

Customer's Perception towards Customer Services with Value- Added Services in Private Sector Banks in Coimbatore City – A Case Study

***M Thyagarajan**

Abstract

Value-Added services have gained greater importance in modern days. This purpose of study is Customer's Perception towards Customer Services with Value- Added Services in Private Sector Banks in Coimbatore City. The objective of the study is to know the various Value-Added services provided by bank. For the purpose 250 respondents were selected using simple random sampling. A structured questionnaire was administered to the respondents and the primary data is collected. The secondary data is collected through various sources like magazines, journals, company records etc. these data are collected and based on the analysis made, and the suggestions are given.

1.1 Introduction

The Banking Industry is considered as a service oriented Industry. It renders manifold services to the customers, it to customer level interface or through other modes. Effective customer service is the center to all business operations and also plays an integral part in the growth strategy of the Banking Industry. A sound, Progressive and dynamic banking system is a fundamental requirement for economic development. Private bank are major role in playing the country development and also the value added services provided by customers. It was incorporated in the year 1930. In the competitive awareness level of customers is increasing day by day, their

expectations are increasing as they have wider choice of products and services, and the concept of generation to generation banking has also undergone changes. Customers' loyalty is now conditioned by the quality of products and its delivery mechanism i.e. service. All these have necessitated the banks to provide better and excellent customer service. New products were added to the basket and above all, computerization and networking was adopted for faster processing and proper information. The latter opened the gate for a host of Delivery channels and value added services today becomes a basic service when it becomes sufficiently common place and widely

*Senior Lecturer in Commerce, Dr.SNS Rajalakshmi College of Arts and Science, Coimbatore-641006
E-mail:thyagu.rama@gmail.com

deployed to no longer provide substantive differentiation on a relative basis. They have unique characteristics and they relate to other services in a completely different way to the customers via; ATMs, Telebanking, internet banking, credit cards, debit cards etc. Banks have been offering value added services in many product areas, either by way of additional attractive features or delivery mechanisms. Many banks have introduced credit cards, insurance linked Deposit products, 24 hour banking, any day banking, mobile banking, and cash back offers, core banking and any where banking, etc.

1.2 Statement of the Problem

In the present world very fast and every one always busy and expects to complete all his engagements from a single windows. He is not ready to run around paying his electricity bill at one place, telephone bill at another etc. So, the customers are becoming demanding and selective. 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 all commercial banks are providing Value added services, enquires on Banks customers have to relative the following.

- i. What are the services provided by these banks?
- ii. How far these services cater to the needs of the customers?
- iii. Are there different value added services to cater the needs of various levels of customers?

Hence the present study has been carried out to examine the above enquires and offer solutions.

1.3 Objectives of The Study

The primary objectives of the research is

1. To know the various Value-Added services provided by bank.
2. To reasons for using the Value-Added services of private Sector Banks.
3. To analysis the level of satisfaction of customers about the services
4. To give effective suggestions for providing good service to customers.

1.4 Scope of The Study

The study has been undertaken mainly to highlight the customer perception towards value added services in private sector banks. The study is confined to Coimbatore city. The sample respondents are the customers of various selected private sector banks, namely:

- HDFC Bank
- ICICI Bank
- IDBI Bank
- ING Vysya Bank
- Karur Vysya Bank
- AXIS Bank

1.5 Methodology & Research Design

Methodology is the backbone of the research programme. It directs the researcher to conduct the research in a systematic process which enables the out coming with accuracy. Hence it is mandatory to adopt a right mode of study to derive the conclusion with result.

1.5.1 Data collection

The study has used only primary data. They data have collected from various private sector banks in Coimbatore city and very few data would be collected from secondary sources like newspapers, magazines, journals, books and websites etc.

1.5.2 Sample size and techniques

The sample size restricted to 250 customers in various private sector banks in Coimbatore city. A convenient random sampling technique has used this study.

1.5.3 Statistical tools used

- Percentage analysis.
- Garret ranking techniques.
- Factor Analysis

1.6 Limitation of the Study

This is an empirical study on the Value Added facilities provided by the private sector Banks in Coimbatore city. Value-Added services have gained

greater importance in modern days. Undoubtedly the results and finding of the study can be applied directly to any other areas. Due to limitations of time and money consideration, the sample size has been restricted to 250 customers. Many respondents have been unable to provide proper answer with insight due to lack of knowledge about the new concept of value Added service

1.7 Analysis and Interpretation

1.7.1 Garret Ranking Technique

This technique was used to rank the preference of the respondents on different aspects of the study. The order of merit given by the respondents were converted into ranks by using the following formula.

$$\text{Percentage Position} = \frac{100 (R_{ij} - 0.5)}{N_j}$$

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 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.

