ranks given and most important aspects identified. Using these scores total score for each item was found from garret table and based on these total scores ranks were assigned based on the score from the highest to the lowest.

3. SPEARMAN’S RANK CORRELATION

Spearman’s rank correlation is a non-parametric measure of correlation; it assesses how well a linear equation describes the relationship between variables without making assumptions about the frequency distribution of the variables. Spearman’s rank correlation coefficient allows identifying the strength of correlation within a data set of two variables and whether the correlation is positive or negative. In this study, preference to open an account and preference for supplementary service utilization in private sector banks and nationalized banks is considered for analysis

\[ R = \frac{1 - 6\sum D^2}{n(n^2-1)} \]

Where,

\( n = \) Total number of pair of observations

\( D^2 = \) Square of the difference of corresponding ranks
4. ANOVA (Analysis of Variance)

In analysis of variance a continuous response variable known as a dependent variable is measured under experimental conditions identified by classification variables known as independent variables. The analysis of variance is a powerful statistical tool for tests of significance. The test of significance based on t-distribution is an adequate procedure only for testing the significance of the difference between two sample means. In a situation when three or more samples are considered at a time, an alternative procedure is needed for testing the hypothesis that all the samples are drawn from the populations with the same mean. The basic purpose of the analysis of variance is to test the homogeneity of several means. It is used for studying the differences among the influence of various categories of one independent variable on a dependent variable is called one-way ANOVA. It is designed to test whether a significant difference exists among the three or more sample means. In this analysis, the total variance in a set of data is divided into variation within groups and variation between-group. The analysis of variance technique is used when the independent variables are of nominal scales and the dependent variable is metric or least interval scaled. The independent variables are age, gender, education, occupation, family income, no of years of banking, frequency of visit to bank and the dependent variable is opinion on third party insurance products.
5. FACTOR ANALYSIS

Factor analysis is a generic term given to class of multivariate statistical methods whose primary purpose is data reduction and summarization. Factor analysis identifies common dimensions of factors from the observed variables that link together the seemingly unrelated variables and provide insight in the underlying structure of the data. The general purpose of factor analysis technique is to find a way of condensing (summarizing) the information contained in a number of original variables into a smaller set of new composite dimensions (factors) with a minimum loss of information. That is to search for and define the fundamental constructs or dimensions assumed to underlie the original variables.

1.6. LIMITATIONS OF THE STUDY

1. The samples are drawn on convenience; the results are reliable to that place only.

2. This study is not made for a specific bank or specific service. But it is a general study of retail banking services provided by the banks.

3. As the study is based on Questionnaire, the results vary according to the opinion of the respondents.

4. For convenience and want of time, four hundred and eighty eight respondents alone were taken for the study.
1.8. CHAPTERIZATION SCHEME

Chapter I

The introductory chapter, includes retail banking in India, need for the study, statement of the problem, importance of the study, objectives of the study, research design, sampling, period of the study, source of data and limitations of the study.

Chapter II

The second chapter presents the review of previous research literature.

Chapter III

The third chapter presents the overview of Banks and customer usage behaviour of services.

Chapter IV

This chapter includes the personal profile of the customers and analyse the various factors in relation to the usage behavior of Retail Banking services.

Chapter V

This chapter recapitulates the key findings and conclusion of the study. Based on the findings, suggestions have been given for the enhanced utilization of retail banking services.