



A STUDY ON FACTORS INFLUENCING THE PREFERENCES AND USAGE OF MODERN BANKING SERVICES IN KANYAKUMARI DISTRICT

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ABSTRACT

The present study is confined within a precise modern banking services which have been mostly used by the customers i.e. Automatic Teller Machine (ATM), Tele Banking, Internet Banking, Mobile Banking, Credit card, Debit card, Electronic Clearing Service (ECS), National Electronic Fund Transfer (NEFT), Real Time Gross Settlement (RTGS), Cheque Truncation System (CTS), Dematerialisation. The research is based on data collected from customers of selected public sector banks in Kanyakumari district. The study embodied both secondary and primary data. Primary data has been collected through the questionnaire and also by observations and interviews taken from the respondents personally. The study is also supported by secondary data, which has been sought from various reference books, journals, magazines, newspapers and Internet etc. The purposive sampling method provides a range of alternatives and options in selecting the sample. Hence, purposive sampling technique was adopted to collect details on customers' preference towards the modern banking services of public sector banks in Kanyakumari district. As per the records given by the lead bank, there are 48 branches availing modern banking services in public sector banks in Kanyakumari district. Of the total samples of 118 public sector banks 480 respondents (10 customers) for extracting information relating to the study. It is concluded that the most of the customers in and around Kanyakumari district were aware of the modern banking services offered by the public sector banks. They

need not waste much time in a queue and can carry out the transactions within the short span of time. Overall, it enhances that the customers had a positive impact towards the modern banking services offered in Kanyakumari district.

KEY WORDS: Modern Banking Services, Preferences, Problems and Public Sector Banks

INTRODUCTION

Internet banking is used widely by masses, and has numerous benefits to offer. Nowadays, all banks provide online banking facility to their customers as an added advantage. Gone are the days, when one had to transact with a bank which was only in his local limits. Online banking has opened the doors for all customers to operate beyond boundaries. Nowadays, people are so busy in their work lives, that they don't even have time to go to the bank for conducting their banking transactions. Internet banking enables people to carry out most of their banking transactions using a safe website, which is operated by their respective banks. It provides many features and functions to their customers and enables them to view their account balance, transfer money from their account to another account in the same bank or any other bank, view their accounts summary etc.

SIGNIFICANCE OF THE STUDY

In modern banking system, banks are increasing their customer base with the help of multiple e-delivery channels like ATMs, Credit/Debit/Smart Cards, Internet banking, Mobile banking, Tele banking, EFTs etc. E-banking is offered by many banking institutions due to pressures from global competitions hence, in case of delay in offering transactions based services on the internet; they might lose their market share. To be successful, banks have to offer e-banking facility instead of being pushed into it by others.

SCOPE OF THE STUDY

The present study is confined within a precise modern banking services which have been mostly used by the customers i.e. Automatic Teller Machine (ATM), Tele Banking, Internet Banking, Mobile Banking, Credit card, Debit card, Electronic Clearing Service (ECS), National Electronic Fund Transfer (NEFT), Real Time Gross Settlement (RTGS), Cheque Truncation System (CTS), Dematerialisation. The research is based on data collected from customers of selected public sector banks in Kanyakumari district. Other aspects of bank and banking services are not considered in this study. This study examines only the satisfaction of customers in public sector banks in Kanyakumari district.

OBJECTIVES OF THE STUDY

- (i) To identify the major factors influencing the preferences and usage of modern banking services
- (ii) To understand the problems faced by the customers of public sector banks in using modern banking services.

METHODOLOGY

The study embodied both secondary and primary data. Primary data has been collected through the questionnaire and also by observations and interviews taken from the respondents personally. The study is also supported by secondary data, which has been sought from various reference books, journals, magazines, newspapers and Internet etc.

SAMPLING DESIGN

Selection of the sample is an important part of the research work. The non-probability sampling methods were used for selection of samples and more particularly the purposive sampling method is used. The purposive sampling method provides a range of alternatives and options in selecting the sample. Hence, purposive sampling technique was adopted to collect details on customers' preference towards the modern banking services of public sector banks in Kanyakumari district. As per the records given by the lead bank, there are 48 branches availing modern banking services in public sector banks in Kanyakumari district. Of the total samples of 118 public sector banks 480 respondents (10 customers) for extracting information relating to the study. Some incomplete interview schedules were rejected (30 in public sector bank) on reasons of insufficient data. Finally the samples were selected based on the below table 1.

