CHAPTER I
INTRODUCTION AND DESIGN OF THE STUDY

1.1 INTRODUCTION

Financial services industry in India has undertaken a transformation since 1990. Before the emergence of financial services the commercial banks and other financial institutions contributed to the financial needs of the industry. Financial services are the products offered by financial institutions like banks for the facilitation of several financial transactions. Facilitating transactions, mobilizing savings, allotting capital funds, observing managers and transforming risk are some of the major functions of financial services. Banking services are crucial tools for handling personal finances and managing assets and qualifying for obtaining credit. Customers should know what banking services are available and how to use them.

Banking system provide tremendous opportunities to their customers by facilitating them with the opportunities to keep their money and valuables safe, by granting them loans, credit and payment services, etc. (Kandasamy & Indirani, 2015)\(^1\). In India, banking system has undergone evolution in terms of its scope, context, structure, functions, and governance. In this revolutionary era where everything is connected to some technology, banking also gets advanced using information technology as its base. With the advancement in the technologies, traditional banking tasks like documentation, transaction entries, etc. are completed through the computers (Bhosale, 2014)\(^2\).

These evolutions help in developing the banking sector in highly classified manner, which results in the development of certain classes of banks viz. public sector banks, private sector banks, foreign banks, regional banks, and cooperative banks. Private sectors can also be segmented into old generation banks and new generation banks. The generations are divided in terms of the transformation that the banks undergo with


Considering the development, Indian Banking sector witnessed numerous changes since 1990s and the major changes can be seen through the technological advancements as the application of the information technology in certain innovative ways. Several technical applications are now implemented by all the Indian banks that are recommended for the efficient banking activities like ATMs, credit cards, debit cards, mobile banking, call centres, etc. In this competitive world to be at the top of the banking services banks are adopting the e-banking mode for providing the services to their customers. This technique of banking has been profoundly adopted and implemented by most of the banks in India to provide high quality banking services to their customers.

With the increasing diversity in the services and competition, banks try to achieve the position in the sector so they adopt the recent trends. The purpose of adopting the recent technologies for enhancing the efficiency of the transaction or other banking process and facilitating the process for the customers. Easy handling procedures influence the customers and allure them to grab the opportunity for convenient financial management (Bhosale, 2014). Sharma (2016) compared the concept of e-banking and traditional banking. The research explored the evolutionary phase of internet banking and explored different online banking services adopted worldwide since the implementation of internet. The risks and fear of the customers for adopting the online banking process was thoroughly discussed. People availing the facilities of online banking fear with the fact that they may lose their money during the transaction in spite of the security facilities available.

Both traditional and advanced banking system are advantageous. The advantages of the traditional banking are convenient access to the funds, direct interaction with the operators or managers, availability of the hard copy documents as the proof of the transactions, etc. The advantages of the e-banking are all time transaction facility through digital appliances without any restriction of holidays, no long queues for the transactions, no means of paying commission for different services, efficient mode of bill payments, etc.

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Banks are classified on the basis of their duration of existence viz. new generation private banks and old generation private banks. Old generation banks are those that had been running before 1991 and are considered to be 50 years old. Those banks which were not nationalized at the time of nationalization took during 1969 and 1980 are called as old private sector banks. The new generation banks are those which came up in existence in recent days, or after the year 1991. These banks rise when there were economic and financial reforms and termed as new generation private sector banks. These banks were established on certain grounds like they must have net worth to be Rs. 100 crores, promoters holding should be a minimum of 25% of total paid capital, and it is mandatory for the banks to share their offer their shares to public within three years of their operation. The new generation private banks in India are Axis Bank, Development Credit Bank, HDFC Bank, ICICI Bank, IndusInd Bank, Kotak Mahindra Bank and IDFC Bank (Kandasamy and Indirani, 2015).

New generation private banks provide number of services to their customers for making their banking experience better than the old generation banks. There are special financial services that are given by the banks to their customers like loans, individual banking, digital banking etc. New generation private banks are introducing certain technological services that would facilitate the banking services delivered by the banks to the regular customers. Certain services that are widely used by the customers are mobile banking, net banking, tele banking, ATMs, debit and credit cards, SWIFT (Society For Inter Bank Financial Telecommunication), EFT (Electronic Funds Transfer), ECS (Electronic Clearing Service), etc.

