

Study of Value Added Services (VAS) in Banking Sector

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Abstract: *The world today has undergone a revolutionary change because of the technologies available around us. Economies world over have integrated owing to the globalization and technological tsunami. India being a large country represents enormous market potential that the world has recognized and explored for tapping the opportunities of large trade and the growth therein. The world is watching India as an underserved market as far as the service sector is concerned. India has become platform for all the leading national and international service providers. This is true for banking sector also, Reliance of Indian economy on the banking sector, the globalization and the increasing competitions has increased the need for being more customers oriented. Thus, such challenges have somehow resulted in addition of financial institutions and banks, the main challenges have been to add new customers or retain old customers in order to survive in the competitive environment. The study gives spotlight on various value added services viz ATMs, Mobile Banking, Internet Banking, Banking Apps, NEFT, IMPS and other services provided by banking so as to retain and add new banking customers with anytime and anywhere banking. Similarly it tells problems while implementing value added services by customers and banks, with reviews, research on it suggesting future line of research of value added services in banking sector.*

Keywords: *-VAS, ATM, Bank, Internet Banking, Credit Card.*

1. Introduction

Different economies around the world, having their own peculiar strengths and weaknesses, give impetus to globalization. Due to this fundamental transformation from Industry oriented economies to Information oriented economies, all the segments of economy including service, business, profession and individuals have gone through major makeovers. Indian economy is bound to show the similar features that are of the other parts of the world however it has done so with little better results and expectations. In order to achieve global presence, Indian businesses have started working in highly competitive manner and are expanding internationally.

In today era, the main challenge in banking sector is to add new customers or retain old customers in order to survive in the competitive environment. The banks have found some solution in offering new products, features, speed and active control to the customers. The increase in measures for customer service, use of technology, new accounting methods, and improved risk management systems have been the consequences of all these challenges.

1.1 Meaning of Value

Value means importance in terms of usage and (implementation) execution or in terms of money. Value is measured in terms of quantity & service and the price paid for it.

1.2 Meaning of Value Addition

Increasing the importance of something by adding value to it is called the value addition. This value addition is a familiar key to establish oneself in a market even in an already tapped one.

1.3 Meaning of Value Added Services

Value added services are the added special characteristics to the core services. For example, cash withdrawal & deposits are the core services and facility to do the same 24x7 (through ATM) is the value addition to the core service.

1.4 Value Added Services in Banks

After 80s there's been greater use of information technologies through computers. The phenomenon has shortened the distance between the nations mainly in financial field. The banks have also imbibed the technological revolution for giving their customers the experience of faster delivery channels.

1.4.1 Advantages of Value Added Services

Value added services with many technological evolutions have a number of remunerations for the customers as well as for the banks. It improves bank's operational efficiency by reforming inter-bank reconciliation, provides global reach, and provides a source of recognition and competitive advantage.

1.4.2 Advantages to the Customers

- **Anywhere, anytime comfort:** Value Added Services allows the customers to access various banking facilities anytime of the day or night, 24x7, from any geographical location without being physically present in the bank because of various alternate delivery channels i.e. ATM, Internet Banking and Mobile Banking, Tele-Banking etc.
- **Express Service:** The customer finds the Value Added Services the faster way of getting services with least response time and hence saving more of their time for their businesses.
- **Queue-less Banking:** Value Added Services provide the customers a queue-less convenience for banking like in Branch Swipe machines.

1.4.3 Advantages to the Banks

- **Quality Customer Service:** In a CBS environment, as the back office work is done at one or more centralized hub/s, the customer enjoys the experience of quality customer service as the counter staff is now more focused on completing the customers' transaction/s.
- **Cost cutting:** Value Added Services tender banks the chance to cut costs and to increase revenue, as new technologies have substantially altered the way of completing banking transactions.
- **Cross-Selling:** By Cross-selling, it is meant that when a manufacturer or a service-provider tries to sell an associated product to an already established and satisfied customer and earn extra income by selling the same.

