



CONSUMER PERCEPTION ON INNOVATIVE BANKING SERVICES -A STUDY ON CONSUMERS OF THREE MAJOR BANKS -SRIKAKULAM

Dr.G.Tulasi Rao* T.Lokeswara Rao**

**Prof. & Head DCMS. Dean CDC, Principal, University College, Dr.B.R.Ambedkar University Etcherla, Srikakulam, India.*

***Scholar JNTUK Kakinada, Assoc.Professor of MBA, GIET Engineering College, Rajahmundry, India.*

Abstract

The liberalization of Indian economy has paved way for the tremendous growth of service sector in the country during last two decades. The banking sector also felt the vibrations of the changes with the new entrants and changing critical success factors in the industry. The reforms initiated in the financial sector resulted in drastic transformation on the banking sector in terms of regulatory measures, nature of the banking products and the innovative services that ultimately impacted in escalating their competition among the public sector banks, also between the private sector and public sector banks. The paper highlights the various quality parameters and tests their relevant significance in the customers and service provider's quality perception.

Key Words: Quality, Banking Services, SERQUAL, Service Quality.

INTRODUCTION

The banking industry in India has been witness to several regulatory changes during the last decade that have resulted in a heightened level of competition. The entry of private sector banks and foreign banks, subsequent to the recommendations of the Narasimham Committee, has increased manifold the expectations of the customers in all areas relating to customer service. India's banking system responded to the post liberalization reforms in a creditable manner by showing admirable alacrity in absorbing the impact of reforms, which are evident from the changes in customer's perceptions brought through the innovative services offered by the bank. Global competition has also forced the bankers in India to enter into a trade-off between winning new customers and retaining old ones. To achieve this objective, banks are now searching for avenues to provide innovative quality of services.

Today, the focus of marketing in banks has shifted to managing relationships with customers. The advent of private sector and foreign banks has also been instrumental in providing greater benefits and new service options to customers. Endeavors to provide effective customer service at lower cost have been further facilitated by banks through information technology support. IT based service such as automated teller machine (ATM), electronic fund transfer, anywhere anytime banking, smart cards, net banking, etc. are no longer alien concepts to Indian banking customers.

The banking sector has been emphasizing the recent research evidences which indicate that perceived service quality tends to play a significant role in high contact (i.e. high interaction between the customers and the service providers) in industries such as banks. It is also because banks traditionally have long-term business relationships with customers.

For the first time in the last five decades, service quality has become the key slogan, in Indian banks as they strive for a competitive advantage in an atmosphere characterized by liberalization, privatization and globalization which have brought the customer-focus to the forefront. Among the service organizations, the banking sector is perhaps the largest one that caters to the needs of people belonging to all sections of society. Moreover, perceived service quality tends to play a significant role in high involvement (high interaction between customers and service providers) industries like banks.

OBJECTIVES OF THE STUDY



In the present study, the researcher seeks to identify the level of perception in the customer towards the most accepted service. Customer perception towards specific dimensions of service quality both qualitative and quantitative forms have also been highlighted. In the light of the above facts, the present study seeks to outline the following objectives,

1. To reveal the growth and development of services sector.
2. To review the research literature concerning concepts and practices of service marketing.
3. To provide an insight into the prospects and challenges of quality services in the banking sector.
4. To examine the factors influencing service quality in banks.
5. To evaluate the perceptions of service quality by customers and banking staff.
6. To study and analyze the service gap, i.e., the difference between customers' expectations and perceptions of service quality in banks.