Table - 1
Rank for value added services provided by bank

S.no	Factors	Total score	Rank
1	Electronic Fund Transfer	11061	XIV
2	Tele Banking	18792	III
3	Demat Account	19257	II
	Financial Advisor	13933	VIII
4	Electronic Clearing Systems	14607	VII
5	Mobile Banking	18210	IV
6	Automatic Teller Machine	23451	I
7	Any where banking	18183	V
8	Multicity Cheque book facility	12174	X
9	International Debit Card	11550	XII
10	Credit Card	17877	VI
11	Real Time Gross Settlement	12303	IX
12	Online Tax Accounting System	11571	XI
13	MICR Processing Centre	8937	XV
14	Cash Management Services	11261	XIII

Source: Primary Data

The above table reveals the ranking of Value added services provided by Bank. "ATM" was ranked first by the selected sample respondents with the total score of 23451. "Demat Account" was ranked second with the total score of 19257. "Tele Banking and Mobile Banking" occupied third and fourth position with the total score of 18792 and 18210 respectively. "Any where banking" was ranked fifth with the total score of 18183. "Credit Card" occupied sixth position with the total score of 17877. "Electronic Clearing Systems and Financial Advisor"

occupied seventh and eighth position with the total score of 14607 and 13933 respectively. "Real Time Gross Settlement" was ranked ninth with the total score of 12303. "Multicity Cheque book facility" occupied tenth position with the total score of 12174. "Online Tax Accounting System" was ranked eleventh with the total score of 11571. "International Debit Card" occupied twelfth position with the total score of 11550. "Cash Management Services and Electronic Fund Transfer" occupied thirteenth and fourteenth position with the total score of 11261 and 11061 respectively. "MICR

Processing Centre” occupied last position with the total score of 8937. It is evident that most of the respondents give top priority to ATM as the first rank for value added services provided by bank.

1.7.2 Factor Analysis

Factor Analysis is a set of technique which by analyzing correlations between variables reduces their numbers into fewer factors which explain much of the original data, more economically. Even though a subjective interpretation can result from a factor analysis output, the procedure often provides an insight into relevant psychographic variables, and results in economic use of data collection efforts. The subjective element of factor analysis could be reduced by splitting the sample randomly into two and extracting factors separately from both parts. If similar factors result, the analysis could be assumed as reliable or stable.

Statistics Associated With Factor Analysis

1. Bartlett's test of sphericity

Bartlett's test of sphericity can be used to test the null hypothesis that the Variables are uncorrelated in the population. The test for

sphericity is based on a chi- square transformation of the determinant of the correlation matrix. A large value of the test statistic will favor the rejection of the null hypothesis.

2. Kaiser-Meyer-Olkin measure of sampling adequacy:

This index compares the magnitude of the observed correlation coefficients to the magnitude of the partial correlation coefficients. Small values indicate that the correlations between pairs of variables cannot be explained by other variables and that factor analysis will not be appropriate.

3. Eigen value

Represents the total variance explained by each factor.

4. Factor loading

Simple correlation between the variables and the factors.

5. Factor matrix

Contains the factor loadings of all the variables and the factors.

Table -2

KMO and Bartlett's Test

Kaiser-Meyer-Olkin Measure of Sampling Adequacy	.710
Bartlett's Test of Sphericity: Approx. Chi-Square	4347.084
Df	351
Sig	.000

Source Primary data

In the above table , two tests namely, KMO and Bartlett's measure of sampling adequacy (KMO) & Bartlett's Test of Sphericity have been applied to test whether the relationship among the variables has been significant or not. The Kaiser-Meyer-Olkin Measure of sampling adequacy shows the value of test statistics is 0.710, which means the factor analysis for the selected variable is found to be appropriate or good to the data. Bartlett's test of sphericity is used to test whether the data are statistically significant or not with the value of test statistic and the associated significance level. It shows that there exists a high relationship among variables.

