# Customers' Utilization on Various Facilities and Services of Private Sector Banks

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## Abstract

This research paper aims to scrutinize the customers'utilization on various facilities and services offered by the private sector banks in Coimbatore District. The data used in the study are primary in nature which has been collected through issue of structured questionnaire. A sample of 720 customers from sixteen banks, comprising of ten old and six new private sector banks, has been selected through stratified random sampling method. Simple percentage and chi-square test are applied to analyze the data. The study observes that majority of the customers have moderate level of utilization and often they are utilizing the 'Debit Card' services than other facilities and services. Moreover, the study discloses the variables namely area of residence, age, marital status, educational qualification, occupation, number of earning members in the family, monthly income, family income per month, family savings per month, period of account holding in the bank, type of account holding in the bank, amount of transactions done per month, loan availed from the bank and level of awareness are found to significantly influence the customers' level of utilization of various facilities and services offered by the private sector banks.

**Keywords:** Utilization ofvarious facilitiesand services - Private Sector Banks

## Introduction

The emergence of a new century has created many challenges due to the beginning of both the old and new generation banking stream to the existence of conventional banking system in India.The Old and New Generation Private Sector Banks provide banking, various facilities and services to their customers. Those banks are generally understood as an institution which provides fundamental banking, various facilities and services and the banks safeguard the money and valuables and provide loans, credit and payment services such as checking accounts and cheques. In India, Banks have been the earliest to adopt technologies by automated teller system and streamlining their processes. Introduction of technology advancements have enabled banks to keep a high level of security, check fraud, abuse or pilferage, and to minimize the risk and cost of handling cash. Introduction of non-cash payment modules like RTGS, NEFT and digital wallets also play a vital role in transforming the banking utilization and services.

## Review of Literature

**Abdullah Bin Omar et al. (2011)** find that customers prefer internet banking (IB) services mostly over branch banking due to reliability, convenience, speed, safety and security, cost effectiveness, user friendly and error free system whereas security problems, lack of trust and knowledge, problems in handing ATM machine affect the customers to prefer internet banking service. **SunaynaKhurana (2014)** finds thatthe service quality dimensions likeempathy, competency and tangibility have significant impact on customers' satisfaction on banking services.**Ashfaq Ahmad and Rubina Bashir (2014)** disclose that there exists a strong positive association between the customers' awareness level

and customers' service utilization decision.**AditiBaghla and Amandeep Garai (2016)** in their study find that the customers are highly satisfied with the parameters of service quality dimensions like tangibles, reliability, responsiveness, empathy and assurance as compared to public sector banks. They also find that there exists a significant difference between the public sector banks and new Indian private sector banks with regard to service quality dimensions rendered. **Jaydeb Ray (2018)** in his study discloses that majority of the customers are more satisfied with the 'tangibility' dimension offered by both the private and public sector banks. Also, he reveals that majority are dissatisfied with the 'empathy' dimension of the service quality.

It is observed from the earlier studies that majority of the researchers have concentrated on the service quality offeredby both the public and private sector banks. But it is found that a very few researchers have made an attempt to study the customers' utilization on various banking facilities and services offered by the private sector banks.

## Statement of the Problem

Technology-based services offered by the banks have greatly changed the business firms and customers to interact with their bankers. Today most of the transactions can be done from home and customers need not visit bank's branch for anything. **Uma and ShanmuganandhaVadivel(2015)** reveal that majority of the customers operating their transactions through internet banking followed by mobile banking services and ATM facility whereas a lesser percentage of customers are using core banking services. This implies that a considerable number of customers are not visiting the banks directly for availing technology based services. But the difficulty persists with this is that a vast number of people in India are less aware and educated about the various technology based innovative products and services offered by the banks. **Ashfaq Ahmad and Rubina Bashir (2014)**depict thatthere exists a strong positive association between the customers' awareness level and customers' service utilization decision. This raises the questions like: What is the customers' level of utilization on various services offered by the bankers? What are the variables associated with their level of utilization?

