Research Paper Commerce

An Empirical Study of Factors Influencing the Adoption of Value Added Service in Banking Sector in State of Haryana

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ABSTRACT

In an era of advanced technology, banks are bound to use technology available to provide more value added services. They are bound in order to stay in competition. The banks have learnt that the more the usage of technology in effecting a transaction, the lesser is the cost on it. There are various factors influencing the adoption of value added service in banking sector. The objective of the present study is to identify the said factors, affecting adoption of value added services in banking sector in state in Haryana. Data has been collected from 200 customers of four banks. Factor analysis was used to identify the factors , which are influencing adoption of value
services the study identified six factors influencing adoption of VAS namely trust, Easy To Use, Confidence, Services, Attractive, Control, Innovativeness.

KEYWORDS value added services, banking sector, adoption, factors influencing.

INTRODUCTION

Globalization of final services has evolved a transformation of the sector towards higher efficiency. The banking sector is no exception to this changing scenario which is sweeping across the world. Most of the banks have already envisaged the impact of the operations of the new banks in the country including in Haryana. Banking sector in India has made remarkable progress since independence. It has undergone a major transformation from class banking to mass banking. Prime factors necessitating these changes relate to the forces of competition, productivity, efficiency of operations, reduced operating margins and the need for better asset liability management made possible by unprecedented advance of information technology.

With wafer thin profit margins being the order of the day, the solution to this would lie in increasing volumes well beyond a critical mass so as to result in better operating results for banks. This is best achieved by exploiting the benefits of technology and changed processes which facilitate handling increased volumes at higher levels of efficiency.

Few years back it was beyond any body's imagination to even think about conducting all inclusive banking business using a powerful yet simple medium such as internet even from roadside kiosks, mobile cell phones. Today, this has become order of the day. Such changes have made a positive impact on customer service, but the fundamental benefit that is derived by banks relates to reduced costs of operations – such as handling cash and in servicing customers efficiently.

The task of managers is to focus on those services that result in meeting or exceeding customer expectations. On the one hand, delivery of high quality service to maximum customers offers banks an opportunity to establish themselves in competitive markets. On the other hand, high quality service results in customer satisfaction and loyalty, greater willingness to recommend to someone else, reduction in customer complaints, improved customer retention rates and improvement is lost profitability.

In the light of globalization, whatever 'value' or 'feature' is added to core banking services, can be termed as value addition. Value added services (VAS) are unlike core services. They have unique characteristics and they relate to other services in a completely different way, these services increase the worth of firm's offering. The expectations of customers are becoming high and higher with the expansion of new age services. The changing need of customers reflects the expectation of value added services for basic banking requirements by way of removing customer constraints regarding branch location, timings, geographical boundaries, access mode and settlement means.

Today CUSTOMER is the KING. All the banking facilities are designed to woo the customers. Value added services have been the key driver of the revolutionary changes in the Indian Financial Sector with the increasing demand for interconnectivity, Internet Banking and Automated Teller Machine (ATM), Phone Banking, Mobile Banking and Bill payments are new facilities that Banks are using not only to attract customers but also to help themselves reducing their own operating costs. With extensive globalization of Indian economy during last decade commercial banking scenario in the major business centers of country saw a sea change to keep pace with the requirements of the market for providing services of international standards. Banking sector has adopted technology as a tool to fight against new threats and to achieve following

- Cost reduction
- Product differentiation
- Customer-centric services

Although the ways in which banks implement these, may vary; the underlying objectives remain the same.

Literature Review

Milind sathye (1999) in their study investigated on Adoption of Internet banking by Australian

Consumers to determine quantify the factors preventing adoption of Internet banking in Australia Data were analyzed by using Percentage, Chi-square test. The finding extracted from analysis showed that security concerns and lack of awareness about Internet banking and its benefits stand out as the obstacles to non-adoption of Internet banking in Australia.

Lassar, Manolis, Lassar (2004) conducted a survey on 'The relationship between consumer innovativeness, personal characteristics, and online banking adoption" to examines the adoption of e-banking and how personal innovation attitudes,

internet-related self-efficacy, type of web use, and demographic characteristics affect adoption. Data were analyzed with the help of Exploratory factor Analysis, Logistic regression and Results revealed that levels of consumer innovation do matter when it comes to adapting and utilizing e-banking products and procedures. As far as domain-specific (internet) innovation is concerned, consumers who are internet opinion leaders are significantly more likely to adopt or utilize online.

