

**FINANCIAL SERVICES BY NEW GENERATION BANKS ON CUSTOMERS OF
UNORGANISED SECTOR -MYTH OR REALITY**

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"It is well enough that people of the nation do not understand our banking and monetary system, for if they did, I believe there would be a revolution before tomorrow morning."

— *Henry Ford*

Abstract

One of the most challenging and complex industry in the service sector is the banking business. The banking industry in India has periodically undergone a number of dramatic developments. With the entrance of new generation banks in the private sector, the Indian banking industry has been going through various dynamic structural reforms. The research paper intends to assess the expectation and experience of customers of unorganized sector on the service quality of new generation banks. The scope of the study is limited to the unorganised customers in Alappuzha District.

Keywords: Banking Industry, Financial Services, Service Quality, New Generation Banks, Unorganised Customers

Introduction

A substantial section of our economy and a crucial component of our financial system are the banking and financial services industries. In order to improve the overall customer experience and to avail a competitive edge, the banking industry is placing a great emphasis on offering their clients improved services and developing their digital infrastructure. When New Generation private sector commercial banks were introduced, significant changes were made in the banking sector. Public sector banks pre dominated the Indian banking system. Private sector banks now hold a more realistic position in the banking sector because of the utilisation of technology and skilled management. With its wide range of services, new generation banks have drawn clients from both high- and low-income categories. New generation banks do have obstacles, just as a coin has two sides. The competition itself is the most significant out of them all. Since the banking sector offers identical products and must abide by regulations, it is difficult for them to draw in and keep customers.

New Generation Banks in India

To examine the composition and operation of the current Indian financial system, the government established the Narashima Rao Committee in 1991. According to the committee's findings, the government has approved the introduction of private banks in India by individuals, corporations, and foreign non-resident Indians. These establishments are referred to as New Private Sector Banks (NPSB), commonly known as New Generation Banks (NGB). The fastest-growing sector in India is new private sector banks due to its performance and efficient work structure. The major new private sector banks are AXIS Banks, established in 1994, HDFC Bank, formed in 1994, ICICI Bank, established in 1996, Development Credit Bank, established in 1995, IndusInd Bank, established in 1994, Kodak Mahindra Bank, established in 2003, and Yes Bank, established in 2005. There are currently 21 private sector banks in the banking industry, including 7 new private sector banks and 14 old private sector banks. These brand-new banks have actively promoted their offerings by utilising innovative technologies.

Significance of New Generation Banks

Banks of the new generation are not just those that are putting innovative strategies into practise to stay afloat. However, through structuring their internal and external activities, banks are taking part in the process of bringing about a radical transformation to address the constantly shifting market requirements and client preferences.

The concept of direct sales representatives was created by the new banks, who delivered loans customers' doorsteps while interacting with them about credit products.

New generation banks have benefited from technology in a number of ways, including increased productivity, creative products, quick transactions, easy fund transfers, real-time information systems, and effective risk management.

The new private sector banks generally attributed to the rise of India's economy

The availability of house loans and other types of loans in hundreds of Indian cities and towns were ensured by new generation banks.

The new generation banks also promoted the idea of financial innovation, which is essential for fostering inclusive growth by bringing hundreds of millions of people into the banking system.

Developments in Banking Industry

Indian banking has pioneered improvements toward a greater use of technology, better customer service, and innovative products owing to the entry of new competitors including new private banks and foreign banks. As a result, bankers have to adapt their strategies from "traditional banking" and "convenience banking" and "mass banking to class banking" as the industry transforms from a seller's to a buyer's market. The change has also improved a common man's ability to obtain banking services for a variety of wants and requirements through various channels. The developments in banking industry are as follows:

Innovation in Products and Processes, Change in Customer Expectations, Branding of organisations, Improvement in Service Quality, Increasing focus on Retail Banking, Shift Toward Branchless Banking, Increasing non-interest and fee based income, Bank assurance – Collaboration between Banking and Insurance Companies, Outsourcing of Resources, Mergers acquisitions and consolidations and Timeless and Placeless Banking (Anywhere, Anytime, Anyplace Banking)

Unorganised Customers and New Generation Banks

People who work for a daily wages are termed as unorganised customers in this research study. They are self-employed and make a living each day. Drivers, plumbers, electricians and other unskilled labours are a few examples. They lack a regular monthly salary or salary receipt to present to banks in order to obtain loans and other financial services. Most of them may lack sufficient collateral to mortgage in order to obtain loans from other nationalised banks, which are highly strict about their policies and procedures. The purpose of the study is to determine whether they prefer new generation banks for financial services, if so, why, and how they feel after availing such services.