2. Problems in Value Added Services

When the different opportunities presented by Value Added Services are studied, we observe that Value Added Service is a mean to enjoy the competitive edge. So, it is no more a question of whether to use it or not, but the main question now is how and how soon. It should be born in mind that Value Added Services present new form of risks and problems also before the banks that need to be resolved.

- **Security hazard:** Security is one of the major issues required to be addressed on the priority basis. The security hazard may be from unauthorized access by hackers, loss or damage of data by virus or by hackers and cyber-associated crimes i.e. ID theft, phishing, loss of cards etc.

- **Customers' approval:** To realize the potential of Value Added Services fully, customers' approval is a must, who are the ultimate user of it. . Also, customers are concerned about the privacy of the transaction being performed online.
- **Employees' acceptance:** The above factor also goes with the employees as the aged employees are generally not receptive to adopt the technologically driven systems. The unions had opposed the computerization in banks earlier on the ground that it would reduce the employment in the banks.

2.1 VALUE ADDED SERVICES ADOPTED BY BANKS:

1. Automated Teller Machine (ATM)
2. Internet Banking
3. Mobile Banking
4. Real Time Gross Settlement (RTGS)
5. Bill payment gateways
6. Credit Card
7. National Electronic Fund Transfer (NEFT)
8. Gift Cards
9. SMS Alerts
10. Branch Swipe System
11. Debit Card
12. IMPS
13. Locker Facility
14. Travel Card
15. ECS

2.2 Important Definitions regarding "Value Added Services (VAS)":

Bank:

A bank is a financial institution which provides banking and other financial services to its customers. A bank is generally understood as an institution which provides fundamental banking services such as accepting deposits and providing loans.

Value Added Services (VAS):

Value added services are the added special characteristics to the core services. For example, cash withdrawal & deposits are the core services and facility to do the same 24x7 (through ATM) is the value addition to the core service.

ATM:

An automated teller machine (ATM) is an electronic telecommunications device that enables customers of financial institutions to perform financial transactions, such as cash withdrawals, deposits, transfer funds, or obtaining account information, at any time and without the need for direct interaction with bank staff.

Mobile Banking:

Mobile banking is a service provided by a bank or other financial institution that allows its customers to conduct financial transactions remotely using a mobile device such as a smartphone or tablet. Unlike the related internet banking it uses software, usually called an app, provided by the financial institution for the purpose.

Internet Banking:

Internet banking is the most convenient way to *bank*- anytime, anyplace, at your convenience. You can access Online banking from any computer that has connectivity to the *Internet*. You also need to register for the *Internet banking* service with the branch.

Credit Card:

A *credit card* is a payment card issued to users (cardholders) to enable the cardholder to pay a merchant for goods and services based on the cardholder's promise to the card issuer to pay them for the amounts so paid plus the other agreed charges.

3. Objectives

The main objective of the research study is ***“To study the factors influencing customers in adopting the value added services offered by banks and to study the problems faced by the customers in using value added services”*** In addition to the main objective of the research study, the research study attempts to identify various sub-objectives of the study stated as follows:

O1: To study the factors influencing adoption of VAS by customers and banks.

O2: To study customer satisfaction regarding value added services.

O3: To analyze various problems faced by customers in using VAS and bankers in their implementation.

O4: To come up with recommendations to improve upon VAS

3.1 Hypothesis

On the basis of defined objectives, the following hypotheses are tested in the research study:

1: Customer are aware about the VAS provided by bank.

2: Customers are satisfied by adopting VAS offered by bank.

3: Customers are facing technical problems in using VAS.

4: the problems faced by the bank employees in implementation of VAS.

4. Review of literature

Review of literature is very significant part of any research study. The study and analysis of researches already conducted in the area of study is called review of literature. The study of these available researches shows the right path to the researcher. This chapter reports the review of existing research studies which were undertaken in the area of present research.

