



INNOVATIVE BANKING PRACTICES & CUSTOMER SATISFACTION – A STUDY WITH REFERENCE TO SELECTED CUSTOMERS OF CORPORATION BANK M.G ROAD BRANCH, MANGALORE

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Abstract:

Technology has brought tremendous changes in the life style of people around the globe. Banking Industry also has witnessed rapid changes in every dimension. Change has become the order of the day. Introduction of new technologies contributed to the growth of banking sector which in turn contributed to the economic development of the country by leading to high capital formation in the country. Satisfying the ever changing customer needs has become a major concern for all banking organizations as the customers play a vital role in their success and survival in the modern competitive business field. Every day, banking .organizations therefore are looking for innovative ways to satisfy customer needs in order to retain them and to maintain competitive advantage. Banks in India have changed in their operations and moved towards universal banking along with the increased usage of technology and technology-based services, offering alternate channels such as smart cards, ATMs, usage of the internet, mobile and social banking. Corporation Bank being one of the leading banks in the public sector of India has introduced a series of new technologies in its banking operations. This paper highlights the impact of innovative banking technologies on selected customers of one of its branches located in M.G. Road Mangalore.. An attempt is made to understand the level of customer satisfaction regarding the latest services offered by the branch..

Index Terms: Smart Cards, ATMs, Usage of the Internet, Mobile and Social Banking, Core Banking, Tele Banking, Human Resource Management (HRM) & Enterprise Risk (ERP) Management

1. Introduction:

Technology has brought tremendous changes in the life style of people around the globe. Banking Industry also has witnessed rapid changes in every dimension. Change has become the order of the day. Introduction of new technologies contributed to the growth of banking sector which in turn contributed to the economic development of the country by leading to high capital formation in the country. Satisfying the ever changing customer needs has become a major concern for all banking organizations as the customers play a vital role in their success and survival in the modern competitive business field. Every day, banking .organizations therefore are looking for innovative ways to satisfy customer needs in order to retain them and to maintain competitive advantage.

Schumpeter (2002) describes service innovation as a service product or service process that is based on some technology or systematic method that is carried into practice to provide benefit to its developer. Service innovations can for instance be new solutions in the customer interface, new distribution methods. application of technology in the service process, new forms of operation with the supply chain or new ways to organize and manage services.

Banks in India have changed in their operations and moved towards universal banking along with the increased usage of technology and technology-based services,

offering alternate channels such as smart cards, ATMs, usage of the internet, mobile and social banking. Banks have started deploying core banking, human resource management (HRM) and enterprise risk (ERP) management and process re-engineering etc to improve on their performance and productivity. Majority of banks are insisting on cashless and paperless payment modes. According to a KPMG study, a research analyst says, as of Financial Year 2012, non-cash payments constituted 91 per cent in value terms as compared to 88 per cent in Financial Year 2010 and 48 per cent in terms of value from 35 per cent in Financial Year 2010. A bank analyst says that payments made through cheques in total non-cash transaction too has come down to 52 per cent from 83 per cent in volume terms, and to nine per cent from 85 per cent in value terms during the period between Financial Year 2006 and Financial Year 2012. Corporation Bank being one of the leading banks in the public sector of India has introduced a series of new technologies in its banking operations. This paper highlights the impact of innovative banking technologies on selected customers of one of its branches located in M.G. Road Mangalore.. An attempt is made to understand the level of customer satisfaction regarding the latest services offered by the branch..

