Chapter 7

Summary, Findings and Recommendations

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Chapter 7

Summary, Findings and Recommendations

7.1 Introduction

This chapter deals with a brief summary of the research followed by important findings which are drawn from the data analysis. The recommendations are also stated in this chapter which is made by the researcher in the light of findings derived from the study. A summary of observations made out of the study is presented as a conclusion and further areas for research are also stated in the chapter.

7.2 Summary of Research

The research study titled “Financial Innovations in Indian Banking Industry: An Evaluation of Innovativeness and Financial Performance of Selected Banks” was undertaken to study the impact of financial innovations on the Indian banking sector. The study investigated the effect of bank innovations on the financial performance of public and private sector banks in India. Indian banking sector has emerged as one of the strongest drivers of India’s economic growth. Banks are not just the store house of the county’s wealth but are reservoirs of resources necessary for economic development. The revolutionary impact brought in Indian banking sector through the financial innovation is irresistible. Financial Innovation enhances choices to the customers and creates new markets for the banks. It has enabled the banks to conceive, deliver, manage and integrate their products in line with the customers' need. The effective use of technology has a multiplier effect on growth and development. Financial innovations helped banks to reach the doorsteps of the customer by overcoming the limitations on geographical reach in branch banking.

The most important aspect of financial innovation is customer satisfaction. Innovation in banking focuses mainly on technology which will offer better banking products and services and there by leads to increased customer satisfaction. In the current day economic scenario, innovativeness has become a major factor in influencing
customers. Banks looking to restore consumer confidence will need to focus on products most relevant to current customer needs. However, in a time of increased regulatory reform and mounting cost pressures, banks are being challenged to innovate in creative, yet cost-effective ways. The key for banks is not only to spend money on developing new products, rather spend time on redesigning tools and existing products to address consumers’ most basic financial needs. Banks achieve competitive advantage through acts of innovation. They approach innovation in its broadcast sense, including new products, technologies and new ways or process of doing things.

The study specifically tried to answer the research questions like
1. What is the status of financial innovations taking place in the banking sector?
2. What impact innovations have made in the banking sector?
3. What is the attitude of customers towards financial innovations in the banking sector?
4. What are the effects these innovations have produced for these firms’ financial health?
5. What is the effect of financial innovation on customer satisfaction?

The study has been taken up with the following objectives
1. To identify the status of financial innovation in the Indian banking sector.
2. To analyse the effect of financial innovations on the financial performance of banks.
3. To examine the customer’s perception on financial innovation in terms of awareness, usage and satisfaction.
4. To assess the dimensions of the customer satisfaction in the banking sector.
5. To measure the effect of financial innovation on customer satisfaction.

The methodology adopted for the study is descriptive in nature. The required data has been collected both from secondary and primary sources. To measure the status of financial innovation in the selected banks an index was developed by the researcher with the help of existing literature and based on the opinion of the experts. The index namely ‘Financial Innovation Index’ (FII) is a combination of transactions done through
innovative banking like NEFT, RTGS, Mobile banking, Debit card (ATM & POS) and Credit card (ATM & POS). To assess the effect of Financial Innovation on the Financial Performance of banks econometrics procedures was employed by the researcher. The major tools used are Unit Root Test, Cointegration analysis, Vector Error Correction Model and Granger causality/Block Exogeneity test. Primary data was collected using purposive sampling method. Two public sector banks and two private sector banks have been selected as sample of banks and the data was collected from 480 customers. The data collected has been analysed based on the set objectives by making use of statistical tools which include Mean, Percentage, Standard deviation, Quartile Deviation, One sample t-test, Independent Sample t-test, One way ANOVA, Scheffe post hoc test, Exploratory Factor Analysis, Confirmatory Factor Analysis and Structural Equation Modeling.