## Objectives of the Study

The following are the objectives of the study.
1. To examine the customersfrequency of utilization of various facilitiesand services offered by the private sectorbanks
2. To ascertain the variables associated with the customers' level of utilization on various facilitiesand services offered by theprivate sector banks

## Research Methodology

The present study is mainly based on primary data which have been collected from the customers of old and new private sector banks in the Coimbatore district through issue of structured questionnaires. The questionnaire contains questions relating to the personal profile of customers, their occupational details and level of awareness on various services offered by the private sector banks in the District. The study consists of 720 samples which have been collected from 45 customers each from the sixteen privatesectorbanksinthedistrictusingstratifiedrandomsamplingmethod.Thedatagatheredfromthe customershavebeenanalyzedusingsimplepercentageandchi-squaretest.

## Results of the Study

The findings of the study is divided into two broad sections namely, the customers' frequency of utilizationand level of utilization and variables associated with their utilization on various facilitiesand services offered by the private sector banks.

**(i) Customers' Frequency of Utilization of Various Facilities and Services**

A banking sector plays an indispensable role in everyone's life as it helps to transfer money quickly and safely from one place to another. Customers access to various facilities and services may vary one to another and hence to find out the frequency of utilization of various facilities and services namely 'Accepting deposits', 'Advance loans', 'Bank draft', 'Bankers cheque', 'RTGS (Real Time Gross Settlement)', 'NEFT (National Electronic Funds Transfer System)', 'Bank overdraft', 'Cash credit', 'Overdraft facility', 'Discounting of bills of exchange', 'Cheque payment', 'Collection & Payment of Credit Instruments', 'Foreign Currency Exchange', 'Consultancy Services', 'Bank Guarantee', 'Remittance of Funds', 'Credit Cards facilities', 'Debit Cards', 'ATM Services', 'Home Banking', 'Online Banking', 'Mobile Banking', 'Priority Banking', and 'Private Banking', the following table has been presented.

**Table 1: Frequency of Utilization of Various Facilities and Services of Private Sector Banks**

| Facilities and Services | Frequently | Occasional | Rarely | Total |
|---|---|---|---|---|
| Accepting Deposits | 182 | 275 | 72 | 529 |
| | (34.40%) | (51.99%) | (13.61%) | (100.00%) |
| Advancing Loans | 63 | 153 | 81 | 297 |
| | (21.21%) | (51.52%) | (27.27%) | (100.00%) |
| Bank Draft | 46 | 135 | 44 | 225 |
| | (20.44%) | (60.00%) | (19.56%) | (100.00%) |
| Bankers Cheque | 52 | 120 | 61 | 233 |
| | (22.32%) | (51.50%) | (26.18%) | (100.00%) |
| RTGS (Real Time Gross Settlement) | 54 | 144 | 89 | 287 |
| | (18.82%) | (50.17%) | (31.01%) | (100.00%) |
| NEFT (National Electronic Funds Transfer System) | 103 | 165 | 112 | 380 |
| | (27.11%) | (43.42%) | (29.47%) | (100.00%) |
| Bank Overdraft | 103 | 168 | 73 | 344 |
| | (29.94%) | (48.84%) | (21.22%) | (100.00%) |
| Cash Credit | 114 | 153 | 96 | 363 |
| | (31.40%) | (42.15%) | (26.45%) | (100.00%) |
| Overdraft Facility | 54 | 228 | 113 | 395 |
| | (13.67%) | (57.72%) | (28.61%) | (100.00%) |
| Discounting of Bills of Exchange | 48 | 99 | 106 | 253 |
| | (18.97%) | (39.13%) | (41.90%) | (100.00%) |
| Cheque Payment | 153 | 325 | 124 | 602 |
| | (25.42%) | (53.99%) | (20.59%) | (100.00%) |
| Collection & Payment of Credit Instruments | 54 | 110 | 61 | 225 |
| | (24.00%) | (48.89%) | (27.11%) | (100.00%) |
| Foreign Currency Exchange | 52 | 99 | 51 | 202 |
| | (25.74%) | (49.01%) | (25.25%) | (100.00%) |
| Consultancy Services | 37 | 108 | 74 | (100.00%) |
| | (16.89%) | (49.32%) | (33.79%) | |
| Bank Guarantee | 59 | 149 | 63 | 271 |
| | (21.77%) | (54.98%) | (23.25%) | (100.00%) |