2. Profile of Corporation Bank:

Corporation Bank is a public sector banking company which is one of the well known and oldest banks in India. It's headquarter is located in Mangalore, India. It was founded in 12th March 1906 by a small group of philanthropists led by Khan Bahadur Haji Abdulla Haji Kasim Saheb .Bahadur in Udupi, India. Previously its name was Canara Banking Corporation and in 1972, its name has been changed into Corporation Bank Limited. The bank was nationalized on 15th April 1980 under Banking Companies (Acquisition and Transfer of Undertakings) Ordinary, 1980. Today bank conducts banking business of every description. It launched total branch automation package in its 46 branches in the year 1996. To provide housing finance the bank established its own fully owned subsidiary in mangalore in the year 1998 under the name CorpBank Homes Ltd. In the same year by entering into strategic alliance with the Stock Holding Corporation of India Ltd it launched the bullion scheme for jewellery exporters. The Industrial Finance Branch of the Bank in New Delhi had received the ISO 90002 certificate issued by Det Norske Veritas, Netherlands during the year 2000. The Bank had entered into a Strategic Business Alliance with Netsavvy Solutions Pvt Ltd, a Chennai-based company to provide Internet banking facilities to its customers, and in the same year the bank had launched its tele-banking facilities called Corp Dial' at its home city-Mangalore and Udipi in Karnataka., India. The Bank made a contract with Info systems Ltd to bring about total branch automation through a unique concept called cluster banking'. The Bank had entered a three-way tie-up to foray into the life insurance sector and had created a separate division within the bank to speed up the entry procedure. Corp Bank had launched Any Branch Banking' product covering the 12 computerized branches in the city and also launched Corp Access - the bank's any branch-banking product at Chennai . Corporation Bank's house magazine Kshema has won The Best Editorial Content Award 2000' in the all-India house journal competition, organized by Mayarm Surjan Foundation, Rajpur. During the fiscal year 2000, the bank apart from its exclusive subsidiary for housing finance CorpBank Homes, had set up another wholly owned subsidiary CorpBank Securities to function as a primary dealer in Government Securities. CorpBank had introduced demat services on its own to its customers in March of the year 2001. The Bank had obtained the right to host ATMs at 14 stations of the Western Railway during the year 2003. The Bank had signed a Memorandum of Understanding (MoU) with National Bank in the year 2003 for

Agriculture and Rural Development (NABARD) for the co-financing of hi-tech agricultural, agro-processing and export-oriented projects. As at March 25th of the year 2003, the bank had inaugurated 33 new outlets within premises of the Life Insurance Corporation. These service outlets, which include extension counters and automated teller machines, spread across the states of Punjab, Delhi, Rajasthan, Jharkhand, Orissa, Maharashtra, Goa, Karnataka and Tamil Nadu. The Bank had entered into an alliance with ECGC (Export Credit Guarantee Corporation) for a corporate agency tie-up and also in the same year 2003, Corp Bank had signed a MOU to collaborate with Eicher for financing tractors to farmers. During the year 2004, the bank had opened five more branches in Bangalore and signed an agreement with DSP Merrill Lynch Mutual Fund. Also in the same year, Corp Bank inked pact with Toyota Motors and signed one MOU with Honda Siel Power Products Ltd to provide easy loans for purchasing Honda power generators. Made tie up with Tractors and Farm Equipment Ltd for financing tractors to farmers. The Bank along with Tanishq had entered into a tie-up with World Gold Council (WGC) to offer finance scheme to their customers for the purchase of gold jewellery. Corporation Bank won the prestigious 'Best Bank Award for Delivery Channels' during the year 2004 from the Institute for Development and Research in Banking Technology (IDRBT), sponsored by RBI. The Bank had released Kisan Card for farmers in the year 2005. During the same year 2005, Corp Bank made an agreement with IL&FS Investment for offering capital market services to the bank's customers. The Bank had unveiled 3 schemes for Small & Medium Enterprises (SMEs) in the year 2006. Corp Bank Homes Ltd, the wholly owned subsidiary of the bank has merged with the bank effective from 4th October of the year 2006. During the year 2006-07, the bank had opened 66 new branches. In 2007, Corp Bank had joined hands with Mumbai's Dabbawallas to source clients for offering banking services and also in the same year Bank had entered into MOU with CRISIL Ltd for Rating of Small & Medium Enterprises and Facility Rating of corporate as required under BASEL II

The bank has pan-India presence with 8,000 functional units comprising 3200 branches, 3200+ ATMs and 4,000 branchless banking units as of 30 January 2015. One of its branches located in M.G. Road Mangalore is fully computerized and provides all types of banking services to the customers.

3. Objectives of Study:

The major objective of the study is to examine the services rendered by Corporation Bank, M.G. Road branch in general, in Mangalore city.