. The various reviews have been presented covering orientation, objectives and findings:

- **Karuppusamy, palanichamy (2011)** studied ***“How for the customers are satisfied with value added services offered by the banks”*** in **India**, The study aims to discover the various Value Added Services provided by the banks and to examine the awareness and adoption level of Value Added Services by the customers, To evaluate the factors

influencing the usage of Value Added Services, To analyze the satisfaction level of customers from Value Added Services.

- Chalotra Vipul (2015) studied *“Enhancing supply chain performance through effective transportation”* in India , The study are enhancement of profit margin due to transportation management, effect of managers with different age groups for adopting effective transportation management and to study relationship between transportation management and its various dimensions.

5. Research Methodology

Research simply means a search for facts, answers to questions and solution to problems. Research is careful investigation or inquiry specially searches for new facts in any branch of knowledge. The research process is systematic and scientific in nature. It is carried out through a series of stages. Thus research seeks to find explanations to unexplained phenomenon.

Statement of the Problem/ Description of the problem

When the researcher starts a research work, a well-defined problem is essential. The process of research starts with the explanation of problem. Now it is an era of advance technology and in this era banks are bound to use latest technology so that they can provide more and more Value added services. To overcome these problems, a study on the factors instigating these problems is essential.

Hence, the problem statement of the present study can be stated as

“To understand the factors influencing customers in adopting the value added services offered by banks and to study the problems faced by the customers in using value added services (VAS)”

5.1 Selection of Variables:

Both primary and secondary data has been used to achieve the objectives under the present study. In order to gather the data required for the present study two set of self-designed questionnaire were used, First questionnaire is used to collect primary data from the customers using VAS and second questionnaire is used to collect the primary data from the bank employees (Service Provider) in the research study. Along with these questionnaires, observation of customers, discussion with managers and feedback from various officers of banks has been used.

The study on value added services in banking sector based on primary and secondary data.

The primary data collected from 100 customers and only 1 service provider bank. The following variables taken for the study:

Age, education, sex, family size, monthly income and occupation as personal characters and value added services offered, factors influencing, satisfaction level of customers as dependent variables.

Whereas secondary data is collected from various newspapers having concerned articles, through internet and reports.

Analytical table:

The data on these variables was selected to simple tabular analysis, frequency percentage. Correlation and coefficient between the selected variables. The significant of correlation and coefficient was judged at 5% and 1% level of significance.

5.2 Development and Designing of questionnaire:

The data was collected by means of self-designed questionnaire having the variables related to the adoption of VAS, the problems in using VAS and the satisfaction of customers towards VAS. The questionnaire is developed as well as tested in the following stages:-

- (i) Identifying variables and finalize with the help of literature review and expert opinion.
- (ii) Pilot survey
- (iii) Finalizing the questionnaire
- (iv) Reliability check

The final structured questionnaire is prepared using mainly close ended questions based on the specified choice option.

5.3 Quantification of Data – (as per personal information of customer for Value Added Services (VAS))

- 1- **Age** factors are calculated as age= no of years completed from birth
- 2- **Education**- if any customer completed 10th std. it has scored as 10 & if he completes 12th Std his score is 12 respectively as follows;-

10 th -10	3 rd yr-15
12 th -12	PG 1 st yr-16
1 st yr-13	PG 2 nd yr-17
2 nd yr-14	
- 3- **Sex** score as for female-1 & male-2
- 4- **Family Size** score as small family with 3 members-1
Big family with more than 3 members -2
- 5- **Monthly Income** score are given as figures indicated in the data table i.e Rs.15000/-, Rs.25,000/- respectively
- 6- **Occupation** as Housewife-1
Services-2
Business-3
- 7- **Valued added services used by customers score as:**

Sr.No	Services	Monthly	Once in two months	Not users
1	ATM	3	2	1
2	Internet Banking	3	2	1
3	Mobile banking	3	2	1
4	Credit banking	3	2	1
5	Locker Facility	3	2	1

