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## Metamorphosis of Banking Products - A Perception of Bank Employees

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**HARSHITA B**

**Department of Commerce and Management, Vidya Bhawan Rural  
Institute, Udaipur, Rajasthan, India, Tel: 9251760599**

*Email: [hbhatnagar.mba@gmail.com](mailto:hbhatnagar.mba@gmail.com)*

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### **Abstract**

Banking products are undergoing major changes due to extensive use of it and changing demands of the customers in current scenario. This study basically focuses on the changes came into banking industry and its impact on customers base and bank profits. Data is collected from 50 employees of both private and public sector banks with the help of questionnaire. Hence we can conclude that all banks are providing almost similar products and services to satisfy their customers fully. The continuous metamorphosis of banking products not only results in improvement of customer base but also has positive impact on the profits of the bank. Private sector banks are earning more profits as a result of metamorphosis of traditional banking products in comparison to public sector bank.

**Keywords: Banking products; Metamorphosis; Cross selling products; Profits; Customer base**

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## **INTRODUCTION**

In view of several developments in the 1990s, the entire banking products structure has undergone a major change. As a result of economic reforms, banking industry is totally deregulated and made competitive. Compared to the pre-reform period, the postreform period is characterized by new products, delivery channels and processes coupled with increased classiness. This is all due to more discriminating nature of the users of banking services. Existing products need to be delivered in an innovative and cost-effective way by taking full advantage of emerging technologies. The winners in this sector will be the players who can understand the customer, fulfill customer needs, and achieve high levels of customer retention, leveraging technology, knowledge, and human resources to provide quality products and services and manage risks and returns, thereby delivering value to all stakeholders. Hence this paper is an attempt to have a look on traditional bank products and to study the impact of change in products on profits and customer base of banks.

## **REVIEW OF LITERATURE**

Bhattacharya and Bhowe [1] in his article discuss the problems and perspectives of marketing of banking services in the coming decade. He review the growth and diversification of commercial banking during the post-nationalisation period and commented on the probable nature of marketing of banking services in the 90s, given the challenges confronting the commercial banking. Some other questions in marketing strategies like segmentation, customer services, rural banking, etc are focused. Sreenivasan [2] studies the need for development of new strategies in marketing bank services in India. A number of large banks were nationalised in India in 1969 with a view to make the banking services available all over India in unbanked and under-banked areas, and to protecting the rural population and poor people from the clutches of money lenders by making credit available at subsidized rates. Indian banks have achieved this to a considerable extent but they must expand their services in the marketing and technical advice fields in order to gain the people's confidence in their financial skills. Verma [3] analysed the impact of IT on public sector banks and new private sector banks and observed that IT is a threat for public sector banks whereas strength of new private sector banks which are fully computerized and providing services on internet. Especially ICICI and HDFC Bank are very active on this front and concentrating on internet and e-commerce to offer their clientele a whole range of products less than one roof. Huang et al. [4] said that the success of any new product and service is highly depending on customer acceptance and customer satisfaction. Hence product should be designed by keeping in view the customer wants and needs.

## **RATIONALE OF RESEARCH PROBLEM**

In today's e-world the needs and demand of the customers are changing very frequently due to technology, high cash flow, busy life etc whether it is from Banking Sector or any other. So the need of time says that every customer need different product to fulfill their desire. Therefore in lieu of the above mentioned issue, this study is relevant to be done.

## **OBJECTIVES OF THE STUDY**

The tremendous advances in technology in the banking industry worldwide have turned out to be the nucleus issue of various studies all over the world. The research was guided by the following research objectives:

1. To study comparative analysis of various personal banking products made available by public sector and private sector bank of Udaipur city.
2. To study the effect of metamorphosis of products on profits and customer base.

## **HYPOTHESIS**

There is no virtual difference in various bank products made available by public and private sector banks.

## **DESCRIPTIVE RESEARCH DESIGN**

Descriptive research includes surveys and fact-finding inquiries of different kinds. It attempts to answer who, what, when, how of the subject under study. In order to achieve the above objectives structured instrument, i.e., questionnaire is used for the study. The questionnaire is prepared for employees of banks. These questionnaires are circulated randomly to employees of 5 reputed public and private sector banks. The research design in such type of study must make enough provision for protection against bias and must maximize reliability, with due concern for economical completion of the research study. The time frame of this study is 2012-2014.