RESEARCH METHODOLOGY

The present study titled "Customer Perception on innovative Banking Services: A study on selected Banks at Srikakulam District", the research design aims at describing the responses of the customers on innovative banking services. A sample of 3 major banks has been selected. The banks covered were SBI, ICICI and AXIS. The researcher thoroughly examined the dimensions of service quality- through the survey of Customers Perception and Expectations of service quality. Innovative Services in Indian banks and Service quality dimensions offered by banks. Thus, the study highlights some specific aspect of human behavior and adopts a psychological approach to understand customer perception on innovative banking services. Prediction of human perception is difficult, filled with uncertainty, risks and surprises. The present study is more vital since it takes into account different types of customers. Outcomes of our studies are based upon the interpretations of both the actors (viz., customer and service provider) in the service encounter of banks.

CONSUMER PERCEPTION-THE CONCEPT

The term perception is acquired from cognitive psychology, defined as 'the means by which information acquired from the environment via 'the sense organs are transformed into experiences of objectives, events, sounds, tastes etc.,'. In marketing the term 'perception' has been used to describe consumers' opinions, beliefs or judgmental thoughts about products or services. In a research work concerning perception by the (1997) found that the information entering brain does not provide a complete view of the world around a person. As such, while constructing a world-view, an individual assembles the remaining, information on what is happening in the outside world. In this way, an individual seeks to fill any gap in his/her understanding of the world through imagination and experiences which leads to critical processes such as activity, categorization, and selectivity, expectations, which are influenced by an individual's prior learning or past experience. De Bono (1977) inferred that human mind is a pattern-making system that always tries to make new images and information to fit into what it already knows, stated that the interaction between individual customers and the service providers has an equally significant influence on customer perception explored the elements associated with customer's expectation and perception of services. Accordingly, the first set of elements is 'transitory services Intensifiers', which consists of temporary, usually short term, individual. Factors that created greater awareness among the customers towards need for service. Under emergency situation, customers seek to raise their level of service expectation, and thus require the service firm to be responsive. The second set consists of 'Perceived Service alternatives', this deal with the providers of customer service. If customers have multiple service providers to choose from or if they can provide the service for themselves, their levels of adequate service are higher than those of customers who believe it is not possible to get better service elsewhere. The Customers' perception that services alternatives existence raises the level of adequate service and narrows the zone of tolerance. The third factor affecting the level of adequate service is the 'Customer self-perceived service role'. This is defined as customer perception of the degree to which customers exert an influence on the level of service they receive. Customer's perceptions of services are based on specific dimensions of services and are partly shaped by how well they believe they are



performing their own roles in service delivery. The perception of the customer is developed around the traditional marketing mix and the contextual variables.

The customer often expects the service to be provided in a specific way or by a specific individual when delivering the service. Some customers are more demanding than others, having greater sensitivity to, and higher expectations of service, focused as the level of service the customer hopes to receive and “the wished for level of performance”. Desired service is a blend of what the customer perceives “can be” and “should be”. In some customers, the hopes and desires are still high, but they recognized that they could not attain those desires in the market that existed all the time. The standard of adequate service is much lower than the desired service. Some customers accept any service just to gain experience. Here adequate service represents the “minimum tolerable expectation”, the bottom level of performance acceptable to the customer. When the perceived performance falls short of the expectations, a negative disconfirmation (a quality gap), is experienced. A negative confirmation creates dissatisfaction in the customer. In case the perceived performance exceeds the expectation of the customer, a positive confirmation (a quality edge) is encountered. This results in a customer leaving the encounter happy and satisfied.

CONSUMER PERCEPTION ON INNOVATIVE BANKING SERVICES

Quality of service makes a big difference in a firm’s successful Endeavour. Service firms practice retention strategies by adopting a solid base of service quality and customers positive perception to build on. All of the retention strategies are built on the assumption of being competitive quality of service being offered. Service companies have benefited tremendously from their loyal customers by offering excellent service quality. As a result, enterprises have not only been seeking business growth and an improved competitive prostitution but have also been deleting themselves to upgrading “quality”. From the beginning of the 80s, quality awareness and customer consciousness have been growing steadily.

