

Constructive Measures for the Effective Functioning of Commercial Banks in Theni District

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Abstract: The present study examines the constructive measures required for the effective functioning of commercial banks in Theni District. The banking sector has undergone significant changes due to technological development, digital banking, changing customer expectations and increasing competition. The study focuses on identifying the major measures expected by customers for improving the quality, accessibility, security and efficiency of banking services. Primary data were collected from 300 customers of State Bank of India, Indian Bank, HDFC Bank and ICICI Bank using a convenient sampling technique. The field survey was conducted from June 2023 to December 2023 through personal interviews using an interview schedule. Factor analysis was employed to identify the major constructive measures. The Kaiser-Meyer-Olkin measure of sampling adequacy was 0.824 and Bartlett's Test of Sphericity was significant at 0.000, indicating the suitability of the data for factor analysis. The analysis extracted five major factors from nineteen variables, namely Best Practices for Enhancing Bank Customer Service, Banking Without Barriers, Empowering Every Customer, Secure and Seamless, and Next-Gen Customer Care. These five factors together explain the major expectations of customers regarding the effective functioning of commercial banks. The findings highlight the importance of customer-friendly digital platforms, improved ATM and CDM facilities, inclusive banking services, digital infrastructure, strong security systems, real-time fraud monitoring and technology-based customer support. The study concludes that commercial banks should continuously improve their digital infrastructure, customer service, security measures and financial inclusion initiatives to provide faster, safer, convenient and customer-oriented banking services in Theni District.

Keywords: Commercial Banks, Constructive Measures, Customer Service, Digital Banking, Information Technology

Introduction

Indian banking industry has undergone tremendous changes ever since its origin in Indian soil. "Money makes money" is the basic idea of banking business. Banking sector as a whole takes a different form and structure over a period of its growth keeping its core business of "accepting deposits from the public for the purpose of lending" intact. Inevitably this basic business function itself has to adopt more sophistication in order to achieve the twin objectives of conceptualisation the whole lot of banking function so as to make it more affordable to common man and to achieve the maximum Return on Investment (ROI) under the present competitive environment. Originally the commercial banks in India were established under the private sector. Infact, they were intended to serve a few selected groups of people. Over a period of time, the scope of banking business has widened to serve thousands and thousands of people but still there is a large scope for extension. Interestingly, the size and volume of banking companies were increasing on the one hand and the number of banking failures was also increasing on the other. Only in 1969 and shortly there after, major banking companies in India were nationalised in order to accumulate national resources and to channelize them towards more productive activities. This radical change facilitates to extend the banking function to all kooks and corners of the country to cater to the needs of both



“haves and have nots” equitably and judicially. All barriers in opening new branches have been removed and India becomes one of the countries having best banking network system all over the world. The banking activities have been undergone tremendous changes all over the world due to information technological revolution. More changes become inevitable to face the changes reposed by new developments triggered by the entry of private and foreign banks in to India. The liberalization process initiated by the government of India has also brought about technological upgradation in financial sector as a whole. As a result, state-of- art technology is bound to be adopted in addition to the automating antiquated process. Speed and accuracy with which the financial data are processed due to the application of information technology offers the banking sector an opportunity to cope with information explosion. Recent development in the Indian political scenario altered the edifice of financial structure through the introduction of a new way of taxation (GST) replacing the conventional one and de-monetization has also made great impact. No need to say that all these developments involved heavy capital investments in the form of sophisticated infrastructure facility as well as trained man power forces. Apart from these, the potential threat that may be encountered due to the inherent features in the form of cyber crime coupled with ignorance of customers, as the vast majority of banking customers are still lagging behind the technical the usages of technical peripherals for their banking uses.

Statement Of The Problem

Today banking functions have achieved a spectacular growth all over the world more so in India. The nationalization of commercial banks and entry of private and foreign third generation banks have facilitated the adoption of new techniques emanated out of information technical boom in banking business. Almost all the functions of banks are computerized and customers personal contract has been narrowed down to a very little extent. Today customers need not go to banking premises for basic banking services. Modern technology has provided many opportunities to ease out the complications and difficulties that were so far faced by common banking customers. At the same time new issues are emerging out due to the implementation of modern technologies. Security issues, legal issues and issues related to consumers education in utilization the banking services are the common challenges to be encountered by the over all customers in general and customers living in rural areas in particular. Therefore, a study of Constructive Measures for the Effective Functioning of Commercial Banks in Theni District customers is felt necessary as it is socially relevant. Hence, the present study.