After the analysis, the research report has been prepared in seven chapters

- The first chapter started with an introduction to the study followed by statement of the research problem, objectives of the study, scope of the study, significance of the study, conceptual model, variables used in the study, operational definition of the terms, hypotheses, research methodology, organisation of the thesis and limitations of the study.
- Second chapter deals with literature review which is classified into four sections.
  - Studies on Financial Innovation
  - Studies on Banking Industry
  - Studies on Performance Measurement
  - Studies on Customer Satisfaction
- The third chapter gives a detailed explanation of the concepts, financial innovation and customer satisfaction. Profile of the banks selected is also given in the third chapter.
- Fourth chapter presents the analysis of the effect of financial innovation on financial performance of the banks using econometrics procedures.
- Fifth chapter gives details of the analysis of the dimensions of financial innovation in the banking sector.
Sixth chapter gives an account of the dimension of customer satisfaction and it also presents the model showing the effect of financial innovation on customer satisfaction.

This chapter happens to be the seventh chapter which is the concluding chapter. The present chapter deals with a summary of the study, findings, recommendations, conclusion and area for further research.

7.3 Findings of the Study

Major findings of this study are summarised below. It is categorised into two main sections (1) Findings from the analysis of secondary data and (2) Findings from the analysis of primary data.

7.3.1 Findings from the Analysis of Secondary Data

1. The Financial Innovation Index constructed for all the four banks selected for the study for the period April 2011 to March 2017 shows that the status of financial innovation has more than trebled during this period. The pattern of the financial innovation shows a continuously increasing trend during the period. This implies that banking transactions are more or less moving towards a technology-oriented mode.

2. From the Unit Root Test, it is found that all the variables used in the econometric analysis are difference stationary and are integrated series of first order. It is also found that, as the variables are integrated of the same order these can be used for testing for cointegration.

3. From the Johansen system test for cointegration, it is found that there is one cointegration relationship between the variables, i.e. between FII and DEP, FII and ADV, FII and ROA and FII and ROE. This is applicable in the case of all the four banks.

4. Vector Error Correction Model (VECM) indicates that financial innovations have a significant impact on the deposits, advances, Return on Assets and Return on Equity of the banks. In the case of productivity, the impact of financial innovation is more on the deposits than advances and in the case of profitability, the impact is more on Return on Assets than Return on Equity.
5. It is found that the variable financial innovation granger causes deposits, advances, Return on Assets and Return on Equity.

7.3.2 Findings from the Analysis of Primary Data

The findings from the analysis of primary data are presented in the aspects (1) Demographic profile of the respondents, (2) Reason for selecting the bank, (3) Dimensions of Financial Innovation, (4) Dimensions of Customer Satisfaction and (5) Effect of Financial Innovation on Customer Satisfaction.

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Demographic Profile of the Respondents

From the analysis of the demographic profile of the respondents, the following findings were derived.

1. Demographic profile of the respondents shows that most of the respondents are customers of public sector banks (52.8 %) and 46.2% of the respondents are customers of private sector banks.

2. It is found that the majority of the respondents are male (56.2%).

3. The respondents of the banks are maximum in the age group of 25-50 years (70.4%) followed by 18-25 years (20.8%) and Above 50 years (8.8%).

4. Most of the respondents are post graduates (48.8%) followed by graduates (38.5%), Under Graduates (9.2%), Professionals (2.5%) and matriculates (1%).

5. Majority of the respondents are private employees (43.8%) and retired people constitute the least (4.8%).

6. It is found that most of the respondents are residing in rural area (45%). Urban area constitutes 35.3 % of the respondents followed by semi-urban with 19.7%.

7. The annual income of the respondents falls maximum in the range of ₹ 2, 00,000 to 5, 00,000 (69.5%) followed by 19.5% in the range below ₹ 2, 00,000 and 11% having above ₹ 5, 00,000.
8. Most of the respondents were having an association with their banks between 3 to 10 years (60%), followed by 25% respondents having an association of below 3 years and 15% having a relationship with their bank for more than 10 years.