The following are the specific objectives:

- To analyse the factors affecting the level of customers' satisfaction regarding innovative practices of commercial banks in Mangalore city considering the opinions of selected customers under study.
- To ascertain whether occupation wise groups of customers differ in their level of satisfaction from the banking services.
- To study the customers opinions towards various innovative services offered by banks.

4. Hypotheses:

The following hypotheses have been framed to meet the objectives of the study.

- The bank is rendering services to the fullest satisfaction of the customer in the area under study.
- The innovative service quality of Corporation Bank has been increasing customer satisfaction over the years.

5. Methodology:

Sample Design:

A sample of 120 customers who are directly associated with the banks i.e. at least having accounts with the banks and operating the same on a regular basis, were selected for the purpose of the study. The information has been collected through structured questionnaire. Since the bank refused to provide the list of customers, the questionnaires were got filled up from the customer personally visiting to the bank premises. The data were collected during the month of October/November 2015. Ten Customers who come out of the banks on the very day were contacted. The purposes of the study were explained and then the customer was requested to provide his/ her responses with regard to the details of the questionnaire. In a question, respondents were asked to indicate their level of satisfaction with regard to various aspects of innovative banking practices such as Quality of EFT services, Ability to pay bills, Efficiency & correctness of financial status report, Efficiency & quality of multi reporting, User friendliness of system, Range of services offered, Reasonableness of costs, Quality of fund management, Security of transactions. Quality of telebanking, Quality of ATM, Ease of using e banking, Confidence instilled by the bank, Promptness in attending grievances, Bank's concern for customers welfare, Up-to date of technology used etc on a 5-point Likert type scale (1 for "Highly Dissatisfied" to 5 for "Highly Satisfied").

Data Analysis:

Both primary and secondary data were used for the purpose of study. In order to extract meaningful information from the data collected through a survey conducted among 120 customers of Corporation Bank, M.G. Road branch, Mangalore, a data analysis is carried out.. Data have been analyzed by using descriptive statistics. Mean levels of satisfaction of the respondents were calculated. Weighted Average Scores have also been calculated between various aspects of innovative banking practices regarding their level of satisfaction and then ranking was done determining the aspect contributing the most towards the overall satisfaction of customers.

Table 1: Distribution of respondents on the basis of age

Age group (years)	No. of respondents	% of Respondents
15-25	06	5%
25-35	14	11.7%
35-45	43	35.9%
45-55	35	29.1%
55 & above	22	18.3%
Total	120	100%

Source: Survey data.

From the above table it is clear that majority of respondents that is 35.9% of respondents surveyed belong to the age group of 35 years to 45 years.

Table 2: Distribution of respondents on the basis of gender

Gender	No. of respondents	% of respondents
Male	70	58.3%
Female	50	41.7%
Total	120	100%

Source: Survey data

58.3% of respondents covered under survey were men and 41.7% were women.

Table 3: Monthly Income wise distribution of respondents

Monthly Income level	No. of respondents	% of respondents
5,000-10,000	10	8.3%
10,000-15,000	15	12.5%
15,000-20,000	45	37.5%
20,000 & above	50	41.7%
Total	120	100%

Source: Survey data

41.7% of respondents surveyed belong to the income group of 20,000 & above per month. Only 8.3% of respondents belong to the income group of Rs.5,000 to 10,000 per month.

Table 4: Occupation wise distribution of respondents

Occupation	No. of respondents	% of respondents
Employees	45	37.5%
Businessmen	35	29.2%
Professionals	10	08.3%
Students	15	12.5%
Coolie, Agriculture, Household & Others	15	12.5%
Total	120	100%

Source: Survey data.

Majority of respondents i.e. 37.5% of respondents surveyed are employees.

Table 5: Account wise distribution of respondents

Account	No of respondents	% of respondents
Saving a/c	110	91.6%
Current a/c	35	29.2%
Fixed deposit a/c	45	37.5%
Recurring deposit a/c	20	16.7%

Source: Survey data.

Majority of respondents surveyed have saving a/c in the branch. Some of the customers have even other accounts along with their saving bank a/c.

Table 6: Shows how long the respondents are part of this branch

Period	No. of respondents	% of respondents
Less than 1 year	5	4.1
1-2 years	10	8.3
2-3 years	20	16.7
3-4 years	35	29.2
More than 4 years	50	41.7
Total	120	100%

Source: Survey data.