Objectives Of The Study

To analysis the constructive measures for the effective functioning of commercial banks in Theni District

Review Of Literature

Sharma and Malhotra (2014) examined the role of technology in improving banking services and customer satisfaction. The study highlighted that technological developments such as internet banking, mobile banking and electronic payment systems have improved the speed, convenience and accessibility of banking services. At the same time, the authors observed that security concerns, lack of awareness and difficulties in using technology can affect customers' acceptance of digital banking services. The study suggested that banks should provide reliable technological infrastructure and customer education to improve the effectiveness of technology-based banking services.¹

Amutha D (2016) In her article deals the consumers perception towards e-banking system related to consumer awareness towards e-banking system with special reference to Tuticorin District of Tamilnadu. It is found that 36.67 per cent of the respondents income levels are up to Rs. 1,00,000, 52.22 per cent of the respondents are Rs. 1,00,001 to Rs. 3,00,000 and 11.11 per cent respondents are belonging to above Rs. 3,00,000 and the average income is 167222. The study reveals that, the opinion of customers on future expectations. Out of the total respondents, Majority (i.e.) 58.89 per cent of the sample respondents have mentioned that they would like operate their banking transactions in a core banking environment which is free from neither technical intervention such

as computer connecting nor 23.33 per cent of the samples respondents expect the bank will provide security. 17.78 per cent of the sample respondents have stated reasonable charges have to be imposed on their banking transaction. The main difficulty for using the E-banking facility is less knowledge about the operations of banking facility (50%).²

May Wang , Stella Cho , Trey Denton, (2017) The results indicated that personalization leads to increased performance expectancy and decreased effort expectancy, which in turn lead to increasing intention to continue to use e-banking services. In addition, compatibility with previous e-banking experience and personalization produces an interaction effect on both performance expectancy and effort expectancy.³

Dipa Mulia , Hardius Usman, Novia Budi Parwanto, (2020), the study deals with Customer intimacy not only encourages the emergence of customer loyalty directly, but also affects the factors that determine customer loyalty itself, such as perceived usefulness, perceived ease of use, perceived risk, trust, sharia compliance and satisfaction. In other words, customer intimacy has a direct and indirect motivate on loyalty.⁴

Sampling Design

Since the study was concerned with the factors motivate the information technology to adoption banking services in Theni district the researcher obtained the State Bank of India, Indian Bank, HDFC and ICICI bank. The sample size taken up for the limited to Three Hundred (300) customers of State Bank of India, Indian Bank, HDFC and ICICI Bank the researcher used convenient sampling technique. Convenient sampling refers to selecting a sample of study on objects based research convenience. However care was taken that all classes of customer such as salaried employee, businessman, professionals and household.

Field Work And Collection Of Data

Fieldwork for the study was conducted from June 2023 to December 2023. The primary data were collected by personal interview of the selected respondents by using an interview schedule. Before starting the actual data collection, the respondents were familiarised with the purpose and the objectives of the present study. The interview was quite informal and was in a conversational style. The interview schedule was administered in the vernacular language and the data were recorded by the researcher in the interview schedule. The interviews were conducted individually with each respondent, so as to avoid bias in response. Every possible care was taken to ensure the accuracy and reliability of information.

Analysis and Interpretation

Table 1: Demographic Consideration of the Respondents

Age	No.of Respondents	Percentages
Below 30	36	12.00
30-40	130	43.33
40-50	78	26.00
Above 50	56	18.67
Total	300	100
Gender	No.of Respondents	Percentages
Male	194	64.67
Female	106	35.33