| Facilities and Services | Frequently | Occasional | Rarely | Total |
|---|---|---|---|---|
| Remittance of Funds | 64 | 147 | 82 | 293 |
| | (21.84%) | (50.17%) | (27.99%) | (100.00%) |
| Credit Card Facilities | 159 | 244 | 80 | 483 |
| | (32.92%) | (50.52%) | (16.56%) | (100.00%) |
| Debit Cards | 282 | 268 | 81 | 631 |
| | (44.69%) | (42.47%) | (12.84%) | (100.00%) |
| ATMs Services | 211 | 269 | 116 | 596 |
| | (35.40%) | (45.14%) | (19.46%) | (100.00%) |
| Home Banking | 132 | 270 | 94 | 496 |
| | (26.61%) | (54.44%) | (18.95%) | (100.00%) |
| Online Banking | 151 | 280 | 89 | 520 |
| | (29.04%) | (53.84%) | (17.12%) | (100.00%) |
| Mobile Banking | 84 | 243 | 203 | 530 |
| | (15.85%) | (45.85%) | (38.30%) | (100.00%) |
| Priority Banking | 0 | 2 | 7 | 9 |
| | (0.00%) | (22.22%) | (77.78%) | (100.00%) |
| Private Banking | 0 | 0 | 2 | 2 |
| | (0.00%) | (0.00%) | (100.00%) | (100.00%) |

It is noted from the above table that a large number of customers are frequently utilizing the services like 'Debit Card' whereas most of the customers are occasionally utilizing the facilities and services like 'Accepting Deposits', 'Advance Loans', 'Bank Draft', 'Bankers Cheque', 'Real Time Gross Settlement (RTGS)', 'National Electronic Funds Transfer System (NEFT)', 'Bank Overdraft', 'Cash Credit', 'Overdraft Facility', 'Cheque Payment', 'Collection and Payment of Credit Instruments', 'Foreign Currency Exchange', 'Consultancy Services', 'Bank Guarantee', 'Remittance of Funds', 'Credit Card Facilities', 'ATM Services', 'Home Banking', 'Online Banking', 'Mobile Banking'. Further, it is observed that majority of the customers are rarely utilizing the facilities and services like 'Discounting of Bills of Exchange', 'Priority Banking', and 'Private Banking'. Finally, it is inferred that most of the customers are occasionally utilizing the various facilities and services offered by the private sector banks.

## (ii) Customers' Utilization on Various Facilities Offered by the Private Sector Banks

This section deals with the identification of customers' level of utilization, variables considered for measuring the level of utilization and variables associated with the level of utilization on various facilitiesand services offered by the private sector banks.

## a) Level of Utilization

Customers' utilization on various facilities and services offered by both the private sector banks have been calculated by assigning scores to utilization related questions. Twenty-four such questions are included in the questionnaire. The answers to the questions have been rated on three-point scale. Thus, the maximum score a customer would get is 72. The scores obtained by each customer is divided by 72 and multiplied by 100 to convert it into an index. This is termed as 'utilization index'. Based on the utilization index, the customers are segregated into three categories as customers with low, medium and high level utilization. In order to classify the customers into three such groups, qualities have been made

use of. Accordingly, the customers with utilization index ranging up to 29.12 are termed as the customers with low level of utilization; those with utilization index between the 29.13 and 67.83 are termed as the customers with medium level of utilization and those customers with utilization index above 67.83 are termed as customers with high level of utilization. Of the 720 customers, 105 (14.58%) have low level of utilization; 514 (71.39%) have medium level of utilization and the remaining 101 (14.03%) have high level of utilization.

**b) Variables Considered for Level of Utilization**

Twentyvariables namely area of residence, gender, age, marital status, educational qualification, occupation, type of family, status in the family, total number of members in the family, number of earning members in the family, monthly income, family income per month, family savings per month, location of bank, period of account holding in the bank, frequency of visit to the bank, amount of transactions done per month, loan availed from the bank, type of account holding bank and level of awareness have been selected in order to test whether there really exists any association between each of the variables and level of utilization. Chi-square test has been applied to test the association between each of the variables and level of utilization. Levels of significance chosen are one and five per cent.