TABLE 1
NUMBER OF SAMPLES SELECTED FOR THE STUDY

Total Number of Branches	Number of Respondents	Collected Respondents	Rejected	Selected Respondents
48	10	480	30	450

ANALYSIS AND INTERPRETATION

FACTORS INFLUENCING THE PREFERENCES AND USAGE OF MODERN BANKING SERVICES

Factor analysis helps to reduce the innumerable variables into limited number of latent factors having inter-correlation within themselves. Hence factor analysis is attempted to reduce the numerous variables into limited number of factors. In order to apply factor analysis, the basic assumption to be fulfilled is the factorability of the correlation matrix. KMO measures of sampling adequacy and the Bartlett's test of sphericity determine the factorability of the correlation matrix. The results of the calculation are presented below.

Table 2
KMO and Bartlett's Test for Factors influencing the preferences and usage of modern banking services

Kaiser-Meyer-Olkin measure of Sampling Adequacy		0.900
Bartlett's Test of Sphericity	Chi-Square	1964.177
	Degrees of freedom	136
	Significance	0.000

Source: Computed Data

High value of Kaiser – Meyer – Olkin (KMO) test of sample adequacy (0.900) indicates the correlation between the pairs of variables explained by other variables and thus factor analysis is considered to be appropriate in this model.

The Bartlett's test of sphericity chi-square indicates the population correlation matrix. It is an intensity matrix. The test of statistics for sphericity is based on X^2 test, which is significant. The value is 1964.177.

Findings of the KMO and Bartlett's test reveals that the factor analysis can be rightly employed in this context as evidenced through a higher KMO Measure (0.900) and a significant Bartlett's test result. Hence factor analysis is attempted. Analysis of factors influencing the preferences and usage of modern banking services is made through rotated factor matrix which reveals that there are four major factors influencing the preferences and usage of modern banking services. The findings of the rotated factor analysis on the factors influencing the preferences and usage of modern banking services are presented in Table 3.

Table 3

Rotated Factor Matrix for Factors influencing the preferences and usage of modern banking services

Sl. No	Factors	F1	F2	F3	F4	h2
1.	Convenience of transaction	.694	.089	.116	.014	.666
2.	Linking of banking accounts with payment bank	.682	.022	.037	.078	.306
3.	Beneficial for expenditure tracking	.650	.236	.067	.038	.473
4.	Instant refund facility	.639	.114	.078	.086	.445
5.	Innovative features of payment	.637	.100	.119	.121	.403
6.	Perform cash less transaction without extra charges	.630	.156	.030	.064	.435
7.	Safety of money deposited	.330	.766	.072	.064	.503
8.	Free transaction of not small denomination of currency	.304	.743	.104	.078	.997
9.	Application interface	.237	.702	.080	.031	.999
10.	Immediate proofs of transactions	.227	.592	.019	.067	.364
11.	Security and confidentiality of transaction	.226	.573	.036	.019	.429
12.	Less transaction time	.133	.202	.654	.055	.439
13.	Details for fund transfer	.299	.168	.612	.066	.484
14.	Not required to visit bank for transactions	.203	.158	.598	.048	.426
15.	Discounts/offers available on modern banking usages like points, wallets and discounts	.439	.192	.054	.941	.213
16.	Easy usability	.144	.123	.178	.927	.326
17.	Good customer services	.172	.118	.067	.925	.425

Extraction Method : Principal Component Analysis

Rotation Method : Varimax with Kaiser Normalization

Source : Primary Data

The above table exhibits the rotated factor loading for the seventeen statements (variables) of factors influencing the preferences and usage of modern banking services. It is clear from table that all the seventeen statements have been extracted into four factors.

Table 4**Factors influencing the preferences and usage of modern banking services – Factor Wise Analysis**

Sl. No	Factors	Eigen Value	Percentage of Variance	Cumulative Percentage of Variance
1.	Convenience and Innovation	3.718	16.849	16.849
2.	Safety and Confidentiality	2.565	11.624	28.473
3.	Time saving	3.022	13.693	42.166
4.	Customer services	4.515	20.459	62.625

Source: Computed Data

The executed factor analysis results in four important factors namely convenience and innovation factor, safety and confidentiality factor, time saving factor and customer services factor.