Table - 3. Total variance explained

component	Initial Eigen values			Extraction Sums of Squared Loadings			Rotation Sums of Squared loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	6.442	23.859	23.859	6.442	23.859	23.859	3.770	13.963	13.963
2	2.981	11.039	34.898	2.981	11.039	34.898	3.261	12.080	26.042
3	2.812	10.415	45.313	2.812	10.415	45.313	2.384	8.831	34.873
4	2.075	7.684	52.997	2.075	7.684	52.997	2.308	8.548	43.422
5	1.471	5.447	58.444	1.471	5.447	58.444	2.114	7.828	51.520
6	1.221	4.523	62.967	1.221	4.523	62.967	1.984	7.350	58.600
7	1.181	4.375	67.343	1.181	4.375	67.343	1.899	7.034	65.633
8	1.058	3.920	71.263	1.058	3.920	71.263	1.520	5.630	71.263
9	.842	3.120	74.382						
10	.793	2.938	77.320						
11	.747	2.766	80.087						
12	.676	2.505	82.592						
13	.660	2.445	85.037						
14	.540	2.000	87.038						
15	.500	1.853	88.891						
16	.432	1.601	90.492						
17	.394	1.460	91.952						
18	.352	1.305	93.257						
19	.313	1.160	94.416						
20	.283	1.047	95.463						
21	.272	1.008	96.471						
22	.222	.821	97.292						

23	.174	.643	97.935					
24	.169	.626	98.651					
25	.157	.583	99.144					
26	.128	.474	99.618					
27	.103	.382	100.00					

Extraction Method: Principal Component Analysis

The principal component analysis is used in the above table. It is a multivariate technique for identifying the linear components of a set of variances. The principal component analysis have extracted eight factors, there are 8 factors that have Eigen values more than 1; i.e., 6.442, 2.981, 2.812, 2.075, 1.471, 1.221, 1.181, and 1.058. The eight factors extracted together account for 71.263% (under Rotation Sums of Squared Loadings) of the total variance. This is pretty good (Hair, Bush and Ortinau, 2000), because we are able to economize on the number of variables (from 27 we have reduced them to eight underlying factors), while we lost only about 28.737% of the information content (71% is retained by the 8 factor extracted out of the 27 variables). This is a very less percentage and can be ignored.

Table -4

Component Transformation Matrix

Component	1	2	3	4	5	6	7	8
1	.553	.449	.368	.081	.391	.242	.324	.187
2	-.705	.456	.107	.317	-.103	.219	.145	.322
3	.094	-.566	-.053	.679	.035	.429	.145	.010
4	.286	.348	-.720	.257	-.317	-.170	.288	.006
5	.012	.224	.155	.587	.258	-.490	-.415	-.319
6	.092	-.247	.390	.124	-.356	-.584	.325	.435
7	.286	.188	.283	.075	-.700	.314	-.455	-.039
8	.127	-.055	-.276	.014	.227	-.011	.533	.754

Extraction Method: Principal Component Analysis.

Rotation Method: Varimax with Kaiser Normalization

The above table reveals the factor correlation matrix. If the factors are uncorrelated among themselves, then in the factor correlation matrix, the diagonal elements will be 1's and off diagonal elements will be 0's. Since matrix was rotated with Varimax, barring some variables all other variables are found to have, even if not zero correlations but fairly low correlation.