**(iii) Association of Select Variables with Customers' Level of Utilization**

To find out the association between the select variables and the customers' level of utilization of various facilities and services, Chi-square test is employed

**Ho:** There exists no association between the select variables and customers' level of utilization on various facilities and services offered by the private sector banks

**Table 2: Association of Select Variables with Customers' Level of Utilization**

| Variables Considered | d.f | Calculated $\chi^2$ Value | Table Value | | Remarks |
| --- | --- | --- | --- | --- | --- |
| | | | 5% | 1% | |
| Area of residence | 4 | 16.768** | 9.488 | 13.277 | Significant |
| Gender | 2 | 5.097 | 5.991 | 9.210 | Not Significant |
| Age | 4 | 30.910** | 9.488 | 13.277 | Significant |
| Marital status | 2 | 12.878** | 5.991 | 9.210 | Significant |
| Educational qualification | 12 | 109.146** | 21.026 | 26.217 | Significant |
| Occupation | 12 | 63.753** | 21.026 | 26.217 | Significant |
| Type of family | 2 | 4.444 | 5.991 | 9.210 | Not Significant |
| Status in the family | 2 | 1.657 | 5.991 | 9.210 | Not Significant |
| Number of members in the family | 4 | 6.732 | 9.488 | 13.277 | Not Significant |
| No. of earning members in the family | 4 | 37.502** | 9.488 | 13.277 | Significant |
| Monthly income | 6 | 37.258** | 12.592 | 16.812 | Significant |
| Family income per month | 6 | 48.509** | 12.592 | 16.812 | Significant |
| Family savings per month | 8 | 49.425** | 15.507 | 20.090 | Significant |
| Location of bank | 2 | 4.282 | 5.991 | 9.210 | Not Significant |
| Period of account holding in the bank | 4 | 11.654* | 9.488 | 13.277 | Significant |

| Variables Considered | d.f | Calculated $\chi^2$ Value | Table Value | | Remarks |
|---|---|---|---|---|---|
| | | | 5% | 1% | |
| Frequency of visit to the bank | 4 | 4.554 | 9.488 | 13.277 | Not Significant |
| Amount of transactions done per month | 8 | 54.554** | 15.507 | 20.090 | Significant |
| Loan availed from the bank | 2 | 7.275** | 5.991 | 9.210 | Significant |
| Type of account holding in the bank | 2 | 8.313* | 5.991 | 9.210 | Significant |
| Level of Awareness | 4 | 14.768** | 9.488 | 13.277 | Significant |

\* Significant at five percentlevel                    \*\* Significant at one per centlevel

Out of the total nineteen variables selected for testing, thirteen variables are found to be associated with the customers' level utilization on various facilities and services offered by the private sector banks. Of which, the variables namely area of residence, age, marital status, educational qualification, occupation, number of earning members in the family, monthly income, family income per month, family savings per month, amount of transaction done per month, loan availed from the bank and level of awareness are found to be significantly associated with the level of utilization at one per cent level whereas period of account holding and type of account holding in the bank are found tobe significantly associated with the level of utilization at five per cent level.

## Conclusion

Banking is an industry which is highly involved with the customers. Several innovative IT based services are introduced by the bankers, especially the private sector banks, to their customers in order to attract and retain them and also to facilitate them with the easy and quick banking services. In this changing scenario, the present study has been undertaken with an intention to identify the customers' utilization on various facilities and services offered by the private sector banks in Coimbatore District. From the study, it is ascertained that majority of the customers are frequently utilizing the 'Debit card' services whereas majority are rarely utilizing  'Priority Banking' and 'Private Banking' services. Also, it is found that majority of the customers are utilizing the various facilities and services offered by the private sector banks at moderate level. Further, the Chi-square testreveals that variables like area of residence, age, marital status, educational qualification, occupation, number of earning members in the family, monthly income, family income per month, family savings per month, period of account holding in the bank, amount of transactions done per month, loan availed from the bank and type of account holding in the bank are found to be associated with the level of utilization of various facilities and services offered by the private sector banks. Hence, it is recommended that the Government, the Regulatory Authority and the Bankers take necessary steps to educate the customers about the newly introduced banking services like 'priority banking' and 'private banking'. Also they try to take essential steps to boost up the customers to have frequent access with the bankers so that their awareness may perhaps increases considerably which in turn to lead increased utilization of banking services.

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