Need and significance of the study

The most efficient use of both personnel and technology has been made by the new generation private sector banks. The management of these organizations are professional. These have increased their popularity and developed them more quickly and robustly. Moreover the lending policy and procedures of public sector banks and other old generation private banks are stringent and rigid hence people find it more convenient to opt for new generation banks. The current study focuses only on unorganised customers in Alappuzha District.

Methodology

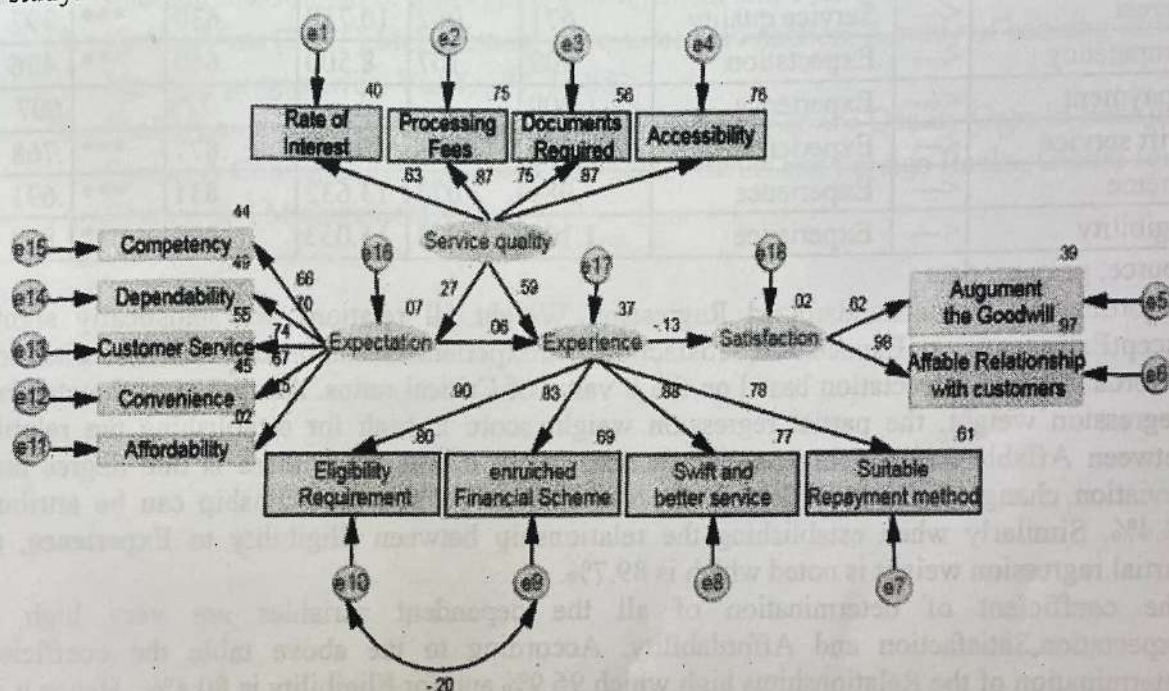
The research is empirical. The purpose of the study was to analyse the experience of customers of unorganized sector on the financial services offered by new generation banks. The present study focuses on unorganised customers in Alappuzha District. Convenience sampling method was used for the sampling process and the total sample size for the study was limited to 75.

Objectives of the study

The primary objective of the study is to empirically analyse the expectation and experience of customers of unorganized sector on the service quality of new generation banks in Alappuzha. The study also focuses on the level of satisfaction of unorganised customers. As per the conceptual framework, the following hypothesis has been developed:

Hypothesis 1 (H1): There is goodness of fit in the experience of customers

Hypothesis 1 (H1): There is goodness of fit in the experience of customers. In the present structural equation model, following variables were considered to analyse the experience of unorganised customers on financial services offered by new generation banks. Any group of behaviours or activities that people anticipate from a firm when they interact with it are known as customer expectations. It includes Competency, Dependability, Customer Service, Convenience and Affordability. Customer experience encompasses every aspect of a company's offering such as eligibility requirement, enriched financial schemes, swift and better service and suitable repayment method. *Service quality measures how well a company meets consumer expectations in terms of the services it provides.* It includes rate of interest, processing fees, documents required and accessibility. Customer satisfaction is defined as a measurement that determines how happy customers are with a company's products, services, and capabilities which is influenced by the goodwill of the company and its relationship with the customers. An analysis of the new generation banks' effects on clients in the unorganised sector has been made under this study.