Total	300	100
Level of Education	No.of Respondents	Percentages
Graduate	106	35.33
Post Graduate	122	40.67
Professional	72	24.00
Total	300	100
Occupation	No.of Respondents	Percentages
Private Employee	226	75.33
Government employee	74	24.67
Total	300	100
Marital Status	No.of Respondents	Percentages
Married	264	88.00
Unmarried	36	12.00
Total	300	100
Income Month	No.of Respondents	
Below 25000	46	15.33
25000-50000	168	56
50000-100000	72	24
Above 100000	14	4.67
Total	300	100
Types of account	No.of Respondents	Percentage
Saving bank account	158	52.70
Current account	116	38.62
Fixed deposit account	26	8.68
Total	300	100.00
Daily transactions times	No.of Respondents	Percentage
Up to 2	78	26
Between 3 and 5	136	45.33
Above 5	86	28.67
Total	300	100

Source: Primary Data

It is evident from Table 1 that a maximum of 43.33 per cent of the respondents are in the age group of 30-40 years, followed by 26.00 per cent of the respondents who are of 40-50 years, respondents with 12.00 per cent are of below 30 years, respondents with 18.67 per cent are above 50 years. The 64.67 per cent of the respondents are male and remain 35.33 per cent constituted female consumers. The out of 300 respondents, a maximum of 40.67 per cent of the respondents are Post Graduates, 35.33 per cent of the respondents are Graduates. The respondents with only Professional level constitute 24.00 per cent of the total. The maximum of 75.33 per cent of the respondents are Private employee, followed by 24.67 per cent of the respondents are Government employee. The out of 300 respondents, a maximum of 88.00 per cent of the respondents are Married, 12.00 per cent of the respondents are Unmarried. The out of 300 respondents 52.70 per cent them are savings account holders and 38.62 per cent of them are current account holders. The out of 300 respondents 45.33 per cent them are Between 3 and 5 time of daily transaction and 28.67 per cent of them are above 5 time.

Factor Analysis

As some of the statements have common components which correlated with one another because of the common factors. To find out the inter-relationship, factor analysis technique is to be adopted.

Factor analysis a tool applicable, when there is a systematic interdependence among a set of observed of manifest variables and the person is interested in finding out something more fundamental or latent which creates this communality. It seeks to resolve a large set of measured variables, in terms of relatively few categories, known as factors. A factor is an underlying dimension that accounts for several observed variables.

The meaning and name of such new variable is subjectively determined by the researcher. Since the factors happen to be linear combinations of data, the co-ordination of each observation or variable is measured to obtain the factor loadings. Such factor loadings represent the correlation between the variables and factors. When the sum of squared values of factors loadings relating to a factor is taken, such sum is referred to as eigen value or latent root. Eigen value indicates the relative importance of each factor in accounting for the particular set of variables being analysed. For realistic results, the technique of rotation is adopted, because such rotation reveals different structures in the data.

Mathematically, factor analysis is somewhat similar to multiple regression analysis. Each variable is expressed as a linear combination of under-lying factors. The amount of variance, a variable share with all the other variables included in the analysis is referred to as communality. The co-variation among the variables is described in terms of a small number of common factors plus a unique factor for each variable. These factors are not observed. If the variables are standardised, the factor model may be represented as:

$$X_i = A_{i1}F_1 + A_{i2}F_2 + A_{i3}F_3 + \dots + A_{im}F_m + V_iU_i$$

Where,

X_i	=	i^{th} standardised variable
A_{ij}	=	Standardised multiple regression co-efficient of Variable I on common factor j
F	=	Common factor
V_i	=	Standardised regression co-efficient of variable I on unique factor
U_i	=	The Unique factor for variable i
M	=	Number of common factor

The unique factors are uncorrelated with each other and the common factors themselves can be expressed as linear combinations of the observed variables.

$$F_i = W_{i1}X_1 + W_{i2}X_2 + W_{i3}X_3 + \dots + W_{ik}X_k$$

Where,

F_i = Estimate of i^{th} factor score co-efficient

W_i = Weight of factor score co-efficient

K = Number of variables

It is possible to select a weight or factor score co-efficient, so that the first factor explains the largest portion of the total variance. Then a second set of weights can be selected so that the second factor accounts for most of the residual variance, subject to being uncorrelated with the first factor. The same principle could be applied for selecting additional weights for the additional factors. Thus the factors can be estimated so that their factor scores, unlike the value of original value, are not correlated. Furthermore, the first factor accounts for the highest variance in the data, the second highest and so on.