8- Factors influencing value added services score as per following table :

Sr.No	Factors	Disagree	Can't say	Agree	Fully Agree
1	Time	1	2	3	4
2	Convenience	1	2	3	4
3	Security	1	2	3	4
4	Awareness	1	2	3	4
5	Experience	1	2	3	4
6	Priority	1	2	3	4
7	Data retrieval	1	2	3	4
8	Privacy	1	2	3	4
9	Independence	1	2	3	4

6. Data Analysis & Interpretation

The use of technology and ever increasing dependency on it has actually helped banks to reduce costs of offering various services and provide more transparent, prompt and quality service to their customers. The present study is attempt made on the value added services provided by bank. Thus the findings of the study is based on customers opinion for use of ATM, online banking, mobile banking, credit card & locker facility provided by the bank. The customers expectation , satisfaction, factors influencing the value added services, problems faced by customers , suggestion of the customers are the key parameters of this study, hence the present study is classified into following sections :

4.1 The Personal information of the customers

4.2 Value added services provided by bank & used by customers

4.3 Factors influencing value added services

4.4 Satisfaction level regarding value added services

4.5 Problems faced by customers in using value added services

4.6 Customers suggestions on value added services

4.7 Researcher opinion on value added services used by customers

4.8 Correlation analysis between the selected variables

4.9 Information on service provider

4.10 Hypothesis Testing

6.1.1 Distribution of the respondents according to their 'Age':-

As per Table Shown Below:-

Sr.No	Age (yrs.)	Frequency	Percentage (%)
1	Upto 20	8	8
2	20-30	34	34
3	30-40	20	20
4	40-50	25	25
5	50-60	10	10
6	60-70	2	2
7	70 and above	1	1

6.1.2 Distribution of respondents as per their 'Occupation':-

As per Table Shown Below:-

Sr.No	Occupation Type	Frequency	Percentage (%)
1	House-wife	9	9
2	Service	50	50
3	Business	41	41

7. Correlation Analysis between the selected variables:-

To study the impact of personal factors on their satisfaction level , the parameters are age, education, sex, family size, monthly income, occupation on value added services & factors influencing value added services and satisfaction level of the customers. 'The Karl Pearson's method' was used and

correlations were worked out in table 4.8.1, presents the coefficient of correlation between the selected variables.

7.1 Correlation between personal character and value added services:

	Age	Educational	Sex	Family Size	Monthly Income	Occupation	VAS	Factors influencing	Satisfaction level
	Column 1	Column 2	Column 3	Column 4	Column 5	Column 6	Column 7	Column 8	Column 9
Column 1	1								
Column 2	0.336413**	1							
Column 3	-0.20235*	0.024165	1						
Column 4	0.224129*	0.155306	0.121566	1					
Column 5	0.187261	0.249621*	0.115143	0.143569	1				
Column 6	0.141369	0.19267	0.145788	0.028225	0.233777*	1			
Column 7	0.058883	0.230671*	0.20476	0.042995	0.664524**	0.154987	1		
Column 8	0.118732	0.17031	-0.09649	0.190919	0.468633**	0.233283*	0.273614*	1	
Column 9	-0.68406*	-0.4016**	0.76221**	-0.57487**	-0.27167*	0.248281*	-0.44742**	-0.60109**	1

The significance of correlation of coefficient was tested in above table @ 5% (*) & 1% (**). the level of significance on going through above table observation are made the correlation between the satisfaction level, age, education, family size, monthly income, value added services, influencing value added services was negative (-) and significant concluding that younger customers who are relatively less educated belonging to the nuclear family are the more user of value added services drawing the higher satisfaction. However the significant positive (+) correlation between sex, occupation and their satisfaction level for using value added services concludes that men's who prefer service are high level of satisfaction. The others factors influencing value added services like monthly income, occupation those who are drawing attention in monthly income and completely busy with their occupation and could not find time for day to day banking operation they prefer value added services more. Also, it is find that males prefer value added service more than females.