1.2 NEED FOR THE STUDY

Banking sector undergo many changes and challenges. Without understanding the needs and opinions of its customers, it is difficult for the banks to maintain its profitability. For any business involving in service sector, the key success factor lies in better understanding of customers better than their competitors. Banking is a customer centric business. Banks reach the customer through relevant products and provide better services to them. Without knowing or understanding the expectations

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and opinions of the customers, it is not possible to satisfy the customers and make profit in business. This study is intended to understand the opinion of the customers towards financial services offered by new generation private sector banks in Kurnool District of Andhra Pradesh. Private Banks face severe competition and its challenging for banks to sustain its position. A comprehensive study on customers’ opinion help the bank to understand its customers and fill the gap in the process if any.

1.3 STATEMENT OF THE PROBLEM

Banking sector is the fastest growing sector contributing to the financial development of the country. With the advancement in the technology the banks are approaching for techniques and services to make the banking procedures convenient and effective. These technological advances are implemented by the new generation banks as they want to stay in competition with the available banks. The basic requirement for the study is to examine the effectiveness of these financial services that are provided by the new generation banks. Opinions of the customers about these services that are provided by the new generation banks are much more advantageous for better implications. The study therefore needs to ascertain level of satisfaction of customers and common problems faced by the customers in utilizing the financial services provided by the new generation private banks to the customers.

1.4 RESEARCH QUESTIONS

The following are the research questions set for this research study.

1. What are the various financial services offered by the new generation private sector banks to its customers?
2. What influences the customers to utilize the financial services offered by new generation private sector banks?
3. Are the customers satisfied with the services offered by the banks?
4. What are the problems faced by the customers in the process of utilizing the services offered by the banks?

1.5 OBJECTIVES OF THE RESEARCH

Based on the research questions given above, the following objectives were set for the research study.

1. To study the opinion and awareness of financial services offered by the New Generation Private Sector Banks.
2. To analyze the factors influencing to utilize the financial services of New Generation Private Sector Banks in the study area.
3. To ascertain level of satisfaction of customers in utilizing the services offered New Generation Private Sector Banks.
4. To study the common problems faced by the customers in utilizing the financial services of new Generation Private Sector Banks.
5. To suggest better ways and means to utilize the financial services of New Generation Private Sector Banks at optimum level.

1.6 HYPOTHESIS OF THE STUDY

The following are considered as hypotheses for the study.

i. There is no significant relationship between the gender and the level of satisfaction in utilizing the services offered by new generation private sector banks.

ii. There is no significant relationship between the marital status and the level of satisfaction in utilizing the services offered by new generation private sector banks
iii. There is no significant relationship between the age and the level of satisfaction in utilizing the services offered by new generation private sector banks

iv. There is no significant relationship between the occupation and the level of satisfaction in utilizing the services offered by new generation private sector banks

v. There is no significant relationship between the income and the level of satisfaction in utilizing the services offered by new generation private sector banks

vi. There is no significant relationship between the size of the family and the level of satisfaction in utilizing the services offered by new generation private sector banks.

1.7 RESEARCH METHODOLOGY

Research methodology is referred as systematic and careful investigation to get new and relevant facts in any branch of knowledge. Research methodology is the systemic plan that will help in designing a layout which defines the process flow, how the research is conducted. Research methodology also highlights the design of the research, approach of the research and the techniques applied for the data collection. Research methodology process consists of defining a problem, formulating hypotheses, methods to collect the data and analyzing it. It is an academic activity with a set of objectives to analyze the problems and to find most relevant solutions to the problems.

1.7.1 Research Design

Research design denotes the overall strategy chosen to incorporate different components of the study in a logical way to address the research problem. It is a blueprint for the methods of collection, measurement, and analysis of data. Descriptive research design deals with what is going on in a particular field. For the purpose of conducting this research study, descriptive research design was chosen to understand the opinion of the customers towards the financial services offered by the
new generation private sector banks. Descriptive research design was adopted for this research work.

1.7.2. Sampling Design

Sample design is a substantial technique in research design. Sampling is a means of choosing a subset of entities from a target population to collecting data. The data collected is used to draw interpretations about the population as a whole. As Malhotra (1999)\(^5\) indicated, sample design procedure comprises of five steps. They are definition of population, sampling frame determination, sampling technique, sample size determination and sampling process. The sample for this study was drawn from the new generation private bank customers of Kurnool District of Andhra Pradesh.