Mr. Ankit Shah (2004) conducted research on "Factors Affecting Customer Adoption of Internet Banking to determine investigating the factors that influence the adoption of Internet banking (IB) and Assessment of relative importance and effect of these factors on the overall IB adoption among consumers. Data were analyzed by using factor analysis and chi-square test. Result indicated that adoption of IB is dependent on five key factors and Banking Needs is the most significant factor towards adoption of Internet banking followed by Risk and Privacy Concerns, Cost Saved, Feature Availability and Convenience.

Objectives of the study

This paper aims to study the Factors influencing the adoption of value added service in banking sector in state of Haryana.

Research Methodology

Sample

In this study the target sample size was 200 respondents from Haryana. Convenience sampling method was adopted in this study.

Data Collection Method

The questionnaire for the present study was designed based on the objectives of the study. Five point likert scale is used for this study. Questionnaire was divided in two sections. Part – A consisting questions relating to their Demographic profile and Part- B consisting factors Study of Factors influencing the adoption of value added service in banking sector in state of Haryana.

Analysis of Data:

Descriptive Statistics and Factor Analysis is used for analysis of data.

Table 1: Distribution of Respondents according to their Demographic profile

Sr. No.	Particulars	Category	Frequency	Percentage
1.	Gender	Male	104	52
		Female	96	48
2.	Age	Below 25	85	42.5
		Between 25 - 45	100	50.0
		More than 45	15	7.5
3.	Profession	Business	41	20.5
		Service	78	39.0
		Student	60	30.0
		Others	21	10.5
4.	Monthly Income	Below Rs. 10,000	62	31.0
		Between Rs. 10,000-30,000	85	42.5
		Between Rs. 31,000- 50,000	34	17.0
		More than Rs. 50,000	19	9.5
5.	Residential status	Urban	149	74.5
		Rural	50	25.0
6.	Higher qualification	P.G.	109	54.5
		U.G.	51	25.5
		12th	20	10.0
		10th	7	3.5
		Other	13	6.5

Table 1 shows that 52% respondents are male, majority of 50% of respondents belong to the age groups 25-45 years, 39% are belongs to service class, related to urban area and mostly related to income group up to Rs. 10,000-30000. Study reveals that mostly customers are highly qualified.

Factors influencing the adoption of value added service

In order to find out the Factors influencing the adoption of value added service by 200 consumers in banking sector, 40 attributes that can influence their decision were identified and studied. For this purpose factor analysis was applied on the responses provided by respondents.

Table 2: KMO and Bartlett's Test

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.907
Bartlett's Test of Sphericity	Approx. Chi-Square	4082.518
	df	780
	Sig.	.000

Measures of Sample Adequacy such as Bartlett"s test of spherecity (approx chi- square is 4082.518, degree of freedom is 780, significance is 0.000) and KMO value (0.601) showed that data were fit for factor analysis.

Table 3: Total Variance Explained

Component	Initial Eigenvalues			Extraction Sums of Squared Loadings			Rotation Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	11.892	29.729	29.729	11.892	29.729	29.729	5.497	13.742	13.742
2	3.358	8.396	38.125	3.358	8.396	38.125	5.271	13.178	26.920
3	2.832	7.081	45.206	2.832	7.081	45.206	4.003	10.008	36.928
4	2.209	5.522	50.728	2.209	5.522	50.728	3.430	8.576	45.504
5	1.886	4.715	55.443	1.886	4.715	55.443	3.219	8.048	53.552
6	1.297	3.243	58.686	1.297	3.243	58.686	2.054	5.135	58.686

Table 4: Naming of factors and Cronbach Alpha

Factor 1	Item no.	Item details	Factor loading	Cronbach alpha
TRUST	21	I believe my personal information will be kept confidential.	.729	.905
	30	Bank's personnel are highly professional	.685	
	16	I trust that transactions conducted through VAS are secure and secret.	.648	
	18	I trust in the technology that VAS use	.672	
	19	I trust accuracy of transaction information	.692	
	17	I trust payments made through VAS will be kept confidential.	.760	
	31	The Banks' staff is always at their customer's disposal	.742	
	27	The Government is promoting the development of VAS	.658	
	29	The government is active in setting up the facilities to enable VAS	.685	
	28	The government has good regulations and laws for VAS	.687	