The first two important factors of factors influencing the preferences and usage of modern banking services are convenience and innovation factor and safety and confidentiality factor since its eigen values are 3.718 and 2.565 respectively. The per cent of variation explained by these two factors are 16.849 and 11.624 per cent respectively. The next two factors are time saving factor and customer services factor since their eigen values are 3.022 and 4.515 respectively. The analysis reveals that the narrated four factors explain the 17 variables leading to factors influencing the preferences and usage of modern banking services to an extent of 62.625 per cent.

Variables in Convenience and Innovation Factor and its Reliability

The convenience and innovation factor consists of six variables since their factor loading in this factor are higher than the other factors. The overall reliability of the variables in this factor has been estimated with the help of cronbach alpha. The results are given in Table 5.

Table 5
Convenience and Innovation Factor

Sl. No	Variables	Factors Loading	Communality	Cronbach's Alpha
1.	Convenience of transaction	.694	.666	0.887
2.	Linking of banking accounts with payment bank	.682	.306	
3.	Beneficial for expenditure tracking	.650	.473	
4.	Instant refund facility	.639	.445	
5.	Innovative features of payment	.637	.403	
6.	Perform cash less transaction without extra charges	.630	.435	

Source: Computed Data

The factor loading of the variables in the convenience and innovation factor varies from 0.630 to 0.694. The communality value is identified as higher in the case of convenience of transaction since its communality value is 0.666. The included six variables in convenience and innovation factor explain it to an extent of 88.70 per cent since its Cronbach Alpha is 0.887.

Variables in Safety and Confidentiality Factor and its Reliability

The variables in safety and confidentiality factor are five variables namely safety of money deposited, free transaction of not small denomination of currency, application interface, immediate proofs of transactions and Security and confidentiality of transaction. The factor loading of the variables in safety and confidentiality factor and its communality values are drawn from the factor analysis. The overall reliability has been tested with the help of Cronbach Alpha. The results are given in Table 6.

Table 6
Safety and Confidentiality Factor

Sl. No	Variables	Factors Loading	Communality	Cronbach's Alpha
1.	Safety of money deposited	.766	.503	0.882
2.	Free transaction of not small denomination of currency	.743	.997	
3.	Application interface	.702	.999	
4.	Immediate proofs of transactions	.592	.364	
5.	Security and confidentiality of transaction	.573	.429	

Source: Computed Data

The factor loading of the variables in the safety and confidentiality factor varies from 0.573 to 0.766. The higher communality value is noticed in the case of application interface since its value is 0.999. The included variables in safety and confidentiality factor explain it to an extent of 88.20 per cent since its Cronbach Alpha is 0.882.

Variables in Time Saving Factor and its Reliability

In total, there are three variables noticed in the time saving factor since their factor loadings are higher in this factor than in other factors. The Cronbach Alpha is computed to find out the overall reliability. The factor loading of the variables in time saving factor, its communality and Cronbach alpha is given in Table 7.

Table 7
Time Saving Factor

Sl. No	Variables	Factors Loading	Communality	Cronbach's Alpha
1.	Less transaction time	.654	.439	0.879
2.	Details for fund transfer	.612	.484	
3.	Not required to visit bank for transactions	.598	.426	

Source: Computed Data

The included three variables in time saving factor explain it to an extent of 87.90 per cent since its Cronbach Alpha is 0.879. The factor loading of the variables vary from 0.598 to 0.654. It reveals that the highly correlated variable in the time saving factor is 'Less transaction time' since its factor loading is 0.654. The higher communality is noticed in the case of 'Details for fund transfer' since its value is 0.484.

Customer Services Factor and its Variables

The factor analysis identified the variables namely 'Discounts/offers available on modern banking usages like points, wallets and discounts', 'Easy usability' and 'Good customer services' since their factor loadings are higher in these factor than in other factors. The internal consistency of the factor is tested with the help of Cronbach Alpha. The results are shown in Table 8.