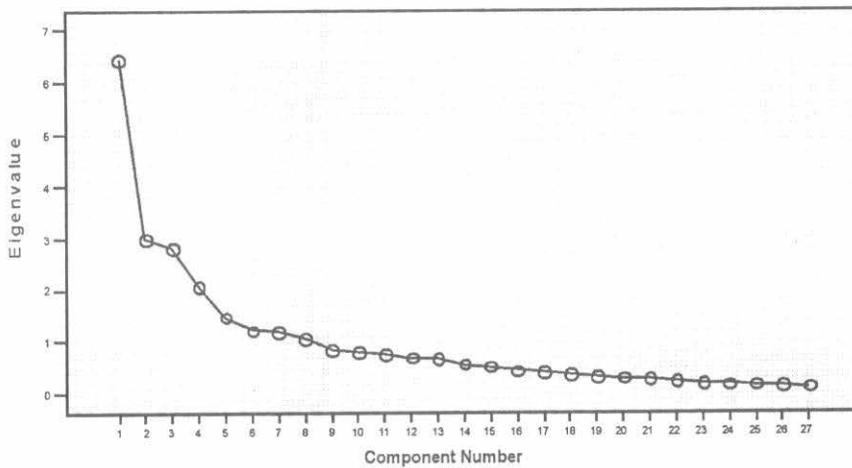
Table - 5 communalities

S.No	Factors	Initial	Extraction
1	Location of the Bank	1.000	.708
2	Banks parking space	1.000	.759
3	Atmosphere in the Bank	1.000	.725
4	Layout of the Bank	1.000	.733
5	Lobby hours	1.000	.653
6	Clean facilities	1.000	.712
7	Banking hours	1.000	.751
8	Waiting period in the line	1.000	.839
9	Accuracy in transactions	1.000	.702
10	Quickly rectifying transaction errors (if any)	1.000	.548
11	Time taken in opening an account	1.000	.759
12	Easy & Accuracy of statement	1.000	.770
13	Courteous / friendly people	1.000	.711
14	Availability of answer to questions	1.000	.694
15	Explains things clearly & Correctly	1.000	.760
16	Responsive to customer's needs / wants	1.000	.719
17	Accuracy in completing transaction	1.000	.685
18	Speed of handling transaction	1.000	.677
19	Speed of the services	1.000	.714
20	Knowledge of the employees	1.000	.781
21	Behaviour of the bank staff	1.000	.658
22	Courtesy of the employees	1.000	.711
23	Sincerity in problem solving	1.000	.723
24	Promptness of the services	1.000	.807
25	Individual attention of the employees	1.000	.737
26	Reliability of the employees	1.000	.753
27	Understanding of your need	1.000	.450

Extraction Method: Principal Component Analysis.

The above table shows the Factor Extraction Process, it was performed by Principal Component Analysis to identify the number of factors to be extracted from the data and by specifying the most commonly used (Malhotra, 2001) Varimax rotation method. In the principal component analysis, total variance in the data is considered. The proportion of the variance is explained by the 27 factors in each variable. The proportion of variance is explained by the common factors called communalities of the variance. Principal Component Analysis works on initial assumption that all the variance is common. Therefore, before extraction the communalities are all 1.000. Then the most common approach for determining the number of factors to retain (Luck and Rubin, 2001) i.e., examining Eigen values was done.

Chart 1
Scree Plot



The scree plot is the diagrammatic representation of the total variance explained based on the variance in the Eigen values of the 27 components using Principal Component Analysis. This chart states the high influence of the one factor based on their Eigen values greater than 1

Table - 6 Rotated Component Matrix

S.No	Factors	Component							
		1	2	3	4	5	6	7	8
1	Location of the Bank	.178	.782	.012	-.030	.023	-.157	.159	.116
2	Banks parking space	-.112	.627	-.241	-.090	-.078	-.085	.523	.030
3	Atmosphere in the Bank	-.008	.803	.070	.033	.142	.192	.121	.037
4	Layout of the Bank	.144	.781	.238	-.092	.054	.103	-.153	.007
5	Lobby hours	.388	.572	.327	-.006	.131	.116	.128	.145

6	Clean facilities	-.296	.459	-.086	.588	.126	.091	-.126	.141
7	Banking hours	-.055	.315	.427	.099	.062	-.027	.218	.636
8	Waiting period in the line	-.036	.066	-.054	.125	-.011	.289	.082	.851
9	Accuracy in transactions	.194	.168	.722	-.062	.042	-.252	-.027	.213
10	Quickly rectifying transaction errors	.220	-.018	.473	-.160	.235	.339	.185	.214
11	Time taken in opening an account	.000	-.124	.243	.726	-.228	.300	.121	-.036
12	Easy & Accuracy of statement	-.016	-.54	-.012	.815	.152	-.144	.149	.193
13	Courteous / friendly people	.244	.324	.207	.107	.083	.135	.676	.101
14	Availability of answer to questions	-.046	.008	.267	-.014	.116	.718	.258	.158
15	Explains things clearly & Correctly	.149	.002	.039	.204	.089	.263	.775	.133
16	Responsive to customer's needs / wants	.213	.161	-.136	.177	.078	.756	.078	.123
17	Accuracy in completing transaction	.008	.040	.663	.321	.118	.277	.110	-.196
18	Speed of handling transaction	-.022	-.007	.065	.332	.706	.246	-.045	-.032
19	Speed of the services	.002	.186	.564	-.084	.570	.158	.009	-.071
20	Knowledge of the employees	.403	.241	.124	-.114	.640	-.240	.182	.179
21	Behaviour of the bank staff	.551	.093	-.035	-.131	.470	.129	.277	.116
22	Courtesy of the employees	.542	.060	.211	-.031	.525	-.021	.274	-.127
23	Sincerity in problem solving	.776	.118	.196	.038	.145	.081	.199	-.012
24	Promptness of the services	.551	-.178	-.289	.594	.037	.118	.108	-.095
25	Individual attention of the employees	.843	.120	-.029	-.048	.034	-.072	.025	-.049
26	Reliability of the employees	.855	.032	.087	.019	-.025	.106	-.035	-.003
27	Understanding of your need	.375	.115	.270	-.072	.339	.249	-.147	.139

Extraction Method: Principal Component Analysis.