Improved service quality enhances productivity and reduces costs, as well as increasing customer loyalty, market share, and general benefits for the company. Most enterprises are therefore using service quality as a key weapon in seeking a competitive edge. Service quality aims to confirm the requirements of customers, to meet their expectations and to satisfy them. Therefore, firms should focus on knowing customers’ requirements, especially those quality attributes considered to be important by customers; fulfilling customers’ requirements on quality attributes especially those that are considered important by customers investigating where the service performed is satisfactory to customers and where it is not and taking appropriate action to correct or improve service quality. Awareness of customers’ requirements and the measurement of service quality are therefore emerging as important issues in the functioning of an enterprise. Successful service firms also need to know their customer’s vocabulary, because it often carries important information about customers’ needs and expectations. It is therefore necessary to establish a model that can not only measure service quality but also identify the quality attributes considered important by customers.

Customers’ perceptions of services are based on specific dimensions of services and are partly shaped by how well they believe they are performing their own roles in service delivery systems. The customer often expects the service to be provided in a specific way or by a specific individual when delivering the service. Some customers are more demanding than others, having greater sensitivity to, and higher expectations of service, perceptions are created after experiencing the service. However, dissatisfaction may occur if expectations are higher than the actual service experienced by the customer. The perception of actual service is low when the service providers misinterpret customer’s expectations. Rises in customers’ expectations are often difficult to control service quality and could cause communication breakdowns and faults in the service delivery system.

A NEW MEASURE OF BANKING SERVICES



Bank marketing involves the willingness and skill of its personnel to work effectively with others. Long term relationships with customers have become very important to a banks staff in banking service operation, and it can be achieved through personal reinforcement via a mastery and reward mechanism. Thus, management talent has the opportunity to improve commercial bank success by engaging in direct training exercises, evaluation activities and feedback procedures. Most of the banks adopt proper hiring process and can be molded through bank socialization processes. Managerial training exercises, reward incentives, and reinforcement. The relationship depends on the process of deriving data from environment and transforming it into value added resource through network, using human capital and technology.

Assessment of Service Quality in Banks according to Avail of Online Banking-wise classification of Customer
Table .1