1.7.2.a. Sample Size Determination

<table>
<thead>
<tr>
<th>Population Size</th>
<th>Sample Size</th>
<th>Population Size</th>
<th>Sample Size</th>
</tr>
</thead>
<tbody>
<tr>
<td>10</td>
<td>10</td>
<td>550</td>
<td>226</td>
</tr>
<tr>
<td>20</td>
<td>19</td>
<td>600</td>
<td>234</td>
</tr>
<tr>
<td>40</td>
<td>36</td>
<td>700</td>
<td>248</td>
</tr>
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<td>50</td>
<td>44</td>
<td>800</td>
<td>260</td>
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<tr>
<td>75</td>
<td>63</td>
<td>900</td>
<td>269</td>
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<tr>
<td>100</td>
<td>80</td>
<td>1,000</td>
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<tr>
<td>150</td>
<td>108</td>
<td>1,200</td>
<td>291</td>
</tr>
<tr>
<td>200</td>
<td>132</td>
<td>1,300</td>
<td>297</td>
</tr>
<tr>
<td>250</td>
<td>152</td>
<td>1,500</td>
<td>306</td>
</tr>
</tbody>
</table>

Table 1.1 indicates the guide to minimum sample size that helps the researcher to decide the right sample size for the study. This study involved the customers of six new generation private sector banks as respondents. It is assumed that, these six new generation private sector banks will have more than one lakh customers. The table suggests that for one lakh population size, 385 would be the minimum sample size. The researcher has decided to collect data from 600 sample for better results. The questionnaires are distributed to 600 respondents. Around 50 questionnaire were not properly filled and finally the responses from 550 customers were included for the study.

1.7.2.b. Sampling Technique
Convenient sampling technique was used for the purpose of the study. The researcher approached the customers visiting the branches and collected the primary data from them. Convenient sampling was adopted, since the research involved the customers who were willing to participate in the study. Researcher approached the customers of the branches of six new generation private banks based on the convenience to collect the primary data with the help of the structured questionnaire. The respondents were selected without any criteria and the criteria was not required for the study, therefore convenient sampling method was chosen.

1.7.3 Framework of Sampling
Sampling details are discussed in this section. Kurnool, Nandyal, Adoni are the three revenue divisions in Kurnool district. Samples from all the three division were involved and data were collected from them. Table 1.1 depicts the distribution of sample from three revenue divisions.
Table 1.2 Profiles of Respondents

<table>
<thead>
<tr>
<th>S.No</th>
<th>Revenue Divisions</th>
<th>Number of Respondents</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Kurnool</td>
<td>238</td>
</tr>
<tr>
<td>2</td>
<td>Nandyal</td>
<td>122</td>
</tr>
<tr>
<td>3</td>
<td>Adoni</td>
<td>80</td>
</tr>
<tr>
<td></td>
<td><strong>Total</strong></td>
<td><strong>550</strong></td>
</tr>
</tbody>
</table>

1.7.4 Primary Data

In order to attain the necessities of this research work on customers’ opinion on financial services offered by private sector banks. A well-structured questionnaire was with Likert scale questions that covered factors influencing to utilize the financial services offered by private banks, level of satisfaction of customers in utilizing the services in general and specific services offered by new generation private sector banks and complaints / problems faced by you in utilizing the services of private banks. Customer of six new generation private banks and twelve different services offered by the banks. Questionnaires were handed over to majority of the customers and to some of the questionnaire were filled by the researcher on behalf of the customers. 430 customers participated in the study and rendered their opinion on financial services. Thus the primary data were collected, tabulated and analyzed for this study.

1.7.5 Secondary Data

Though this research work was done using primary data, the study also used secondary data for better understanding of the banking and financial services offered by private sector banks. History of the banks, services offered by them, customer behaviour and their status in India were gathered from various offline and online sources. Reviews related to the study were also gathered from magazines, newspapers, national and international journals, articles appeared in internet, research reports,
doctoral thesis and various other relevant records. The relevant data pertaining to the studies were gathered from libraries like IIM-Bangalore and from online databases like EBSCO and Emerald. Websites of private sector banks, Andhra Pradesh government were also referred to comprehend the banking operations and other details. Standard text books were also used to acquire the theoretical knowledge of the behaviour of the customers.

1.7.6. Tools used for Data Collection

The research problems and the objectives were first formulated and the descriptive study was chosen for the study. According to the objectives set, a well-structured questionnaire was framed and data were collected from the customers of the bank. Customers of private banks of Kurnool district of Andhra Pradesh were involved in the study to give their opinion on the financial services offered by the banks. Data collected were analyzed and findings were presented.