Majority of the customers ie, 41.7% of customers have been receiving services from this branch for more than 4 years. Majority of customers have long standing with the branch.

Table 7: Preferred type of banking according to age group

Age group (years)	Preferred type of banking		
	Electronic banking	Manual banking	Ratio of Electronic to Manual banking (%)
15-25	5	1	83.33%

25-35	12	1	85.71%
35-45	39	4	90.69%
45-55	25	10	71.42%
55 & above	7	15	31.8%

Source: Survey data.

It is evident from the study that customers belonging to all age groups except the age group of 55 years and above prefer Electronic banking to manual banking.

Table 8: Preferred type of banking according to occupation

Occupation	Preferred type of banking		
	Electronic banking	Manual banking	Ratio of Electronic to Manual banking (%)
Employees	40	5	88.9%
Businessmen	35	0	100%
Professionals	8	2	80%
Students	13	2	86.7%
Coolie, Agriculture, Households & others	8	7	53.3%

Source: Survey data.

It is evident from the study that all most all customers prefer electronic banking to manual banking. None of the business customers preferred manual banking.

Table 9: Shows satisfaction level of customers regarding various innovative practices

Services provided	Total number of respondents	Weighted sum	Average level of satisfaction	Rank
Quality EFT services	120	456	3.8	6
Ability to pay bills	120	480	4	5
Efficiency & correctness of financial status report.	120	600	5	1
Efficiency & quality of multi reporting	120	444	3.7	7
User friendliness of system	120	588	4.9	2
Range of services offered	120	432	3.6	8
Reasonableness of costs	120	420	3.5	9
Quality of fund management	120	408	3.4	10
Security of transactions	120	396	3.3	11
Quality of telebanking	120	228	1.9	15
Quality of ATM	120	576	4.8	3
Ease of using e banking	120	564	4.7	4
Confidence instilled by the bank	120	384	3.2	12
Promptness in attending grievances	120	372	3.1	12.5
Bank's concern for customers welfare	120	360	3	14
Up-to date of technology used	120	372	3.1	12.5

Source: Primary data.

The above table shows that the average level of satisfaction of customers is more than neutral ie 3 in all services except in the case of quality of telebanking. Bank needs to give more attention on this regard.

6. Findings:

- Majority of respondents are highly satisfied regarding the innovative banking services provided by the bank. Most of the customers appreciated the services rendered by the branch.
- Competition and changes in life style and technologies have changed the system of banking. The traditional branch based business is on its decline. Banks are now working on alternative ways to provide a variety of services. Customers are not willing to queue in banks, or wait on phones for the most basic services. They demand and expect to be able to transact their financial dealings as and when they wish. With the increase in the number of home computers every year by the customers, the electronic delivery of banking services is becoming the ideal way for banks to meet their clients' expectations.
- The survey conducted also indicates that though a large range of service innovations were available in the bank, the utilization of these innovations has not been uniform and utilization of service innovations have majorly been in Automatic Teller Machines.
- The findings also indicated that Corporation bank through its branches in India continuously engages in providing innovative services to its customers.

7. Conclusion:

Banks continuously invest a large amount on innovations to bring changes in their services and to satisfy the diverse needs of customers. The study indicated that there is a direct relationship between the frequency of banking operations by a customer and the innovative services introduced by the banks. Investment on innovations by banks have been emphasized by many authorities. The investment by banks in the innovation of Automatic Teller machines has been supported by studies conducted by Auluck (2002), who explained that ATMs enhance customer satisfaction as they save customers time in service delivery as alternative to queuing in bank halls, enabling them to invest such time saved into other productive activities. ATMs are also a cost-efficient way of yielding higher productivity as they achieve higher productivity per period of time than human tellers. Furthermore, as the ATMs continue when human tellers stop, there is continual productivity for the banks even after banking hours. Corporation bank being a leading bank in the public sector is striving very hard to meet the requirements of customers in different perspectives. It's branch functioning in the core part of the city, in M.G. Road Mangalore has established a prominent place in the minds of its customers by providing them a variety of innovative services.

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