The objective of factor analysis is dimension reduction to reduce the large set of correlated variables to few uncorrelated factor forming linear combinations of the variables. This helps to avoid redundancy.

Kaiser-Meyer-Olkin Measure of Sampling adequacy. = 0.824

Bartlett's test of Sphericity

Approx Chi-Square = 8816.154

Degrees of freedom = 171

Significance = 0.000

The KMO and Bartlett Test shows us that the number of sample taken were adequate for academic perspective although it is ideal that it should be closer to the research shows a KMO value of 0.824 which is adequate. Along with the KMO value the level of significance should be less than 0.05, and this research has a good 0.000 level of significance.

The rotated factor matrix Constructive Measures for the Effective Functioning of Commercial Banks in Theni District is given in Table 2

Factors

The factor analysis of the thirty four attributes relating to the factors motivate Constructive Measures for the Effective Functioning of Commercial Banks with Ninety factors and the results are presented in Table 2.

TABLE 2

Rotated Factor Matrix of Constructive Measures for the Effective Functioning of Commercial Banks in Theni District

Sl. No	Variables	Factor 1	Factor 2	Factor 3	Factor 4	Factor 5
1	Customer-friendly homepage of the bank website and Mobile banking application should be created by the bank	0.910	0.092	-0.091	-0.38	0.177

2	Implement failover systems to avoid service downtime.	0.898	0.098	0.106	0.103	0.079
3	Encourage a service mindset across all departments.	0.882	0.066	-0.014	0.011	0.290
4	Minimize paperwork and streamline loan/account opening processes.	0.870	0.060	0.111	0.152	0.005
5	Facilitate online applications for loans, including document uploads.	0.858	0.122	0.030	-0.040	0.276
6	Disclose all service charges on the website	0.843	-0.014	0.366	0.059	0.094
7	The E-Connor should be maintained neat and clean with parking facility	0.788	-0.087	0.177	0.45	0.019
8	Install more E-Connor (ATMs and CDMs) near schools, colleges, hospitals, bus stands, and railway stations.	0.053	0.857	0.148	0.090	0.045
9	Bank should upgrade the investment banking and introduce the Investment schemes through Its	0.155	0.819	0.096	0.146	0.096
10	Increase the limit of fund transfer and withdrawal amount from ATMs and CDMs.	-0.005	0.651	0.055	-0.025	-0.031
11	Bank should introduce a special application and Voice Direction to access the ITs for disabled Person	0.300	-0.016	0.815	0.041	0.138
12	The bank may create a social media account to provide a demo video on how to use new tech-based IT services	0.032	0.219	0.796	0.009	-0.083
13	Expanding digital infrastructure in rural and remote areas	0.064	0.141	0.613	-0.068	0.311
14	Adopt multi-factor authentication and data encryption	0.185	0.143	-0.031	0.812	0.019
15	Integrate real-time fraud monitoring and instant notification systems	0.194	-0.059	-0.051	0.801	0.118
16	Ensure consistent and intuitive user experiences across all digital platforms	-0.269	0.127	0.087	0.679	0.193
17	Offer virtual meetings with bank representatives for more complex inquiries.	0.314	0.014	-0.032	0.184	0.763
18	Enable real-time issue resolution tracking through in-app service request dashboards and live agent escalation.	0.258	-0.112	0.117	0.017	0.656
19	Offer 24/7 customer support through AI-powered chatbots and self-service portals.	0.194	0.267	0.245	0.213	0.631

Source: Computed data

Extraction Method: Principal Component Analysis

Rotation Method: Varimax with Kaiser Normalization

a. Rotation converged in 6 iterations.