❖ Reason for Selecting the Bank

1. Public Sector

Among the six factors identified as the reasons for selecting a bank, the customers of public sector banks consider ‘confidentiality of transaction’ (.81) as the most important reason. This means that public sector banks offer more confidentiality to the transactions of the customers and this attracts the customers towards them. The next important reason is ‘facilities available with the bank’ (.80), which shows customers are very much concerned about the facilities offered by the bank and they focus on the facilities provided by the bank while making a decision to open a bank account. Convenient banking is the necessity of every generation and that's why convenience (.79) is ranked third on the basis of its beta value. Proximity (.78) is ranked fourth and low transaction cost (.77) is ranked fifth on the basis of their regression coefficients. The factor ‘customer friendliness’ with the lowest beta value (.28) indicates that the customers of public sector banks least considers ‘customer friendliness’ as a reason for selecting a bank.

2. Private Sector

It is found that the customers of private sector banks give priority to the ‘facilities available with the bank’ as a reason for selecting a bank. It indicates private sector banks provide more facilities to the customers and therefore this factor attracts the customers. The next dominating factors are convenience (.53), proximity (.53), ‘confidentiality of transactions’ (.52) and ‘customer friendliness’ (.47). ‘Low transaction cost’ (.44) exhibits the low regression coefficient making it the least considered factor as a reason for selecting a bank. This indicates that the transaction cost of banking in private sector is more.
Dimensions of Financial Innovation

1. From the result of the Exploratory Factor Analysis, three dimensions of financial innovation are identified. They are named product innovations, technological innovations and process innovations on the basis of their characteristics.

2. The dimensions explored were confirmed using Confirmatory Factor Analysis. The result CFA of financial innovation shows that the model is fit with adequate values of model fit indices.

3. Awareness of Financial Innovation:

   ➢ Product Innovation

   From the mean score value, it is found that the customers of public sector banks are aware of product innovations like ‘Innovative deposit schemes’, ‘Innovative loan schemes’, ‘Credit cards’, ‘Debit cards’, ‘Smart cards’ and ‘mobile banking apps’. ‘Bancassurance’ and ‘Wealth management services’ are the product innovations which the customers of public sector banks are not aware. The customers of private sector banks are aware of every product innovations except for the ‘wealth management services’. Altogether total product innovation awareness exists in the case of both public and private sector.

   From the sector-wise comparison made, it is found that there is no significant difference in the awareness between the public and private sector customers with regard to the product innovations like ‘innovative deposit schemes’, ‘innovative loan schemes’, ‘credit cards’ and ‘smart cards’. Awareness of public and private sector customers differ in the case of product innovations like ‘debit cards’, ‘bancassurance’, ‘wealth management services’ and ‘mobile banking apps’.

   ➢ Technological Innovation

   It is found that the customers are well aware of all the four technological innovations. Sector-wise comparison shows that there is no significant difference in the awareness of public and private sector customers regarding technological innovations.
Process Innovation

It is observed that customers are aware of every process innovation. It is found that there is no significant difference between the customers of public and private sector banks with regard to the process innovations like Simplified authorisation procedure’, ‘Internet banking’, ‘Mobile banking’ and ‘Core Banking Solutions’. In the case of ‘RTGS’, ‘NEFT’ and ‘IMPS’ there is a significant difference in the awareness between the two sectors.

Level of Awareness

The researcher has identified the three levels of awareness regarding the financial innovations and its dimensions. The awareness level of most of the public sector customers about the product innovation is at a moderate level. When the technological innovation is considered, it is found that the public sector banking customers have high level of awareness. Process innovation awareness of public sector customers is at low level. In the case of the private sector, the awareness of majority of customers about product innovations is at a high level. Majority of the private sector banking customers have low level of technological innovation awareness and a moderate level of process innovation awareness. When the financial innovation is taken as a whole, most of the customer’s awareness level is at moderate level in the case of both public and private sector.