Rotation Method: Varimax with Kaiser Normalization

a. Rotation converged in 21 iterations

It indicates the Rotated Component Matrix wherein rotation converged in 21 iterations. Using the Rotated Component Matrix which is a better matrix for interpreting factors (Nargundkar, 2002), the factors are interpreted as explained below. Different variables are combined based on their loading on different factors and the factors are named as follows:

The factors are interpreted as explained below. As suggested by (Nargundkar, 2002), different variables are combined based on their loading on different factors and the factors are named as follows:

The variables reliability of the employees, individual attention of the employees, sincerity in problem solving have high loading on factor 1 due to high correlation values of 0.855, 0.843, and 0.776. Thus factor 1 is a combination of "Reliability of the employees" (variable 26), "Individual attention of the employees", (variable 25), "Sincerity in problem solving" (variable 23), All these variables are clubbed into a single factor and named as "Staff factors".

Factor 2, the variables like atmosphere in the Bank, location of the Bank and layout of the Bank have high loading on factor 2 due to high correlation

values of 0.803, 0.782, and 0.781. Thus factor 2 is a combination of "Atmosphere in the Bank" (variable 3), "Location of the Bank", (variable 1), "Layout of the Bank" (variable 4), All these variables are clubbed into a single factor and named as "Environment factors".

The variables, accuracy in transactions, accuracy in completing transaction and layout of the Bank have high loading on factor 3 due to high correlation values of 0.722, 0.663, and 0.473. Thus factor 3 is a combination of "Accuracy in transactions" (variable 9), "Accuracy in completing transaction", (variable 17), "Quickly rectifying transaction errors (if any)" (variable 10), All these variables are clubbed into a single factor and named as "Routine operation factors and Staff factors".

On factor 4, the variables Easy & Accuracy of statement, Time taken in opening an account and Promptness of the service load high with values of 0.815, 0.726 and 0.594. Hence, factor 4 is combination of "Easy & Accuracy of statement" (variable 12), "Time Taken in opening an account" (variable 11) and Promptness of the service (variable 24). It is termed as "Routine operations factors and Staff factors".

Factor 5 is made up of variables Speed of handling transaction, Knowledge of the employees and Speed of the services as indicated by high correlation values of 0.706, 0.640 and 0.570. It includes "Speed of handling transaction" (variable 18), "Knowledge of the employees" (variable 20) and "Speed of the services" (variable 19). These variables are clubbed into a single factor called "Staff factors".

The variables responsive to customer's needs/wants and availability of answer to questions have high loading on factor 6 due to high correlation values of 0.756 and 0.718. Thus factor 3 is a combination of "Responsive to customer's needs/wants" (variable 16) and "Availability of answer to questions" (variable 14). All these variables are clubbed into a single factor and named as "Routine operation factors and Staff factors".

On factor 7, the variable - explains things clearly & correctly and Courteous / friendly people load high with values of 0.775 and 0.676. Hence, factor is combination of "Explains things clearly & correctly", (variable 15)," "Courteous / friendly people (variable 13). It is termed as "Staff factors".

Factor 8 is made up of variables "Waiting period in the line and Banking hours" as indicated by high correlation values of 0.851 and 0.636. It includes "Waiting period in the line" (variable 8), "and "Banking hours" (variable 7). These variables are clubbed into a single factor called "Routine operation factors".

Conclusion

The study reveals that there are vast opportunities as well as challenges for Value added services provided by banks in India. It is found that due to technological innovations and significant change in demographic profile of customers, there is huge market potential lying ahead. The study also reveals that ATMs and Credit Cards are the most common Value added services utilised by the respondents. Efforts must be made to market the other services

like e-banking-banking, Demat accounts, on line tax filing, any where banking, etc., So that the customers as well as banks are benefited.

The Banks need to equip themselves with internal capabilities and build efficient and viable Business models to create advantage of new opportunities available into a long term sustainable competitive advantage. Implementation of Information technology to enhance customer service also calls for training and change in the mindset and attitude of employees and the organisation. Technology planning should be integrated well with the organisations marketing strategy.

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