The resulted constructive factors for effective functioning of commercial bank in Theni district and the respective Eigen values, per cent of variance and reliability co-efficient are illustrated in Table 3

TABLE 3 Constructive Measure for Effective Functioning of Commercial Bank in Theni district

Sl. No	Factor	Number of Variables	Reliability Co-efficient	Eigen Value	Per cent Variance
1	Best Practices for Enhancing Bank Customer Service	7	25.64	6.470	34.054
2	Banking Without Barriers	3	47.33	2.527	13.299
3	Empowering Every Customer	3	59.59	1.860	09.792
4	Secure and Seamless	3	67.41	1.480	07.791
5	Next-Gen Customer Care	3	73.32	1.118	05.884

*Kaiser-Meyer-Olkin Measures of Sampling Adequacy : 0.824

*Bartlett's Test of Sphericity Chi-Square : 8816.154

Degree of freedom : 171

Significance : 0.000

It is observed from Table 3 that five constructive factors, such as 'Best Practices for Enhancing Bank Customer Service', 'Banking Without Barriers', 'Empowering Every Customer', 'Secure and Seamless', and 'Next-Gen Customer Care' were extracted out of nineteen variables. These factors account for 34.054 per cent of variance in the data. Eigen value for the first factor as 'Best Practices for Enhancing Bank Customer Service', is 6.470 which indicates that the factor contains very high information than the other factors. It provides more expectations on the Best Practices of Commercial Bank in the study area. It is a prime factor because the respondent customers have expectations on 'Customer friendly homepage of bank website and Mobile banking application should be created by bank', 'Implement failover systems to avoid service downtime', 'Encourage a service mindset across all departments', 'Minimize paperwork and streamline loan/account opening processes', 'Facilitate online applications for loans, including document uploads', and 'Disclosure all service charge on the website'. Digital transformation, operational efficiency, and service transparency in enhancing customer satisfaction. Banks that adopt these practices are more likely to improve the user experience, build customer trust, and remain competitive. Emphasized the importance of digital customer experience, service quality, and streamlined banking operations. A bank could attract more customers only when it bestows better attention towards administrative overheads.

The second important factor, called 'Banking without Barriers' accounts for 13.299 per cent of variance. The Eigen value of this factor is 2.527. It explains about the respondent expect the following from commercial bank 'Install more E- Connor (ATMs and CDMs) near schools, colleges, hospitals, bus stands, and railway stations', 'Bank should Upgraded the investment banking and introduces the Investment schemes through ITs', and 'Increase the limit of fund transfer and withdrawal amount from ATMs and CDMs'.

The third important factor, called 'Empowering Every Customer' accounts for 09.792 per cent of variance. The Eigen value of this factor is 1.860. It explains about the respondent expects the following from the commercial bank 'Bank should introduce the special application and Voice Direction to access the ITs for Disabled Person',

‘Bank may create a social media account to provide demo video on how to use new tech-based ITs services’, and ‘Expanding digital infrastructure in rural and remote areas’.

The fourth important factor, called ‘Secure and Seamless’ accounts for 07.791 per cent of variance. The Eigen value of this factor is 1.480. It explains that the respondent expects the following from a commercial bank ‘Adopt multi-factor authentication and data encryption’, ‘Integrate real-time fraud monitoring and instant notification systems’, and ‘Ensure consistent and intuitive user experiences across all digital platforms’.

The fifth important factor, called ‘Next-Gen Customer Care’ accounts for 05.884 per cent of variance. The Eigen value of this factor is 1.118. It explains about the respondent expects the following from the commercial bank ‘Offer virtual meetings with bank representatives for more complex inquiries’, ‘Enable real-time issue resolution tracking through in-app service request dashboards and live agent escalation’, and ‘Offer 24/7 customer support through AI-powered chatbots and self-service portals’.

Conclusion

The adoption of Information Technology (IT) in banking services has significantly transformed the financial landscape in Theni District. Various factors, including government initiatives, increasing smartphone and internet penetration, security advancements, and evolving customer preferences, have contributed to the rapid digitalization of banking services. These advancements have not only improved accessibility and convenience but have also enhanced financial inclusion, particularly for rural and unbanked populations. As technology continues to evolve, the role of IT in banking will become even more crucial, ensuring faster, safer, and more efficient financial transactions. Banks and financial institutions must continue to innovate and invest in digital infrastructure to meet the growing demands of tech-savvy consumers. Moreover, awareness programs and digital literacy initiatives should be encouraged to help all sections of society benefit from IT-enabled banking services. In conclusion, IT-driven banking services in Theni District are a key enabler of financial growth and economic development. By leveraging technological advancements, banks can offer better services, enhance customer satisfaction, and contribute to a more robust and inclusive banking system.

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