Table 8
Customer Services Factor

Sl. No	Variables	Factors Loading	Communality	Cronbach's Alpha
1.	Discounts/offers available on modern banking usages like points, wallets and discounts	.941	.213	0.875
2.	Easy usability	.927	.326	
3.	Good customer services	.925	.425	

Source: Computed Data

The factor loading of the variables in customer services factor varies from 0.925 to 0.941. It reveals that the highly correlated variable in the customer services factor is 'Discounts/offers available on modern banking usages like points, wallets and discounts' since its factor loading is 0.941. The higher communality is seen in the case of 'Good customer services' since its communality value is 0.425. The included three variables in customer services factor explain it to an extent of 87.50 per cent since its Cronbach Alpha is 0.875.

Problems faced while using modern banking services of public sector banks among different age group of customers

In order to find out the significant difference in problems faced while using modern banking services of public sector banks among different age group of customers, 'ANOVA' test is used with the null hypothesis as, "**There is no significant difference in problems faced while using modern banking services of public sector banks among different age group of customers in Kanyakumari District**". The result of 'ANOVA' test for problems faced while using modern banking services of public sector banks among different age group of customers is presented in Table 9.

Table 9

ANOVA for Significant difference among Age group of customers with respect to the Problems faced while using modern banking services of public sector banks

Problems	Age Group (Mean Score)						F Statistics
	Below 20 years	20-30 years	31-40 years	41-50 years	51-60 years	Above 60 years	
Cards get blocked	3.7143	3.9176	3.9474	4.1163	4.1200	4.3043	1.755
Machine out of cash	4.0575	4.1429	4.2045	4.2174	4.3421	4.5200	2.641*
Non printing of statement	4.2396	4.2955	4.3684	4.4286	4.5200	4.5517	1.091
Long waiting time in queues	4.2268	4.2895	4.2500	4.3200	4.4783	4.4286	1.049
Reduction in balance without cash payment	3.8800	3.9106	4.0000	4.1136	4.2857	4.3478	1.323
Not providing information	3.7143	4.0064	4.0263	4.0000	4.3200	4.2609	1.040
Not being able to maintain security	3.5684	3.7474	3.8091	3.9400	3.9217	4.1000	2.599*
Not giving fast response	3.5140	3.7263	3.6682	3.7600	3.6957	4.0000	1.344
Leaving the operation unfinished	4.1053	4.2300	4.4286	4.6291	4.4737	4.5652	1.529
Internet banking can be tampered with by others	4.2857	4.3300	4.4569	4.4887	4.5227	4.6087	2.463*
Waiting for long time for conducting of transactions	3.8946	3.9130	3.9785	3.9318	4.1429	4.2105	1.892
Too many steps in processing transaction	3.8914	3.9545	3.9879	3.9247	4.0263	4.1500	1.162
Lack knowledge of customer service representative	3.7391	3.7764	3.8571	3.8684	3.9545	4.0800	1.675
Absence immediate connection to the service	3.6800	3.8211	4.0263	4.0435	4.2000	4.2857	1.703
Lack of prompt service	4.2003	4.3458	4.4783	4.5143	4.5400	4.5987	2.451*
Lack of clear guidelines	4.1534	4.1818	4.2609	4.2895	4.4800	4.5714	1.239
Login / Sign off are not easy	4.4080	4.4526	4.5364	4.6400	4.6957	4.3143	1.699
Lack of security in transactions	4.0684	4.1857	4.2421	4.3545	4.4500	4.4348	1.551
Lack of appropriate software	3.7380	3.9375	3.9837	3.9455	4.1200	4.1729	2.678*

Source: Primary data

*-Significant at five per cent level

From the above table, it is understood that login/sign off are not easy and internet banking can be tampered with by others are the important problems faced while using modern banking services of public sector banks among the customers who belong to the age group of below 20 years as their mean scores are 4.4080 and 4.2857 respectively. Table reveals that login / sign off are not easy and lack of prompt service are the important problems faced while using modern banking services of public sector banks among the