## **SAMPLE DESIGN**

A sample design is a definite plan for obtaining a sample from a given population. It refers to the technique or the procedure the researcher would adopt in selecting item for the sample. Sample design may well lay down the number of items to be included in the sample, i.e., size of the sample. Respondents include employees of reputed public sector bank and private sector bank existing

in the Udaipur district.

## Sample size

Drastic changes have been seen in the local as well as global market scenario due to liberalisation, globalisation and privatisation of trade practices. Respondents include employees who belong to 10 reputed banks. Table 1 shows the list of banks taken for study of personal banking product comparison.

Table 1: List of Public and Private Sector Bank Selected For Study

S.NO	PUBLIC SECTOR BANK	PRIVATE SECTOR BANK
1	SBI AND ASSOCIATES	ICICI BANK
2	PUNJAB NATIONAL BANK	HDFC BANK
3	UNION BANK OF INDIA	AXIS BANK
4	ORIENTAL BANK OF COMMERCE	KOTAK MAHINDRA BANK
5	CORPORATION BANK	YES BANK

## Sampling selection techniques

Convenience sampling method is used in the survey method. The questionnaire is distributed to 60 Bank employees of both private and public sector bank out of which 50 questionnaire were found complete and considered for study.

## Data collection

The data is collected through both primary and secondary sources. Structured questionnaire for bank employees is prepared. It has both close ended and open ended questions.

## Primary data collection

The most appropriate method for this research work is Survey Method. It consists of Personal Interview, Telephone Interview and Mail Interview. It is the technique of gathering data by asking questions to people who are thought to have desired information. Questionnaire was prepared and 50 respondents were contacted.

## Construction of a questionnaire

Primary data was collected from respondents using a self administered questionnaire, this created anonymity leading to more valid responses as well as allowing respondents to fill them at their convenience. The questionnaire was

designed according to the objectives and study variables.

## **Secondary data**

The sources of secondary data that is referred are Libraries, trade publications, companies' brochures, websites, various books and journals are some important sources of data are the sources for gathering information.

## **STATISTICAL TOOLS AND TECHNIQUES**

The data groups collected were then analysed by computation of certain measures along with searching for pattern of relationship that exist among them. Relationship or difference supporting or conflicting with the hypothesis was subjected to statistical test and analysis to determine with what validity data can be said to indicate any conclusions. For our study data collected is duly edited, classified and analysed.

The key literature on banking and role of technology in banking is reviewed. Primary data was collected using questionnaire survey. Descriptive and inferential analysis was done and Statistical tools were employed to analyze the data.

## **LIMITATIONS OF STUDY**

Each and every human being is unique in itself. We cannot apply the same approach to different people. As each individual has his/her unique set of mind, opinions, beliefs, aspiration etc therefore we need a specific approach for specific person. Every research work is subjected to certain limitations; and this study is also not an exception. The present study has the following limitations:

1. The responses for the study have been solicited from the rural belt of Udaipur Division, Rajasthan state only. The expectations of the customers in Udaipur may vary from those of the rest of India.
2. Any primary data based study carried through a predesigned questionnaire/ Schedule suffers from the basic limitation of possibility of difference between what is recorded and what is truth, no matter how carefully the interview has been conducted. The present study may also suffer from this limitation because the people might not have deliberately reported their true opinion due to some biasness. Objectives of the study are based upon primary data which is collected from the customers' perspective. So, the study may suffer from the elements of biasness; and it is difficult to reach at the real situation.

