

**CUSTOMERS' PREFERENCE AND PERCEPTION TOWARDS INNOVATIVE
FINANCIAL SERVICES IN RETAIL BANKING - A STUDY ON CUSTOMERS OF
COMMERCIAL BANKS IN TIRUNELVELI DISTRICT**

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ABSTRACT

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

Key words:

Banking, Financial services, Innovative, Perception

Introduction

One of the important types of financial services provided by banks in modern days is online banking services to the customers so that they have easy access to their products and services. Online banking is very convenient medium of banking which saves lot of time and money of the customer. Mostly all banks have online banking facilities. Customer can do number of things online like: check balances, statements, bills, savings interest calculators, transfer money, recharge phones, pay bills, view credit card summary, loan summary, apply for services like fixed deposit schemes, retirement schemes, pension schemes and many more. Innovative financial service has revolutionized and redefined the banking operation. The traditional “Brick-and-Mortar” bank branches have transformed into “Brick-and-Click” that is getting “Networked”. Networking is becoming an integral part of banking operations which known as “Core banking solution” financial service uses various forms of electronic communication which provides convenience, speed and low cost to customers. The traditional pattern of banking operation has been changed by financial service in a tremendous way. The changes in lifestyle, technology, competition among banks have an impact on the present banking operations. Innovative financial service include E-banking, Mobile banking and internet banking, ATM banking, personal computer banking and television based banking.

Review

T. Mohanasoundari and A. Kalaivani (2016)¹ in their study titled, “A Study on Consumers Preference towards Organic Products- in Tirupur District”, Organic is the one of the fastest growing agricultural markets due to consumer’s increased concern about their own health, the environment, and the reported crises and emergencies worldwide on food safety and environmental issues in recent decades. It has now become an alternative for an increasing number of consumers that are worried about the presence of chemicals residues and the negatives consequences on the environmental caused by chemical intensive production methods. To explore the potential market for customers, it is important to know how consumers relate issues of food quality and food system. The aim of this project is to educate in depth the behavioral process of customers with respect to organic food.

¹ T. Mohanasoundari and A. Kalaivani, “A Study on Consumers Preference Towards Organic Products- in Tirupur District”, JSR - International Journal of Scientific Research, Vol.5, No.3, 2016, pp.628-630.

Manuchehr Irandoust (2016)² made a study titled, “Modelling Consumers' Demand for Organic Food Products: The Swedish Experience”, This paper attempts to examine a few factors characterizing consumer preferences and behavior towards organic food products in the south of Sweden using a proportional odds model which captures the natural ordering of dependent variables and any inherent nonlinearities. The findings show that consumer's choice for organic food depends on perceived benefits of organic food (environment, health, and quality) and consumer's perception and attitudes towards labelling system, message framing, and local origin. In addition, high willingness to pay and income level will increase the probability to buy organic food, while the cultural differences and socio-demographic characteristics have no effect on consumer behaviour and attitudes towards organic food products. Policy implications are offered.

Tina Vukasovic (2015)³ made a study titled, “Attitudes towards organic fruits and vegetables”, Organic food market is very challenging in Europe and developing rapidly with different rates between western and eastern part. Consumers have raised great interest to healthy and tasty diet with high nutritional compounds, confidence in food safety, environmental and animal welfare concern and also sustainability. The objective of this paper is to gain knowledge about attitudes toward organic fruits and vegetables among European Union (EU) consumers. Results indicated that organic buyers tend to be younger and higher educated than those who do not buy them. In addition, consumers’ trust in the authenticity of the goods and price are also issues. According to the research results an important task for the producers will be to increase consumers’ knowledge of what an organic product is and how to differentiate it in the marketplace. Along with knowledgeable and educated consumers, consumption could be raised on another level.

Sathyendra Kumar AD and H. M. Chandrashekar (2015)⁴ in their study titled, “A Study on Consumers Behavior towards Organic Food Products in Mysore City”, Availability of organic input and output is critical for improve of organic forming in the country. Development of efficient marketing system is the need of the hour for strengthening the organic production in

² Manuchehr Irandoust, “Modelling Consumers' Demand for Organic Food Products: The Swedish Experience”, International Journal of Food and Agricultural Economics, Vol. 4, No. 3, 2016, pp. 77-89.

³ Tina Vukasovic, “Attitudes towards organic fruits and vegetables”, Agricultural Economics Review, Vol.16, No.1, 2015, pp.20-34.

⁴ Sathyendra Kumar AD et.al., “A Study on Consumers Behavior towards Organic Food Products in Mysore City”, International Journal of Management Research & Review, Vol.5, Issue.11, 2015, pp.1082-1091.

India. This paper made a humble attempt to understanding the consumer perception about organic product and marketing in Mysore city. The results concluded that most of the consumer especially in urban people prefer organic food product. Marketing of organic product is so poor in study area so the demand for organic product is increases but supply is very low. The major reasons are organic producer are low, adequate market facility is not there, few number of shops, lack of awareness, and so on. Therefore if farmer as well as government give interest to organic farming easily enhancing good marketing system in Karnataka.

OBJECTIVES

1. To identify the kinds of innovative financial services preferred by the customers 'and the factors influencing their preferences.
2. To study the factors influencing the choice of service providers with regards to the innovative financial services.
3. To study the customers' perception on the quality of service providers of innovative financial services and to find the quality gap.
4. To analyze the customers' level of satisfaction with regards to innovative financial services offered by the service providers.