Factor 2	Item no.	Item details	Factor loading	Cronbach alpha	
ATTRACTIVE SERVICES	25	I am impressed by the services being offered by the Bank	.713	.908	
	5	Bank offers additional benefits for VAS which encourages me to use VAS	.585		
	24	Bank provides improved facilities at its premises for VAS users.	.757		
	20	Documentary evidence is provided for all the transactions performed through VAS.	.737		
	14	My interaction with VAS is clear and understandable.	.731		
	15	VAS provides services in number of different languages.	.772		
	26	Bank offers personalized and innovative product and services to its customers.	.734		
	23	VAS adoption shows that bank is highly committed to the society	.646		
	22	Paperless Banking is good for environment too.	.668		

Factor 3	Item no.	Item details	Factor loading	Cronbach alpha	
EASY TO USE	7	VAS provides efficiency and speed in delivering services.	.509	.862	
	4	VAS are quicker to use than visiting the bank branch.	.624		
	10	Using VAS will enhance my effectiveness of utilizing banking needs.	.777		
	3	VAS has made transactions with banks easier.	.459		
	8	I feel convenient in accessing banking services through VAS at any time	.650		
	9	Using VAS will improve my performance of utilizing banking services.	.781		
	6	Bank carry out operations quickly I would receive prompt response.	.467		
	11	VAS are compatible with my banking needs	.667		

Factor 4	Item no.	Item details	Factor loading	Cronbach alpha
CONFIDENCE	39	I am confident of using VAS with the assistance of just 'help' function.	.649	.837
	40	I am confident of using VAS even if I have not tried it earlier.	.738	
	38	I am confident of using VAS even if no one around is to help me out.	.704	
	37	I am adaptive to VAS.	.687	
	35	I would be interested to try new banking services.	.633	
	36	I feel comfortable with tech-enabled services.	.705	

Factor 5	Item no.	Item details	Factor loading	Cronbach alpha
INNOVATIVNES	34	My friends rely upon me as a first source of information regarding new product or service	.710	.827
	32	I would seek out a lot of information about VAS in comparison to my friends.	.752	
	33	I secure latest knowledge about new VAS ahead of people in my circle.	.771	
	13	It is easy for me to remember how to perform task with VAS.	.564	
	12	Using VAS is a sign of modernity.	.730	

Factor 6	Item no.	Item details	Factor loading	Cronbach alpha
CONTROL	1	VAS gives me greater control over my finances.	.645	.666
	2	VAS helps conduct banking transactions according to my working style.	.704	

Principal Component analysis was used for extracting factors and six factors were retained depending on Eigenvalues and variance explained. Eigenvalue represents the total variance explained by each factor. The standard practice normally used is that all the factors with an Eigen value of one or more should be extracted. It is shows that there are six factors having eigen values more than 1. Thus six factors have been extracted. The solution of factor analysis gave six factors, which explained 58.686% of the total variance. The results were obtained through varimax rotations and all the loadings greater than 0.40 were retained.

Table 4 clearly depicts that Factor 1 is "TRUST" linear combination of variable number 16, 17,18,19,21,27,28,29,30,31 (α=.905). The rotated matrix has revealed that respondents have perceived this factor to be the most important factor with the highest explained variance of 5.497% (Table 3). Thus "TRUST" " factor indicates the maximum insights of motivating forces. The second important factor called "Attractive Services" are the combination of variable 5, 14,15,20,22,23,24,25 and 26 (α=.908). and the second highest explained variance of 5.271%. The third Factor **"Easy To Use**" is combination of variable number 3, 4,6,7,8,9,10 and 11 (α=0.862). The rotated matrix has revealed that respondents have perceived this factor to be the important factor with the explained variance of. 4.003%. The fourth Factor "Confidence" is combination of variable number 35,36, 37,38,39 and 40 (α=0.837). The rotated matrix has revealed that respondents have perceived this factor with the explained variance of 3.430%. The Factor 5 "Innovativeness" is combination of variable number 12,13,32,33 and 34 (α=0.827). The rotated matrix has revealed that respondents have perceived this factor with the explained variance of 3.219%. The Factor 6 "Control" is combination of variable number 1 and 2 (α=0.666). The rotated matrix has revealed that respondents have perceived this factor with the explained variance of 2.054%.. Thus, it is clear that these factors are also important in making decision as to starting business enterprises.

Conclusion

In order to find out the Factors influencing the adoption of value added service by consumers in banking sector in state of Haryana it is found that TRUST the most important factor with the highest explained variance followed by Attractive Services , **Easy To Use,** Confidence, Innovativeness. Thus the customers of state of Haryana prefer TRUST the most for adopting the Value Added Services. So bank must concentrate most on these factors for promoting their services.

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