## **DATA ANALYSIS AND INTERPRETATION**

The data groups collected were then analysed by computation of certain measures along with searching for pattern of relationship that exist among them. Relationship or difference supporting or conflicting with the hypothesis was subjected to statistical test and analysis to determine with what validity data can be said to indicate any conclusions. In this paper we will study comparative analysis of various personal banking products made available by public sector and private sector bank of Udaipur city. The structured questionnaire is randomly distributed to the bank employee of public sector bank and private sector bank. Finally the data collected is edited, coded and tabulated for the analysis with help of statistical tools in order to test the significance difference in the various bank products made available by public and private banks. Interpretation is shown below along with tables are as follows:

### **Bank wise distribution**

Table 2 shows the distribution of respondents who are employees of Public and Private sector bank. Analysis expose that out of 50 employees there are 22 employees belong to public sector bank whereas 28 employees belongs to private sector bank who gave proper response to the bankers questionnaire and hence are consider for study. The ratio of distributions of respondents is 44% employees belong to public sector bank and 56% employees are from private sector banks. Therefore we can conclude that the responses received from employees of private sector banks are comparatively more than public sector bank.

Table 2: Distribution Of Employees

<b>Type</b>	<b>N</b>	<b>%</b>
Public Sector Bank	22	44.00
Private Sector Bank	28	56.00
<b>Total</b>	<b>50</b>	<b>100.00</b>

### **Work experience wise distribution**

Table 3 shows that distribution of respondent according to experience of working in public and private sector bank. Data reveals that maximum response from both public and private sector bank is received from the employees who belong to the experience range of 5 to 10 year which is 54.55% and 78.57%. But the response from the employees of public sector bank is nil whose experience is less than 5 year.

Table 3: Respondent Distribution According To Experience

Experience	Public		Private	
	N	%	N	%
< 5 yrs	0	0.00	4	14.29
5 - 10 yrs	12	54.55	22	78.57
11 - 20 yrs	6	27.27	1	3.57
> 20 yrs	4	18.18	1	3.57
<b>Total</b>	<b>22</b>	<b>100.00</b>	<b>28</b>	<b>100.00</b>

### Basic traditional products offered

Table 4 shows the different basic/traditional products are available at bank branch of public and private sector bank. From the study, it is revealed that basically four types of traditional products are offered by both type of bank which includes saving account, current account, deposits and loan account. Hence we can say that both types of banks are offering all four products.

Table 4: Different Basic/Traditional Products Offered By Bank

Bank	Public		Private	
	N	%	N	%
Saving account	22	100.00	28	100.00
Current account	22	100.00	28	100.00
Deposits	22	100.00	28	100.00
Loan	22	100.00	28	100.00

### Focus on customer awareness

Banks offer tangible services and it is the responsibility of bank employees to make their customers aware about various products and services offered by the banks. Table 5 shows that employees make their customers aware about different products and services available with the bank branch. It is observed that 100% public as well as private sector bank employee make their customers aware about various services available with products.

Table 5: Customers Awareness about Various Products And Services

Response	Public		Private	
	N	%	N	%
Yes	22	100.00	28	100.00
No	0	0.00	0	0.00
Total	22	100.00	28	100.00

Table 6: It Enabled Services Provided By Bank With Along With Products

Services	Public		Private	
	N	%	N	%
EFT	22	100.00	28	100.00
ECS	22	100.00	27	96.43
Utility payment services	22	100.00	27	96.43
Credit card and debit card	22	100.00	28	100.00
ATM	22	100.00	28	100.00
Internet banking	22	100.00	28	100.00
RTGS	22	100.00	28	100.00
Online tax accounting	22	100.00	25	89.29
Foreign exchange system	22	100.00	28	100.00
Mobile and phone banking	22	100.00	28	100.00
DEMAT	22	100.00	24	85.71

### IT enabled services at bank branches for customers

It is not wrong to say that banking today has re-defined and reengineered with the use of Information Technology and it is sure that the future of banking will offer services that are more sophisticated to the customers with the continuous product and process innovations. So our study will be incomplete without discussing IT based services offered along with products. Table 6 is the compilations of IT based services provide by the banks along with products like ECS, EFT, RTGS, DEMAT etc. And from observation it is clear that 100% public sector banks are offering IT based services but in case of private sector bank some services are not offered like DEMAT and online tax accounting.

### Involvement in gold banking

Gold banking is still uncommon practice among banks but it is growing at very fast pace. Data tabulated in Table 7 shows the involvement of the bank in the gold banking. The results of chisquare test (values=3.12, df=1, p>0.05) shows



that difference in the involvement of banks in gold banking is not statistically significant.