1.7.7 Pilot Study (Pre-test)

The questionnaire was framed by the researcher with the help of research supervisor and other experts in the field of research. In the next stage, 35 sample respondents were involved in the study in the preliminary stage and their opinion were recorded using the questionnaire for the pilot study. After collecting their opinion through the questionnaire from the sample their comments and suggestions regarding the questionnaire was restructured and used for the main study. 35 respondents who have participated in the pilot study were excluded for the main research study.

1.8 FRAMEWORK OF ANALYSIS

The data thus collected through the questionnaire were presented in table, graphical representation and appropriate statistical tools like Percentage analysis, weighted average, range, standard deviation, Two-way tables and Chi-Square (χ2) analysis, factor analysis, multiple regression analysis, correlation and Structural Equation modelling were used for the study.
1.8.1 Simple Percentage Analysis

Percentages in research studies are used to make comparison between two or more variables. Percentage Analysis is used in research studies to create exigency tables from the frequency distribution and to present the data gathered for better understanding. Percentages are used to designate associations among them substituting the common base (100) so that evaluations can be made easy and meaningful.

\[
\text{Percentage} = \frac{\text{No. of respondents}}{\text{Total no of respondents}} \times 100
\]

1.8.2 Chi-Square Analysis

The degree of influence of the following independent variables pertaining to respondents’ demographic variable and the level of satisfaction of customers in utilizing the services of new generation private sector banks

i. Respondents’ Age
ii. Respondents’ Gender
iii. Respondents’ Marital status
iv. Respondents’ Education
v. Respondents’ Family size
vi. Respondents’ Income
vii. Respondents’ Occupation

In order to identify the association between the mentioned demographic factors and the level of satisfaction of the respondents participated in the study for the services offered by private sector banks of Kurnool district, Chi-Square ($\chi^2$) test was used and the formula applied is specified below.

\[
\chi^2 = \Sigma \frac{(OE - E)^2}{E}
\]

Degree of freedom (D.F) = (R-1) (C-1)

Whereas,
O = Observed frequency
E = Expected frequency
R = Number of rows
C = Number of columns.
1.8.3 Factor Analysis

Factor analysis is used in research studies to examine how the constructs influence the responses on a number of measured variables. It is data reduction tool that eliminates the redundancy from a set of correlated variables. Finally, factors are formed that are relatively independent to each other. Factor analysis can be used to identify the data for patterns, confirm the hypotheses set and to reduce the variables to meaningful number. Collecting the data, extracting the initial factors, choosing the number of factors to retain, choosing estimation model, rotating and interpret and construct scales are the steps in performing factor analysis. For this study twenty factors were used on the financial services offered by new generation private sector banks to identify the most influencing factors that influences the customers. Factor analysis was used for the purpose of identifying the most influencing factors.

1.8.4 Multiple Regression Analysis

Multiple Regression Analysis is used to understand the straight-line relationship between two or more variables. In multiple regression, a linear composite of explanatory variables is formed, in such a way that it has maximum correlation with an active criterion variable. The association between the socio-demographic details and frequency of usage of the financial services offered by new generation private sector banks per month.

Multiple regression analysis of Y dependent variable score was performed with variables X1, X2, X3,… Independent variables and the following regression model is fitted for performance:

\[ X_{16} = b_0 + b_1X_1 + b_2X_2 + b_3X_3 + \ldots \ldots \]

Where \( b_1, b_2 \) and \( b_3 \) are partial regression coefficients; \( b_0 \)-constant results.
1.8.5 Henry Garrett Ranking Method

Henry Garrett Ranking Method is used for this research study to find the common problems faced by the customers in utilizing the financial services of new Generation Private Sector Banks. In this study, respondents were asked to rank the problems faced by customers in using the banking services and the variables / problems considered were Staff members working in the banks are not cooperative, ATM do not work properly, Manager and other concerned employee is not easily accessible, printer do not work most of the time, procedures are not user friendly, delay in transactions, impolite approach, no parking facilities in the bank premises, net-banking is not user friendly, inconsistent and new procedures, communication is not prompt and customers are ignored and not understood my needs. The orders of merit specified by the respondents were converted into ranks by using the following formula.

\[
\text{Percentage Position} = 100 \left( \frac{R_{ij} - 0.5}{N_{ij}} \right)
\]

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

\( N_{ij} \) = Number of factors ranked by \( j^{th} \) individual.

The percentage position of each rank thus obtained is converted into scores referring to the table given by Henry Garrett. Then for each factor the scores of individual respondent were added and divided by the total number of respondents from whom the scores were added. These mean scores for all the factors were arranged in the order of ranks and from this, inferences were drawn and presented.