Online Bank facility		Service Quality Dimensions	Accessibility	Communication	Competence	Courtesy	Credibility	Security	Reliability	Responsiveness	Tangibles	Understandability	Cronobach's Alpha	Total (Eigenvalue)
Total	Availing Regularly (N=81)	Perception	0.53	0.727	0.655	0.824	0.783	0.799	0.7066	0.665	0.5095	0.798	0.8891	5.0048
		Expectation	0.897	0.847	0.843	0.937	0.751	0.76	0.8193	0.879	0.7436	0.758	0.9482	6.8196
	Availing Occasionally (N=91)	Perception	0.539	0.65	0.617	0.7730	0.702	0.695	0.6857	0.798	0.7045	0.729	0.8798	4.8032
		Expectation	0.783	0.797	0.797	0.882	0.795	0.825	0.7145	0.854	0.7191	0.825	0.9378	6.4106
	Do Not Avail (N=128)	Perception	0.974	0.966	0.971	0.443	0.072	0.57	0.5333	0.052	0.0184	0.965	0.868	4.5706
		Expectation	0.788	0.899	0.932	0.795	0.697	0.805	0.5383	0.803	0.7781	0.958	0.9407	6.5188
SBI	Availing Regularly (N=28)	Perception	0.989	0.99	0.99	0.99	0.99	0.989	0.9905	0.421	0.3504	0.477	0.9607	7.3852
		Expectation	0.907	0.902	0.908	0.835	0.816	0.813	0.8202	0.908	0.8074	0.913	0.9622	7.4674
	Availing Occasionally (N=17)	Perception	0.426	0.718	0.365	0.844	0.625	0.813	0.8802	0.712	0.5707	0.778	0.8801	4.8091
		Expectation	0.874	0.829	0.869	0.924	0.911	0.871	0.7022	0.832	0.5687	0.931	0.9529	7.0243
	Do Not Avail (N=55)	Perception	0.967	0.794	0.919	0.768	0.034	0.784	0.914	0.099	0.7382	0.929	0.9002	5.2671
		Expectation	0.719	0.708	0.946	0.84	0.912	0.969	0.9328	0.692	0.7308	0.754	0.9487	6.841
AXIS	Availing Regularly (N=24)	Perception	0.92	0.943	0.78	0.914	0.463	0.058	0.8846	0.738	0.067	0.929	0.9124	5.5908
		Expectation	0.678	0.829	0.678	0.898	0.879	0.819	0.9139	0.862	0.7987	0.822	0.9465	6.7483
	Availing Regularly (N=27)	Perception	0.709	0.793	0.826	0.726	0.537	0.503	0.1237	0.726	0.4652	0.845	0.8558	4.353
		Expectation	0.822	0.771	0.767	0.932	0.672	0.859	0.4123	0.862	0.865	0.879	0.9362	6.3513
	Do Not Avail (N=49)	Perception	0.974	0.966	0.971	0.443	0.072	0.57	0.5333	0.052	0.0184	0.965	0.868	4.5076
		Expectation	0.788	0.899	0.932	0.795	0.697	0.805	0.5383	0.803	0.7781	0.958	0.9407	6.5188
ICICI	Availing Regularly (N=29)	Perception	0.863	0.738	0.83	0.801	0.686	0.779	0.3336	0.664	0.8387	0.763	0	5.5343
		Expectation	0.399	0.853	0.394	0.932	0.884	0.858	0.7783	0.813	0.7137	0.851	0.9237	5.9269
	Availing Regularly (N=47)	Perception	0.474	0.158	0.681	0.522	0.996	0.948	0.5661	0.929	0.9151	0.701	0.9027	5.3313
		Expectation	0.981	0.331	0.486	0.951	0.742	0.729	-0.734	0.453	-0.31	0.979	0.8929	5.091
	Do Not Avail (N=24)	Perception	0.806	0.793	0.825	0.846	0.831	0.67	0.4052	0.891	0.8821	0.961	0.9394	6.4725
		Expectation	0.832	0.919	0.879	0.942	0.816	0.92	0.813	0.892	0.9278	0.696	0.9632	7.5103

(Principal Component and Factor Analysis of Data concerning 10 Dimensions of Service Quality)

The above table reveals the customers perception and expectation of service quality according to the avail of Online Banking facility. The results are shown as below:

A. Perception and Expectation of SBI Customers



The customers availing online banking facility regularly perceived more in the dimensions of Accessibility (0.9891) Communication (0.9901), Competence (0.9896), Courtesy (0.9897), Credibility (0.9903), Security (0.9891) and Reliability (0.9905). The factor scores of the remaining 3 dimensions indicated higher expected and poor perceived service quality of the bank. Cronbach's alpha score shows perception and expectation of service quality (0.9607 and 0.9622) where expectation is higher than perception.

The customers availing occasionally Online banking facility perceived more in Reliability (0.8802) and followed by Tangibles dimension (0.5707). The factor scores of the remaining 8 dimensions indicated higher expected and poor perceived service quality of the bank. Cronbach's alpha score shows perception and expectation of service quality (0.8801 and 0.9529) where expectation is higher than perception.

The customers do not avail Online banking facility perceived more in the dimensions of Accessibility (0.9668) Communication (0.7936), Tangibility (0.7382) and understandability (0.9286). The factor scores of the remaining 6 dimensions indicated higher expected and poor perceived service quality of the bank. Cronbach's alpha score show perception and expectation of service quality (0.9002 and 0.9487) where expectation is higher than perception.