Sampling Design

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

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

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

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

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

SCOPE OF THE STUDY

This study was conducted to obtain a better understanding of customer's preference and perception towards innovative financial service in retail banking A study on customers towards commercial banks in Tirunelveli District. This study is restricted to service quality of various commercial banks in Tirunelveli District. An approach to the study has been made from the point of view of customers who have various accounts in commercial banks.

There are 204 Taluks and 8 Blocks (Town Panchayats) in Tirunelveli District. 8 banks and 250 branches are selected for the study. It is an enquiry into five service quality dimensions namely Tangibility, Reliability, Responsiveness, Assurance and Empathy.

Area of the Study

There are 204 Taluks, 8 Blocks in Tirunelveli district I have selected to three Blocks (Tirunelveli, Vallioor, Nangunari,). In this study 8 banks and 20 branches have selected for the study.

SERVICE QUALITY GAP

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

Service Quality Gap In All Sample Banks:**Tangibility Dimension**

Tangibility dimension consists of the following factors:

1. Printing passbook and statement of account
2. Supportive to tax file
3. Innovative Retail Banking services are cyber risk free.
4. Save money as of no need to travel to branch
5. Use of modern technology in services
6. ATMs are conveniently located and provide fast service

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

Service Quality Gap in the Banks: Tangibility Dimension

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

Source : Computed from Primary Data

Table shows that in the case of the perceived level of service quality on tangibility dimension. "Printing passbook and statement of account, brochures and pamphlets" constituted the highest service of all the sample banks with a value of (6.56). The next highest tangible factor is "ATMs are conveniently located and provide fast service" which has a score of (6.3). It is followed by the "The banks atmosphere was very pleasant" (3.42), "Save money as of no need to travel to branch"(3.2), "Innovative Retail Banking services are cyber risk free" (3.6) and "Use of modern technology in services" (3.2).

Service Quality Gap in Reliability Dimensions

The reliability dimension consists of the following factors

1. Take control of my finances at any time
2. No time restriction
3. Low service cost
4. Control over transactions financial
5. Online purchases
6. Need not carry cash
7. Convenience in bill payment facility
8. Developed privacy policy
9. Banking formalities
10. Time restriction for transaction

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

Service Quality gap in the Banks: Reliability Dimension

Service Quality Gap in the Banks: Reliability Dimensions

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

Source : Computed from Primary Data

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

Service Quality Gap in All Banks: Responsiveness Dimension

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

The responsiveness dimension consists of the following factors

1. Complaints and queries are rectified without any delay

2. Latest schemes, financial products and financial services are being informed to the customer
3. Easy to access any information at anytime/anywhere
4. Provides up-to-date information
5. Website updated regularly
6. Fast transaction service
7. Bank shows promptness in feedbacks about inquiry
8. Proper action in case of wrong online transaction and customer inquiry
9. Delivers emails to their customers on regular basis about new updates and related service

Service Quality Gap in Banks: Responsiveness Dimension

Description of factor on Responsiveness	Perceived level		Desired level		Gap	
	Score	CV	Score	CV	Score	CV
Complaints and queries are rectified without any delay	6.61	-129.3	-4.66	13.62	-1.66	13.62
Latest schemes, financial products and financial services are being informed to the customer	1.13	-45.3	-1.3	14.5	-2.3	14.5
Easy to access any information at anytime/anywhere	2.2	-56.2	103	15.2	2.03	15.2
Provides up-to-date information	3.2	-56.2	1.02	15.6	1.02	15.6
Website updated regularly	3.1	-55.2	2.03	4.6	5.03	4.6
Fast transaction service	3.3	-25.3	5.01	5.2	6.01	5.2
Bank shows promptness in feedbacks about inquiry	5.6	-5.6	3.3	5.6	-9.6	5.6
Proper action in case of wrong online transaction and customer inquiry	-1.66	13.62	-1.66	-129.3	-1.66	-129.3

Delivers emails to their customers on regular basis about new updates and related service	-1.3	14.5	-2.3	-45.3	-2.3	-45.3
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Table shows that in the case of the perceived level of service quality on tangibility dimension. "Complaints and queries are rectified without any delay" constituted the highest service of all the sample banks with a value of (6.62). The next highest tangible factor is "Latest schemes, financial" which has a score of (3.3). It is followed by the "Proper action in case of wrong online transaction and customer inquiry (5.6), "Delivers emails to their customers on regular basis about new updates and related service"(-1.3), "Delivers emails to their customers on regular basis about new updates and related service" (-1.66).

Service Quality Gap for All Dimensions

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

Service Quality Gap for All Dimensions

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

Source: Computed from primary data

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

An analysis of the standard deviation indicates that the highest among all dimensions was found in the case of empathy with 7.10. The next highest standard deviation was observed in the case of assurance with 6.27 followed by tangibility factor 5.49. The lowest standard deviation among all dimensions was found in the case of reliability aspect with 5.00 followed by responsiveness factor with 5.18.

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

FINDINGS:

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

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

CONCLUSION:

The present study has been conducted for Service quality and customer behaviour intentions in Delhi city. The study can be extended further to all the major cities and towns of India, covering all the telecom service providers for more reliability and applicability of its findings. To carry out a more elaborate study in this area, more consumer behaviour related to the core purpose of telecom usage like speak, message, internet, personal use, business purpose,

etc. as well as service provider aspects such as cost effectiveness and government policies supporting the service providers can be included. The research can also be extended to other service sectors as well.

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