1.8.6 Reliability Analysis

Reliability analysis in research is used to study the properties of measurement scales. Reliability denotes the extent to which a scale yields consistent results, if the measurements are repeated a number of times. The investigation of reliability is referred as reliability analysis. Reliability analysis is determined by obtaining the proportion of systematic variation in a scale, which can be done by determining the association between the scores obtained from different administrations of the scale.
Thus, if the association in reliability analysis is high, the scale yields consistent results and is therefore reliable. Using reliability analysis, it is determined that to what extent the items in the questionnaire are related to each other and can get an overall index of the repeatability or internal consistency of the scale as a whole, and identify problem items that should be excluded from the scale. The following models of reliability are available:

- Alpha (Cronbach)
- Split-half
- Guttman
- Parallel
- Strict parallel

Cronbach alpha is used to test the reliability of the tools used and the alpha score is above the acceptable level.

**Table 1.3**

<table>
<thead>
<tr>
<th>S.No</th>
<th>Variables</th>
<th>Alpha Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Awareness about the financial services</td>
<td>0.741</td>
</tr>
<tr>
<td>2</td>
<td>Offers &amp; other services</td>
<td>0.929</td>
</tr>
<tr>
<td>3</td>
<td>Technology</td>
<td>0.792</td>
</tr>
<tr>
<td>4</td>
<td>Services</td>
<td>0.897</td>
</tr>
</tbody>
</table>

The Cronbach alpha method was applied to check the reliability of the statements in the questionnaire. The tests revealed that maximum alpha value is 0.929 and minimum is 0.741 which are statistically significant. This also shows that the questionnaire is valid.

**1.8.7. STRUCTURED EQUATION MODELLING**

Structural equation modeling is a statistical technique that combines elements of traditional multivariate models, such as regression analysis, factor analysis and
simultaneous equation modeling. The Structural equation modeling approach is sometimes also called caused modeling because competing models can be postulated about the data and tested against each. Structural equation modeling was used to analyze the suitability of the conceptual model developed based upon the collected samples. Structural equation modeling evaluates whether the data fit a theoretical model. To test the conceptual model proposed Structured Equation Modeling is used.

1.9 SCOPE OF THE STUDY

This research work on customers’ opinion profile of financial services with reference to new generation private sector banks in Kurnool district of Andhra Pradesh collected relevant data was analyzed based on details provided by the customers of private sector banks. Data were collected from 430 customers of new generation private sector banks in Kurnool district. This research work is restricted only to areas of Kurnool District in Andhra Pradesh, India. The study is confined only to the private sector bank customers. Their opinion regarding the services offered by the private sector banks were collected and the problems faced by them in using the banking services were also studied.
1.10 LIMITATIONS OF THE STUDY

The following are the limitations of the study.

i. The study is limited to Kurnool District only. Due to time constraint and cost, the study is restricted only to one District but covered all the three revenue divisions of Kurnool District.

ii. The study has been conducted based on the responses of the customers of private sector banks of Kurnool District. Hence the inferences, findings of the analysis need not hold good totally for other districts and the country.

iii. The study is limited to the 430 respondents of Kurnool District. More responses would have thrown adequate light on the entire study.

iv. The study is limited to analyze the new generation private sector banks.

1.11 CHAPTER SCHEME

Chapter I – This chapter deals with Introduction, discussions about the banking system, new generation private sector banks, study also covers introduction, need for the study, statement of the problem, research questions, objectives of the study, hypotheses, research methodology, scope of the study, limitations of the study and chapter scheme.

Chapter II - Review of relevant literature. This chapter covered the published information related to financial services, opinion of customers towards the services, problems faced by the customers in utilizing the financial services were covered. In this chapter the articles/researches are reviewed with reference to the related research topic. In this chapter empirical studies conducted abroad and empirical studies conducted in India were covered.

Chapter III - Theoretical Framework of Banking services, customer behaviour and satisfaction and Profile of Kurnool district. This chapter also provides information about the origin of bank, emergence, and development of new generation private
sector banks with ultra-modern technology, current scenario, Performance and progress of the new generation private sector banks.

Chapter IV - Data Analysis and Interpretation. Data were analyzed using various statistical tools, SPSS and AMOS Package.

Chapter V - Summary of Findings, Suggestions and Conclusion. The findings, conclusions, suggestions and recommendations are derived from data analysis and interpretation and from testing of hypothesis.
References