Table 7: Bank Involvement in Gold Banking

Response	Public		Private		Chi Sqr	df	Result
	N	%	N	%			
Yes	19	86.36	18	64.29	3.12	1	Non Significant
No	3	13.64	10	35.71			
Total	22	100.00	28	100.00			

We can say that on the basis of percentage analysis that 83.36% public sector banks are involved in gold banking whereas only 64.29% of private banks are indulge in gold banking. So involvements of public sector bank are more in gold banking in comparison to private sector banks.

### Cross selling products

Cross selling product is most common practice in banks. Crossselling is a sales promotion technique in which the manufacturer attempts to sell a related product to the prime product that the consumer already uses. This would make it more convenient for the customer to do related item shopping. Table 8 shows that now a day's all banks are cross selling their products to their customers. The results of chi-square test (values=3.42, df=1,  $p>0.05$ ) shows that difference in the cross selling of product are not statistically significant.

Table 8: Bank Offering Cross Selling Products

Response	Public		Private		Chi Sqr	Df	Result
	N	%	N	%			
Yes	22	100.00	24	85.71	3.42	1	Non Significant
No	0	0.00	4	14.29			
Total	22	100.00	28	100.00			

But we can say on the basis of percentage analysis that 100% public sector banks are more offering cross selling products to the customers while only 85.71% private sector bank does.

### Different cross selling products

Data of Table 9 shows different cross selling products are available by public and private sector banks for their customers. It is seen that 100% public sector banks and 85.71% private sector bank are offering insurance and mutual funds as their core cross selling product.

Table 9: Different Cross Selling Products Available By Bank

Response	Public		Private	
	N	%	N	%
Insurance	22	100.00	24	85.71
Mutual funds	22	100.00	24	85.71
Other	7	31.82	14	50.00

### Metamorphosis of banking affects customer base of banks

Previously bank offer only traditional products but after liberalisation and deregulation, along with the emergence of technology banks have been positioning themselves as a one-stop shop financial service provider with a fairly exhaustive range of products, including deposit products, loans, credit cards, debit cards, investment advice, bill payments and various transactional services. These apart, banks have also been entering into the business of selling third-party products such as mutual funds and insurance to the retail customers.

Table 10: Metamorphosis of Banking Products Affected Customer Base

Response	Public		Private		Chi Sqr	df	Result
	N	%	N	%			
Increased	15	68.18	28	100.00	10.36	1	Significant
Remained same	7	31.82	0	0.00			
Total	22	100.00	28	100.00			

Gradually banks are also investing to computerize their branches and providing new delivery channels such as ATMs, phone banking, internet banking and mobile banking to provide their customers greater flexibility and convenience as well as reducing service costs which leads to increase in customer base.

Table 10 shows that the metamorphosis of banking also affects customer base of

banks also. The results of chi-square test (values=10.36, df=1,  $p < 0.01$ ) shows that difference in the increment of customer base of private and public sector bank differ significantly. This difference is due to better products and services along with technological excellence of private sector bank leads to increase in customer base.

There is 100% increase in customer base among private sector bank whereas 68.18% public sector bank employees also agree with the same but 31.82% said that there is no change in customer base. Hence we can say that metamorphosis of bank leads to more increase in customer base of private sector bank in comparison to public sector bank.

### **Metamorphosis of banking products affects profits of banks**

Continuous metamorphosis of banking products not only results in improvement of customer base but also has positive impact on the profits of the bank. Table 11 shows that the metamorphosis of banking products affects the profits of bank.

Table 11: Metamorphosis of Banking Products Affected Profits

Response	Public		Private		Chi Sqr	df	Result
	N	%	N	%			
Increased	18	81.82	27	96.43	2.92	1	Non Significant
Remained same	4	18.18	1	3.57			
Total	22	100.00	28	100.00			

The results of chi-square test (values=2.92, df=1,  $p > 0.05$ ) shows that difference in responses regarding grievance redressal system is not significant. It is seen that 81.82% public sector bank agrees with the increase in the profits whereas 96.4% private sector bank employees agrees with the fact that metamorphosis really leads to the increase in the profits of the bank. Therefore we can say that private sector banks are earning more profits as a result of metamorphosis of traditional banking products in comparison to public sector bank.