B. Perception and Expectation of AXIS Customers

The customer availing Online- banking facility regularly perceived more in the dimensions of Accessibility (0.9199), Competence (0.7796), Curtsey (0.9142) and Understandability (0.9285). The factor scores of the remaining 5 dimensions indicated higher and poor perceived service quality of the bank. Cronbach's alpha score shows perception and expectation of service quality (0.9124 and 0.9465) where expectations are higher than perception.

The customers availing occasionally Online- banking facility more in communications (0.7925) and follows by Competence dimension (0.8256). The factor scores of the remaining 8 dimensions indicated higher expected and poor perceived service quality of the bank. Cronbach's alpha score shows perception and expectation of service quality (0.855 and 0.9362) where expectation is higher than perception.

The customers do not avail Online- banking facility perceived more in the dimensions of Accessibility (0.9744), Communication (0.9662), Competence (0.9711) and Understandability (0.9651). The factor scores of the remaining 6 dimensions indicated higher expected and poor perceived service quality of the bank. Cronbach's alpha score shows perception and expectation of service quality (0.868 and 0.9407) where expectation is higher than perception.

C. Perception and Expectation of ICICI Customers

The customers availing Online banking facility regularly perceived more in the dimensions of accessibility (0.8627), Competence (0.8295), and Tangibles (0.8367). The factor scores of the remaining 7 dimensions indicated higher expected and poor perceived service quality of the bank. Cronbach's alpha score shows perception and expectation of service quality (0.9103 and 0.9237) where expectation is higher than perception.

The customers availing occasionally Online banking facility perceived more in the dimensions of Competence (0.6808), Credibility (0.9661), Security (0.9483), Responsiveness (0.9292) and Tangibles (0.9151). The factor scores of the remaining 5 dimensions indicated higher expected and poor perceived service quality of the bank. Cronbach's alpha score shows perception and expectation of service quality (0.9027 and 0.8929) where perception is higher than expectation.

The customers do not avail Online banking facility perceived more in Credibility (0.8307) dimension. The factor scores of the remaining 9 dimensions indicated higher expected and poor perceived service quality of the bank.



Cronbach's alpha score shows perception and expectation of service quality (0.9394 and 0.9632) where expectation is higher than perception.

D. Perception and Expectation of Total Customers

The customers availing Online banking facility regularly perceived more in the dimensions of Credibility (0.7827), Security (0.7986) and understandability (0.7978). The factor scores of the remaining 7 dimensions indicated higher expected and poor perceived service quality of the bank. Cronbach's alpha score shows perception and expectation of service quality (0.8891 and 0.9482) where expectation is higher than perception.

The customers availing occasionally Online banking facility perceived lower and expected higher in all the 10 dimensions of service quality of the bank. Cronbach's alpha score shows perception and expectation of service quality (0.8798 and 0.9378) where expectation is higher than perception.

The customers do not avail Online banking facility perceived more in the dimensions of Accessibility (0.9744), Communication (0.9662), Competence (0.9711) and understandability (0.9651). The factor scores of the remaining 6 dimensions indicated higher expected and poor perceived service quality of the bank. Cronbach's alpha score shows perception and expectation of service quality (0.868 and 0.9407) where expectation is higher than perception.

CONCLUSION

The study taken into account for this research is from the "service-quality perspective", and as such, was aimed at identifying some key aspects of customer relationship management. This study was an attempt to explore the subtle, intricate details concerning dimensions of service quality, which might be helpful for bankers in gaining competitive advantage. India, being a huge developing economy, and its banking sector with a wide geographical reach catering to the needs of a huge clientele, offers an excellent scope for research on the issue of quality in banking (as perceived by the customer), and can provide the become for the evaluation of effectiveness of banking services in developing economies.

Indian customers have not only become technology savvy today, but also have started demanding more and more of quality and personalized services. With more of innovative or "high-tech" banking services provided to customers there has been growing concern for "high-tech" banking services, seeking involvement and interaction among various stakeholders. It is therefore imperative that more cross-country analyses with regards to service quality assessments in the banking sector would be of immense use for such service providers.

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