AWARENESS OF BANKING & FINANCIAL SERVICES

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ABSTRACT:

The major aim of the research paper is to study about the customer awareness towards the banking & financial services and to measure the quality of service offered by banks and financial institutes. Moreover it tries to investigate the relationship between the services, customer satisfaction and loyalty. The approach for this study is exploratory study with high consideration on major purpose of gaining a better understanding of the customer needs towards the services. Survey based methods were used to collect detailed information regarding the customer awareness towards banking & financial services. In order to achieve the aims both primary and secondary sources of data were used. For data analysis and conclusion of the results of the survey, statistical tool like ANOVA test was performed. The empirical results show there is a variation of utilization of services by the customers and also there is a variation in type of services provided by banks and financial institutes.

Key words:

banking services, financial institutes, customer awareness, customer satisfaction.

INTRODUCTION:

A Bank is a financial intermediary that accepts deposits and channels those deposits into leading activities, either directly by loaning or indirectly through capital markets. A bank links together customers that have capital deficits and customers with capital surpluses.

A financial institution is an institution that provides financial services for its clients or members. Probably the greatest important financial service provided by financial institutions is acting as financial intermediaries. Most financial institutions are regulated by the government.Though the capital market size has expanded substantially since financial liberalization, the Indian financial system is dominated by financial intermediaries. The commercial banking sector holds the major share (about 60%) of the total assets of the financial intermediaries, which compriseof commercial anks, urban cooperative banks, rural financial institutions, non-banking financial companies, housing finance companies, development financial institutions, mutual funds and the insurance sectors. In financialbservice industry the word quality means customer expressed and implied requirements are met fully. Customers are more sensitive to service quality and service delivery than manufacturing because they are always in contact with front-line service personnel as opposed to the case of factory workers. Thus banks and any other type of financial service provider are now interested more than ever before in adopting Quality services by implementing TQM.

OBJECTIVES:

- To study about the customer awareness towards the services offered by the banks and financial institutions.

- To identify different types of customers who are utilizing banking and financial services properly.

SAMPLING:

The research is a descriptive type of research in nature. The data has been collected with the help of questionnaire based survey. The sample size for the study is 100. The sample has been taken on the random probability basis and the questionnaire was filled by the bank customers chosen on a random basis from one of the local area at Hyderabad.

DATA COLLECTION:

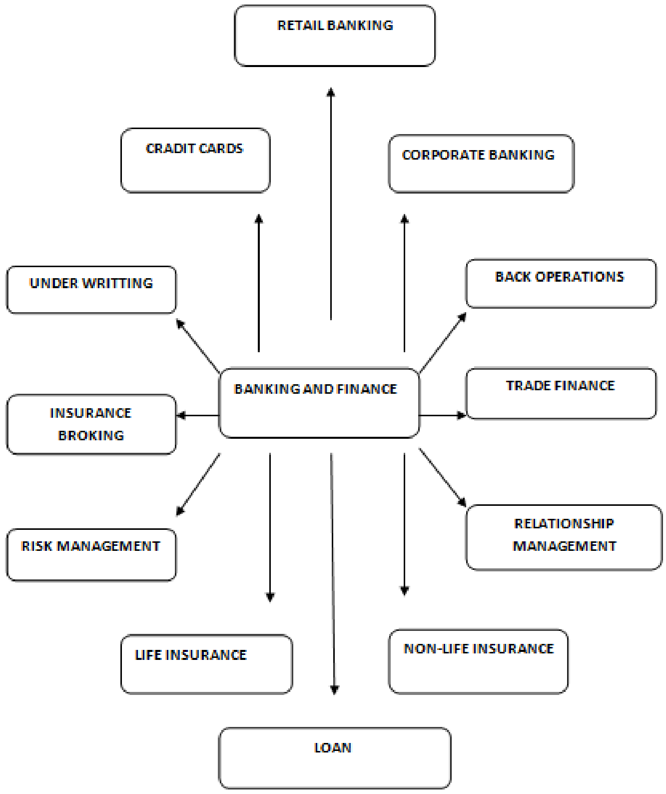
The primary data was collected with the help of questionnaire and personal interview method. The secondary data relating to the study were obtained from the various published and unpublished records, annual reports, journals, magazines and websites.