### **Information of grievance redressal system**

Customer deposit as well as take money from the bank in form of deposits and loans. So it is the duty of employee to make customer aware about grievance redressal system. Table 12 shows that employees of both public and private sector bank should provide information about grievance redressal system to their customer. The results of chi-square test (values=13.25, df=1,  $p < 0.001$ ) shows that difference in responses regarding grievance redressal system is very significant. The difference may be due to that employee of private sector bank

always take interest in making their customer aware about various information.

It is seen that 40.91% public sector bank employee makes their customer aware about it but in case of private sector bank 89.29% employees make their customer aware about it.

Table 12: Information about Grievance Redressal System to Customer

Response	Public		Private		Chi-Square	DF	Results
	N	%	N	%			
Yes	9	40.91	25	89.29	13.25	1	Significant

### Major Findings of the Study

a) Maximum responses are received from the employees of private sector banks in comparison to public sector bank. The distributions of total 50 employees whose response are received are 28 respondents belong to private sector bank and 22 belong to public sector bank.

b) Maximum response from both public and private sector bank is received from the employees who belong to the experience range of 5 to 10 year and the response from the employees of public sector bank whose experience is less than 5 year is nil whereas responses from employees with experience more than 10 year are also received but are comparatively low in private sector bank.

c) Both public and private banks are offering all four traditional products namely saving account, current account, deposit account and loans to their customers.

d) It is the duty of employee to make their customers aware about various products and related services. And it is found that all banks are making their customers aware about various services made available by the bank with different product.

e) There are different type of IT based services provided by the banks for customer ease and convenience. And it is found that all public sector banks are offering IT based services like ECS, EFT, RTGS, DEMAT etc but private sector bank don't offer services like DEMAT and online tax accounting.

f) Public sector banks are more involved in gold banking in comparison to private banks. Chi square test reveals that the difference in bank involvement in gold

banking is not significant; it may be due to some chance.

g) It is found that more public sector banks are providing cross selling products. Chi square test reveals that the difference in the responses regarding cross selling product not statistically significant. All public as well as private sector banks are offering insurance and mutual funds as their core cross selling product.

h) Metamorphosis of banking affects customer base of banks. Increase in customer base of private sector bank is very high in comparison to public sector bank. Few public sector banks agreed that there is no change in customer base after metamorphosis. Chi square also reveals that the difference in the customer base of both public and private sector banks due to metamorphosis of banking products is found to be very significant at 1% level due to better products and services along with technological excellence of private sector bank.

i) Continuous metamorphosis of banking products not only results in improvement of customer base but also has positive impact on the profits of the bank. Private sector banks are earning more profits as a result of metamorphosis of traditional banking products in comparison to public sector bank. Chi square test reveals that the difference in the profits of public and private sector bank after the metamorphosis of products is not significant.

j) Employees of both public and private sector bank should provide information about grievance redressal system to their customer. Public sector bank found to make their customer less aware about grievance redressal system in comparison to private sector bank. It is clear from the chi-square test that the difference in responses regarding grievance redressal system is very significant at .01% level.

Null hypothesis for the study is that "There is no virtual difference in various bank products and services made available by public and private banks" is tested using chi-square test and is found to be highly accepted. Only in two cases the hypothesis is not significant.

a) In case of grievance redressal system and

b) Increase in customer base due to metamorphosis of products and services. It clearly indicates that almost all banks are providing more or less similar products and services. Hence we can conclude that all banks should provide almost similar, overall the null hypothesis is accepted.

## **CONCLUSIONS**

In the present context almost all banks are providing more or less similar products and services which may be due to the existence of many players in the

market and fierce competition among them as changing business environment, economic liberalisation, increasing competition, high consumer choice, enlightened and demanding customer. Hence we can conclude that all banks are providing almost similar products and services to satisfy their customers completely. Continuous metamorphosis of bank leads to more increase in customer base of private sector bank in comparison to public sector bank as well as positive impact on the profits of the bank. Private sector banks are earning more profits as a result of metamorphosis of traditional banking products in comparison to public sector bank.

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