Age-wise Comparison

It is found that there is a difference among the customers of various age groups regarding the awareness of financial innovation. The result of the pair wise comparison clearly indicates that the financial innovation awareness of the age group ‘above 50’ differs with the age groups ‘18-25’ and ‘25-50’. There is no difference in the awareness of financial innovation between the age groups ‘18-25’ and ‘25-50’. The result is similar for both public and private sector.
Area-wise Comparison

The analysis of the study reveals that there is a significant difference in the awareness of financial innovation among the respondents of different residential area. Result of the scheffe post hoc test clearly indicates that the financial innovation awareness of the respondents of rural area differs with the semi-urban and urban areas. There is no significant difference in the awareness of financial innovation between respondents of semi-urban and urban area. The finding is applicable to both public and private sector.

4. Usage of Financial Innovation:
   ➢ Product Innovation
   It is found that public sector customers mostly use the product innovations like innovative deposit schemes (3.60) and debit cards (3.79). As far as private sector is concerned, innovative deposit schemes (3.72) shows the highest mean score and the least one is bancassurance. Mean score of the total product innovation for both public and private sector is less than the test value (24).

   From the analysis, it is revealed that there is a significant difference between the public and private sector customers in the usage of product innovations like credit cards, debit cards, bancassurance and mobile banking apps. In the case of all other product innovations, there is no significant difference in the usage of public and private sector customers.

   ➢ Technological Innovation
   Mean score value reveals that the customers of both public and private sector banks use all the four technological innovations. While ATM (4.05) is used more by the customers of public sector, customers of private sector mostly use CDM (3.96). Sector-wise comparison indicates a significant difference in the usage of financial innovation between the customers of the public and private sector.

   ➢ Process Innovation
   It is found that the customers of both public and private sector banks use process innovation and its components. Result of the sector-wise comparison makes it clear that there is a significant difference in the usage of all the components of process innovations between the two sectors. While internet banking is the process innovation mostly used by
public sector customers, customers of private sector banks prefer to use the process of simplified authorisation procedure more.

➤ Level of Usage

In the case of public sector, the usage level of financial innovation (46.9%) is at a moderate level. While the dimensions are considered, product innovations (50.7%) shows a high level of usage, when the other two dimensions technological innovations (43.7%) and process innovations (45.1%) shows a moderate level of usage. In the private sector, financial innovation (47.8%) shows a low level of usage. Most of the respondent’s usage is at high level in the case of product innovations (69.2%) and low in the case of technological (49.2%) and process innovations (48.6%).

➤ Age-wise Comparison

It is found that there is significant difference in the usage of financial innovation among respondents of different age groups. The result of the scheffe post hoc test for multiple comparisons reveals that there is significant difference in the usage of financial innovation between the respondents of age groups ‘18-25’ and ‘above 50’ and also with the age groups ‘25-50’ and ‘above 50’. The respondents of age groups ‘18-25’ and ‘25-50’ are not having any significant difference in their usage of financial innovations. The finding derived from age wise comparison is similar for both public and private sector.

➤ Area-wise Comparison

It is observed that there is significant difference in the usage of financial innovation among the public and private sector respondents of different residential areas. The result of multiple comparisons shows that there is significant difference in the usage of financial innovation between the age groups ‘18-25’ and ‘above 50’ and also between the groups ‘25-50’ and ‘above 50’. The respondents of age groups ‘18-25’ and ‘25-50’ are not having any significant difference in their usage of financial innovations.
5. Satisfaction of Financial Innovation:

➤ Product Innovation

It is recognised that the customers of public and private sector banks are satisfied with all the components of product innovations. Mean score value of usage of product innovation is 29.24 for public sector and 28.25 for private sector with a maximum score of 35. Sector-wise comparison shows that for the product innovations like innovative deposit schemes, innovative loan schemes, debit cards and mobile banking apps there is significant difference in the satisfaction of product innovation. In the case of credit cards, smart cards, bancassurance and wealth management services there exists no significant difference in the satisfaction between the public and private customers.