SCOPE OF THE STUDY:

The study is undertaken in one of the local areas in Hyderabad.

For data analysis and conclusion of the results of the survey, statistical tool like ANOVA test was performed.

TYPES OF BANKING AND FINANCIAL SERVICES:



CREDIT CARDS:

A credit card is a payment card issued to users as a system of payment. It allows the card holder to pay for goods and services based on the holder's promise to pay for them. The issuer of the card creates a revolving account and grants a line of credit to the consumer or the user from which the user can borrow money for payment to a merchant or as a cash advance to the user.

INSURANCE BROKERING:

Bank acts as an insurance broker for providing different types of insurance (generally corporate property and casualty insurance) for the customers.

RISK MANAGEMENT:

Risk can come from uncertainty in financial markets, threat from project failures(at any phase in design, development, production or sustainment life cycles), legal liabilities, credit risk, accidents, natural causes and disasters as well as deliberate attack from an advisory, or evens of uncertain or unpredictable root-cause. Risk management is the identification, assessment and prioritization of risks followed by coordinated and economical application of resources to minimize, monitor and control the probability and/or impact of unfortunate events or to maximize the realization of opportunities.

UNDER WRITTING:

It is the process that a lender or the financial service uses to assess the credit worthiness or risk of a potential customer. Underwriting also refers to an investment banker's process of packaging and selling a security on behalf of a client.

NON-LIFE INSURANCE:

Non-life insurance or general insurance is typically defined as any insurance that is not determined to the life insurance. It is called property and casualty insurance in the U.S & Canada, and non-life insurance in continental Europe. It includes Automobile and home owners policies, provide payments depending on the loss from a particular financial event.

BACK OPERATIONS:

Every banking arm has back office support teams. Back office functions includes settlement of securities and derivatives including FX and commodities, reconciliations, issuance of new securities through Initial Public Offerings (IPO's) and processing asset servicing.

TRADE FINANCE:

It signifies financing for trade; it concerns both domestic and international trade transactions. A trade transaction requires a seller of goods and services as well as a buyer. Various intermediaries such as banks and financial institutions can facilitate these transactions by financing the trade

LIFE INSURANCE:

It is a contract between an insured and an insurer, where the insurer promises to pay a designated beneficiary a sum of money in exchange for a premium, upon the death of the insured person.

RETAIL BANKING:

Retail banking is when a bank executes transactions directly with consumers, rather than corporations or other banks. Services offered include savings and transactional accounts, mortgages, personal loans, debit cards and credit cards.

The term is generally used to distinguish these banking services from investment banking, commercial banking or whole sale banking. It may also used to refer to a division of a bank dealing with retail customer and can also be termed as personal banking services.

LOANS:

In finance, a loan is a debt provided by one entity to another entity at an interest rate and evidenced by a note which specifies, among other things, the principal amount, interest rate and date of repayment. A loan entails the reallocation of the subject asset(s) for a period of time, between the lender and the borrower.

RELATIONSHIP MANAGEMENT:

Relationship management is a focus of the financial and investing industries as a way to identify potential cross-sales of products and services.

CORPORATE BANKING:

Corporate banking is a financial service that is particularly offered to corporations, for instance cash management, financing and under writing. It can also be defined as a banking service that is given to banks.

The key banking services that need to be regularly evaluated for quality improvement are:

1.Processing time of key products and services, e.g., loans, new accounts, ATM cards, credit cards, cheque encashment.
2.Waiting times like- downtime and queuing time.
3.Customer complaints, written or verbal
4.Friendliness and efficiency.
5.Accuracy and timeliness of statements of accounts and records.
6.Effective interest rates, inclusive of all service and hidden charges.
7.Promptness in responding to customer enquiries such as- answering the phone, the no. of rings before phone is picked up, the no. of transfers before the caller talks to the right person and
8.Lost customers and accounts.