Result and discussion

In the present study the following are the variables used to examine the experience of unorganised customers on financial services offered by new generation banks. Unobserved, endogenous variables are Experience, Expectation and Satisfaction. Unobserved, exogenous variables are Service quality and all error variables. Thus the total number of variables in the model is 37, number of observed variables are 15, number of unobserved variables are 22, number of exogenous variables are 19 and number of endogenous variables are 18.

Table 1.1 Regression Weights: Experience of Unorganised Customers on Financial Services offered by New Generation Banks

Relationship			Estimate	S.E.	C.R.	Standardised	P	R ²
Expectation	<---	Service quality	.196	.056	3.479	.266	***	.071
Experience	<---	Expectation	.057	.063	.908	.059	.364	.366
Experience	<---	Service quality	.417	.051	8.211	.587	***	
Satisfaction	<---	Experience	-.090	.075	-1.194	-.126	.232	.016

Relationship			Estimate	S.E.	C.R.	Standardised	P	R ²
						.622		.387
Goodwill	<---	Satisfaction	1.000			.984	.132	.969
Relationship	<---	Satisfaction	1.565	1.038	1.508	.697		.486
Dependability	<---	Expectation	1.000			.740	***	.548
Services	<---	Expectation	1.074	.118	9.136	.674	***	.454
Convenience	<---	Expectation	.969	.112	8.630	-.152	.034	.023
Affordability	<---	Expectation	-.216	.102	-2.123	.745	***	.555
Documents	<---	Service quality	.756	.056	13.519	.869	***	.755
Fees	<---	Service quality	.995	.060	16.612	.872		.760
Accessibility	<---	Service quality	1.000			.630	***	.397
Interest	<---	Service quality	.671	.062	10.758	.660	***	.436
Competency	<---	Expectation	.909	.107	8.500	.779		.607
Repayment	<---	Experience	1.000			.877	***	.768
Swift service	<---	Experience	.969	.063	15.317	.831	***	.691
Scheme	<---	Experience	.984	.072	13.632	.897	***	.804
Eligibility	<---	Experience	1.103	.073	15.053			

Source: primary data

According to the unstandardized Regression Weight all relations are statistically significant except Experience on Expectation; Satisfaction on Experience; Relationship on Satisfaction and Affordability on Expectation based on the P value of Critical ratios. According to the standardized Regression weight, the partial regression weight score is high for establishing the relationship between Affordable Relationship on Satisfaction. That means when there is one degree standard deviation change in the Satisfaction, the variance on Affordable Relationship can be attributed 98.4%. Similarly when establishing the relationship between Eligibility to Experience, a high partial regression weight is noted which is 89.7%.

The coefficient of determination of all the dependent variables are very high except Expectation, Satisfaction and Affordability. According to the above table the coefficients of determination of the Relationships is high which 96.9% and for Eligibility is 80.4%. Hence it is clear that all the coefficient of determination values is comparatively high.

Based on the model fit summary all the values are high that is CMIN value of the model is 124.89, DF 85, P value .003. CMIN/DF is 1.469. Moreover the RMR value is .075, GFI .940, AGFI .91, NFI .929, RFI .912, CFI .976 and RMSEA .043. This shows that there is structural relationship between service quality, customer expectation and experience among unorganised customers and new generation banks.

Conclusion

Banks place a strong emphasis on customer experience and satisfaction because they are consumer-oriented industry. In particular, new generation banks find it challenging to retain customers due to the fierce industry competition. Our study has shown that consumer expectations and experiences are significantly influenced by service quality. Thus, it was proved that service quality considerably improved customers' overall experiences. To keep existing clients and draw new ones, banks should put in more effort in enhancing the quality of their services. But when it comes to customer satisfaction, it exhibits a negative indication, indicating that additional effort should be made to raise customer satisfaction levels. Customers' interactions with banks are generally unpleasant as a result of how differently banks treat prospective and actual customers.

notably when it comes to debt repayment, arrears, and other issues. As a result, consumers' attitudes about satisfaction were negative. If customer satisfaction can be increased; the banks may enjoy greater goodwill and more cordial relationships with its clients.

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