➤ Technological Innovation

From the mean score value it is discovered that customers are satisfied with all the four technological innovations. The mean score values of the technological innovations in the case of public sector are ‘Automatic Teller Machine’ (3.92), ‘Cash Deposit Machine’ (3.86) ‘Passbook printing machine’ (3.90) and ‘Point of Sale machine’ (3.90). In the case of private sector, the mean score values are ‘Automatic Teller Machine’ (3.62), ‘Cash Deposit Machine’ (3.63) ‘Passbook printing machine’ (3.68) and ‘Point of Sale machine’ (3.62). Since the p-value of the all the components of technological innovations is below 0.05, it is clear that there is significant difference between the customers of public and private sector regarding the satisfaction of these technological innovations.

➤ Process Innovation

It is found that the customers are satisfied with process innovation and its components. The mean score value of the public sector is 27.98 and private sector is 25.42, both above the test value 21. The result of the sector-wise comparison reveals that in the case of all the variables of process innovation, there exists a significant difference in the satisfaction of process innovation between public and private sector customers.

➤ Level of Satisfaction

Three levels of satisfaction are determined based on the predetermined norms. The levels are low, moderate and high and these levels are determined on the basis of quartile deviation. It is found that most of the respondents of public sector banks have high level
of satisfaction in the financial innovation (40.9%) and the customers of private sector banks have moderate level of satisfaction (51.9%).

Product innovation tends to create a high level of satisfaction for the customers of public sector (41.4%) where as the customers of private sector have a moderate level of satisfaction on product innovations (54.1%). As far as technological innovations are concerned, customers of public sector (60.9%) have high level of satisfaction and customers of private sector have low level of satisfaction (49.2%). Same is the case of process innovation, where 45.6% of the respondents of public sector have high level of satisfaction and 51.4% respondents of the private sector have low level of satisfaction.

- **Age-wise Comparison**

  The age wise comparison reveals that there is significant difference in the satisfaction of public and private sector respondents of different age groups. The result of scheffe post hoc test for multiple comparisons shows that there is no difference in the satisfaction of financial innovation between the age groups ‘18-25’ and ‘25-50’. The age group ‘above 50’ significantly differs from the age groups ‘18-25’ and ‘25-50’.

- **Area-wise Comparison**

  Area wise comparison regarding the satisfaction of financial innovation in the public and private sector shows that there is a significant difference in the satisfaction of financial innovation among different age groups.

  In the case of public sector, it is found that there is no significant difference in the satisfaction of financial innovation between the customers of semi-urban area and urban area. Satisfaction of financial innovation differs significantly between the customers of rural area and semi-urban area & rural area and urban area.

  In the case of private sector there is significant difference in the satisfaction of financial innovation only between the customers of ‘rural’ and ‘urban’ area.

- **Dimensions of Customer Satisfaction**

2. Confirmatory Factor Analysis confirmed the measurement model with adequate model fit indices and factor loadings.

3. It is found that the respondents of public and private sector banks are satisfied with the various dimensions of customer satisfaction.

4. Sector-wise analysis reveals that there is significant differences in the perception of public and private sector customers regarding customer satisfaction and some of its dimensions.

- In the case of overall customer satisfaction, there is a significant difference in the perception of public and private sector respondents. The mean perception score of the private sector (143.39) is more than the private sector (137.43).
- As far as the other dimension ‘Accuracy’ (Public-23.88, Private-25.36), ‘Security’ (Public-23.55, Private-25.05) and ‘Customer Service’ (Public-23.44, Private-24.55) is concerned, mean perception score of the private sector is more than the public sector.
- The result of independent sample t-test shows that there is no significant difference in the perception of public and private sector respondents regarding the dimensions ‘Tangibility’, ‘Reliability’ and ‘Efficiency’.