ANALYSIS AND INTERPRETATION OF DATA:

Table 1: factor loading table

FACTORS	ITEMS	FACTOR LOADING
LIFE INSURANCE	risk cover	0.72
	planning for life stage needs	0.65
	protection against rising health expenses	0.60
	safe and profitable long term investment	0.93
	assure income through annuities	0.58
	facility of loans without effecting the policy benefits	0.74
	tax benefits	0.90
NON-LIFE INSURANCE	protection from spending money after disaster or damage	0.58
	peace of mind	0.78
	insurance against vehicle damage	0.95
	safety against illness	0.82
CREDIT CARDS	convenience	0.94
	record keeping	0.66
	low cost loans	0.63
	instant cash	0.96
	Perks	0.95

CORPORATE BANKING SERVICES	corporate deposit	0.90
	loan financing	0.78
	investment banking	0.52
	corporate e-banking	0.89
TRADE FINANCE	documentary credit services	0.45
	working capital support	0.54
	documentary collection services for importers	0.72
	documentary collection services for exporters	0.33
LOANS	helps to afford expensive purchase	0.98
	payment is staggered, which makes it affordable	0.88
	funding for starting a business	0.90
RETAIL BANKING	retail deposit are stable and constitute core deposit	0.50
	interest insensitive and less bargaining for additional interest	0.46
	constitute low cost funds for the banks	0.43
	increases the subsidiary business of the banks	0.56

ANOVA TEST

According to prof. R.A.Fisher, Analysis of Variance is the separation of variance ascribable to one group of causes from the variance ascribable to the other group. In statistics the two-way ANOVA not only determine the main effect of contributions of each independent variable but also identifies if there is a significance interaction effect between them.

By using two way ANOVA classifications as statistical tool, we can find out variation of utilization of services by the customers and also there is a variation in type of services provided by banks and financial institutes. Find which pairs of means differ significantly.

Let us assume factors of variation are:

A – Utilization of services by the customers represented along the rows of the table.
B – Types of services represented along the columns of the table.

Hypothesis:

H_oA: There is no variation of utilization of services by the customers.
H_1A: There is a variation of utilization of services by the customers.
H_oB: There is no variation in type of services.
H_1B: There is a variation in type of services.

Table 2: observed data from the survey

	Agriculture	Corporate	Business	Others	R_i	R_i^2
Life Insurance	4	22	6	32	64	4096
Non-life Insurance	18	15	30	15	78	6084
Credit card	5	36	30	12	83	6889
Corporate banking services	0	42	30	5	77	5929
Trade finance	19	0	30	2	51	2601
Loans	22	30	30	10	92	8464
Retail banking	0	5	41	3	49	2401
C_j	68	150	197	79	**G=494**	$\sum R_i^2=36464$
C_j^2	4624	22500	38809	6241	$\sum C_j^2=72174$	

Table 3: Two-way ANOVA table

Sources of variation	Sum of squares	Degrees of freedom	Mean sum of squares	Variation (F)
Services (A)	9116	3	3038.667	F_A=-9.47~F(3,18)
Customers (B)	1595	6	265.834	F_B=-0.82~F(6, 18)
Error (E)	-5774.57	18	-320.809	
Total (T)	4936.43	27		

From F-distribution table, the critical values of F at 5% level of significance are:
F_0.05(3, 18)=3.16 and F_0.05(6, 18)=2.66.
Since the calculated values of the test statistic is less than the critical values on both the cases. Hence reject null hypothesis in both the cases.

CONCLUSION:

From the above empirical study it is concluded that there is a variation of utilization of services by the customers and also there is a variation in type of services provided by banks and financial institutes.

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