Correlation Conclusion:-

It is found that, the treasures are the higher users of value added services. The consumer income has significant impact on use of value added services. The finding of SWAT analysis conclude that organizations satisfaction level increasing with the value added services , the business related practices are being highly buy use of value added services. The customer's age, education, sex, family size, monthly income and occupation are the most important factors which influence satisfaction level of customers.

7. Conclusion and Findings

Technology in the banks is presently catching up with a high level of development around the world. The gaps between the Indian banks and their counterparts in the technologically advanced countries are gradually narrowing down.

Various findings and conclusions drawn on the basis of statistical data analysis are discussed below:

The **first factor** influencing the adoption of Value Added Services is “*Compatible with lifestyle*”. It includes ten statements. This factor represents how Value Added Services offered by banks are compatible with the lifestyle of customers. The customers can make transactions with the banks in much easier way by using VAS.

The **Second factor** encouraging the adoption of value added services is “*impressive services offered*”. This factor includes nine statements. It has been found that impressive services offered by banks plays an important role in adoption of VAS. Customers are found to be influenced by paperless banking as saving paper saves trees and saves environment. It is a major social concern for all.

The **Third factor** influencing the adoption of value added service is *cost and convenience*. It indicates that cost and convenience, both are of very significant consideration for banks in adoption of VAS. The cost per unit can be further decreased by motivating the customers to adopt more and more services and by expanding customer base.

The **fourth factor** showing the satisfaction of respondents by using value added services is “*Speedy Service*”. This factor reflects that the customers are satisfied with the time saved by them as they have to wait for comparatively very less time, while performing through VAS. The VAS is based on the process of mechanization which is very quick, accurate and secure.

8. Suggestions & Recommendations

Based on above conclusions and findings, major Suggestions and Recommendations are listed below:

Awareness related recommendations:

It has been recommended that VAS should be more publicized. The awareness about VAS should be spread by banks and Govt. through seminars and demonstrations. Banks should organize seminars regarding VAS to make customers more aware about such services from time to time and make customers feel comfortable about using these services.

Security related recommendations:

Security measures must be improved in order to increase trust of customers in services, as many frauds are happening these days. The security should be increased by providing a security guard for every ATM, quality alarm systems, installing CCTVs, adopting OTP servers, securing PIN numbers.

Employee related Recommendations:

Trained, qualified and younger staff should be on the counters to deal with the customers. Banks should provide training to its front line staff to market the products aggressively and handle the customer grievances promptly. The customer’s grievances should be immediately addressed to in order to encourage them for using the VAS.

Other Recommendations:

- Bank should provide separate service counters for Value Added Services & for Senior citizens, disable persons.
- At the time of offering, the VAS are generally free of cost and after some time charges are introduced even without the knowledge of customers. Banks must concentrate to overcome these problems

9. Future Line of Research

The topic Value Added Services has a very vast area of research. However coverage of all aspects of value added services is not possible. Hence the present research is restricted to study value added services in banking sector.

Despite of efforts taken by researcher it cannot be claimed that present research work is complete in every sense and results are accurate and original. The reason is every research study is conducted under some limitations and collect data based upon certain assumptions. Though every effort is made by researcher to make the study accurate and in line with the objectives, there are some limitations and same assumptions, which are as follows:

- The main objective of the present research was to study adoption and satisfaction of customers while using VAS in banking sector. Technical aspect of these services was not covered properly.
- To generalize the results sample was collected from 100 customers and 9 bank employees. This is relatively small sample. Due to shortage of time and resources the researcher couldn't select very large sample size. However to generalize the results, the care was taken to collect data in such a manner to make data represent able.
- The present study is conducted in accordance to the objectives of the study. Since value added services in banking sector is a very vast field of study and huge useful information can be desired from collected data and researcher could have revealed some other interesting results. However results are derived to achieve the objectives for justifying the study.

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