5. Three levels of dimensions of customer satisfaction, namely low, moderate and high are determined using quartiles. The following findings were derived from the frequency and percentage analysis

- It is found that most of the respondents from public (39.53%) and private (46.49%) sector show a moderate level of satisfaction towards the construct ‘Customer Satisfaction’.
- Majority of public sector respondents have a low level of satisfaction on the dimensions tangibility (37.67%), accuracy (40.93%) and security (40.93%) and a high level of satisfaction towards the dimensions reliability (38.14%), efficiency (42.33%) and customer service (35.35%).
- In the case of private sector, most of the respondents have a moderate level of satisfaction on the dimensions tangibility (42.70%) and security (43.78%) and a
high level of satisfaction on the dimensions reliability (55.14%), efficiency (62.16%), accuracy (45.95%) and customer service (45.41%).

6. Age wise comparison in the public and private sector shows that there is a significant difference among the respondents of various age groups regarding their perception towards customer satisfaction and most of its dimensions.

- In the case of tangibility dimension, there is significant difference in the perception between respondents of age groups 18-25 and 25-50, 18-25 and Above 50 and also between the groups 25-50 and Above 50.
- When the reliability dimension is considered, there exists a significant difference in the perception between the customers of age groups 18-25 and above 50 and also between the age groups 25-50 and above 50. P values of the age groups 18-25 and 25-50(285) reveal that there is no significant difference in their perception.
- For the efficiency dimension, it is proved that there is a significant difference in the perception of the respondents between the age groups 18-25 and Above 50 and also between the age groups 25-50 and Above 50. Between the customers of age groups 18-25 and 25-50, there is no significant difference in their perception towards efficiency dimension.
- It is found that in the case of accuracy dimension, only the perception of respondents t between the age groups 25-50 and Above 50 differs. There is no significant difference in the other two cases, i.e. between the respondents of age groups ‘18-25 and 25-50’ and ‘18-25 and above 50’.
- Security dimension is perceived differently by the respondents of age groups 18-25 and Above 50 and also by the age groups 18-25 and 25-50. Between the age groups 18-25 and 25-50, there is no significant difference in the perception.
- In the case of customer service dimension, there is no significant difference in the perception of respondents among the three categories of age groups.
- For the construct ‘Customer Satisfaction’, there is a significant difference in the perception between respondents of age groups 18-25 and 25-50, 18-25 and Above 50 and also between the groups 25-50 and Above 50.
7. Area wise comparison in the public and private sector shows that there is a significant difference among the respondents of the different residential area regarding their perception towards customer satisfaction and some of its dimensions.

- In the case of the construct customer satisfaction and three of its dimensions namely, tangibility, accuracy and customer service, there is no significant difference in the perception of respondents from different residential area.
- It is found that for the other three dimensions namely reliability, efficiency and security only the perception of the respondents from the rural area and urban area differs significantly. There is no significant difference in the perception between the respondents of other two groups, i.e. ‘rural and semi-urban’ and ‘semi-urban and urban’.

❖ **Effect of Financial Innovation on Customer Satisfaction**

The Structural Model developed using SEM proves that financial innovation has a significant influence on customer satisfaction. By providing innovative financial products, process and technological innovations to the customers, banks can satisfy the customers, which will result in retaining the existing customers and in attracting prospective customers.

7.4 **Recommendations**

Financial Innovation would go a long way in increasing the satisfaction of customers and improving the profitability and productivity of banks. Based on the study findings the researcher gives recommendations which can be adopted for betterment of the financial sector through the creation of a more innovative environment for the bank’s operations. These include;

❖ Innovation is one of the most important dynamics which enables firms to achieve high level of competitiveness both in the national and international market. Thus, how to promote and sustain an improved innovation capability should be the key focus area of the top managers of the commercial banks as well as the regulatory agents of the sector.

❖ Proper measures should be taken by the banks to monitor the financial innovations introduced. This could be done by:
Setting up a team of senior-level managers with the responsibility of examining periodically the effect of financial innovations on the performance of banks and on the satisfaction of customers.