customers who belong to the age group of 20 to 30 years as their mean scores are 4.4526 and 4.3458 respectively. It is further understood that login/sign off are not easy and lack of prompt service are the important problems faced while using modern banking services of public sector banks among the customers who belong to the age group between 31-40 years as their mean scores are 4.5364 and 4.4783 respectively. Table further shows that login/sign off are not easy and leaving the operation unfinished are the important problems faced while using modern banking services of public sector banks among the customers who belong to the age group between 41-50 years as their mean scores are 4.6400 and 4.6291 respectively. Table further reveals that login / sign off are not easy and lack of prompt service are the important problems faced while using modern banking services of public sector banks among the customers who belong to the age group between 51-60 years as their mean scores are 4.6957 and 4.5400 respectively. Table further highlights that internet banking can be tampered with by others and lack of prompt service are the important problems faced while using modern banking services of public sector banks among the customers who belong to the age group of above 60 years as their mean scores are 4.6087 and 4.5987 respectively. Regarding the problems faced while using modern banking services of public sector banks among different age group of customers, machine out of cash, not being able to maintain security, internet banking can be tampered with by others, lack of prompt service and lack of appropriate software are statistically significant at 5 per cent level.

Problems faced while using modern banking services of public sector banks among different gender group of customers

In order to find out the significant difference in problems faced while using modern banking services of public sector banks among different gender group of customers, 't' test is used with the null hypothesis as, **"There is no significant difference in problems faced while using modern banking services of public sector banks among different gender group of customers in Kanyakumari District"**. The result of 't' test for problems faced while using modern banking services of public sector banks among different gender group of customers is presented in Table 10.

Table 10

't' test for Significant difference among Gender group of customers with respect to the Problems faced while using modern banking services of public sector banks

Problems	Gender Group		T Statistics
	Male	Female	
Cards get blocked	4.0872	3.9700	1.158
Machine out of cash	4.1929	4.0574	1.408
Non printing of statement	4.3423	4.2625	1.877
Long waiting time in queues	4.4174	4.1764	2.597*
Reduction in balance without cash payment	4.1000	3.8468	1.546
Not providing information	4.1940	3.9033	1.847
Not being able to maintain security	3.8442	3.5757	2.508*
Not giving fast response	3.7047	3.4850	2.229*
Leaving the operation unfinished	4.5034	4.3017	1.023
Internet banking can be tampered with by others	4.3423	4.1525	1.035
Waiting for long time for conducting of transactions	4.0866	3.8037	1.008
Too many steps in processing transaction	4.0738	3.8372	2.791*
Lack of knowledge of customer service representative	4.0000	3.7276	2.649*
Absence immediate connection to the service	3.9658	3.7970	1.297
Lack of prompt service	4.7315	4.3355	2.583*
Lack of clear guidelines	4.3550	4.0964	2.661*
Login / Sign off are not easy	4.6302	4.4515	1.301
Lack of security in transactions	4.4289	4.1957	1.397
Lack of appropriate software	3.9262	3.7841	1.381

Source: Primary data

*-Significant at five per cent level

From the above table, it is understood that lack of prompt service and login / Sign off are not easy are the important problems faced while using modern banking services of public sector banks among the male customers as their mean scores are 4.7315 and 4.6302 respectively. It is further understood that login/sign off are not easy and lack of prompt service are the important problems faced while using modern banking services of public sector banks among the female customers as their mean scores are 4.4515 and 4.3355 respectively. Regarding the problems faced while using modern banking services of public sector banks among different gender group of customers, long waiting time in queues, not being able to maintain security, not giving fast response, too many steps in processing transaction, lack of knowledge of customer service representative, lack of prompt service and lack of clear guidelines are statistically significant at 5 per cent level.

SUGGESTIONS

- ✓ Research suggests that the financial services offered over information technology by the banks should be simple and easy for the customers to understand. These services should not be a challenge for those who have to choose among them.
- ✓ Banks should conduct a periodical survey to understand the customers' views regarding the simplicity and easy understanding of the operations through their websites and other e-banking services.
- ✓ To increase the customers' level of satisfaction, it is suggested that the banks must ensure and adopt a properly designed and well-operated automated call centres to eliminate errors in call handling problems with the websites and problems with the networks caused through phone banking.

CONCLUSION

It is concluded that the most of the customers in and around Kanyakumari district were aware of the modern banking services offered by the public sector banks. They need not waste much time in a queue and can carry out the transactions within the short span of time. Overall, it enhances that the customers had a positive impact towards the modern banking services offered in Kanyakumari district.

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