Banks should receive the help of external independent firms consisting of experts in the field of finance, marketing etc for reviewing the financial innovations introduced by them as well as the innovations introduced by other banks, nationally and internationally.

A standardized measuring tool and parameters should be introduced by the regulatory authority for assessing the impact of financial innovations. Then only there could be a consistency in evaluating the effectiveness of financial innovation and its impact on banks and customers.

The study also recommends that firms should create enabling environment for the employees to be innovative in their operations in order to take its competitive advantage through creation of innovative services leading to increased financial performance, customer satisfaction and growth of the sector.

In the process of making a detailed analysis of the reason for selecting a particular by a customer, it is observed that customers of public sector banks least considers ‘customer friendliness’ as a reason for selecting a bank. Public sector banks can excel in customer friendliness by the following ways.

- Banking staffs have to be trained to handle the customers in a polite and well-mannered way at bank counters.
- Banks should provide time bound services to the customers.
- Banks should improve the working of help desks, call centres.
- Making the website of the banks more customer friendly.

In the case of private sector banks, ‘transaction cost’ was the least considered factor that attracts the customers. So it is suggested that the private sector banks should minimize the cost of transactions.

The awareness of customers towards the product innovation is found at a moderate level in both public and private sector banks. Specifically, the customers are not aware of the product innovations like ‘bancassurance’ and ‘wealth
management services’. So it is suggested that the customers should be provided more awareness of these products.

- Special attention should be given to the customers of age group ‘above 50’ and to the customers of ‘rural area’ in provision of services and in providing awareness about financial innovations which will lead to the increase in usage and satisfaction of the customers of these specific groups. Financial deepening and development through financial innovation are only possible if it is reaching every facet of the society. This can be done by:
  - Introducing need-based schemes for customers since all the customers are not homogenous in their requirements.
  - Providing awareness through the modes which are reachable to them.

- Financial Innovations are not exempted from challenges. Security is a major concern and hindrance in the way of financial innovations which can lead to reputation risk among banks and loss of confidence by the customers. In order to increase the security of innovative banking transactions the following methods can be adopted.
  - Create enhanced and effective security systems which can detect, control, prevent and manage fraud incidents in each and every innovation channel.
  - Installation of more biometric ATMs which will help in the eradication of frauds at ATM counters. This will also be advantageous to the disabled, illiterate and aged customers.

- As the financial innovation has significant impact on the profitability and productivity of banks, it is recommended to invest more in innovative banking. This may be in the form of:
  - Technology transfers from developed economies - It should be encouraged in order to promote the adoption of world-class innovations.
  - Investment in Research and Development to develop more products, process and technology which are unique and first of its kind.

- Since the financial performance is the most extremely explicit and valid focus among the other performance dimensions, financial innovativeness information should be available particularly for regulatory and advisory bodies for guidance of
the commercial banks to employ the strategies leading to their innovativeness for increased profitability and productivity.

7.5 Conclusion

The present status of Financial Innovation in Indian banks is quite encouraging as revealed by the study. Financial Innovation has a significant impact on the financial performance of banks. The study has identified three major dimensions of financial innovation namely product, technological and process innovation, and six dimensions of customer satisfaction namely tangibility, reliability, efficiency, accuracy, security and customer service. Customers of public sector banks consider the confidentiality of the transaction as the important reason for selecting a bank. Customer friendliness is the least considered factor in their bank selection. Private sector banks attract their customers with the facilities provided by them. It is the transaction cost which bothers the customers. Customers are not aware of the product innovations like wealth management services and bancassurance. Though security is identified as a major threat in the way of financial innovation, it is found that financial innovations have significant effect on the customer satisfaction.

7.6 Areas for Further Research

1. Impact of financial innovation on the Insurance industry.
2. The effectiveness of Capital market innovations.
3. Innovative strategies and management practices of banks.
4. Marketing practices regarding innovative banking.
5. Challenges in the implementation of financial innovation