

THE IMPACT OF SERVICE CHARGES PERCEPTION ON SERVICE UTILIZATION – WITH A FOCUS ON PUBLIC SECTOR BANKS IN THRISSUR DISTRICT- KERALA

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Abstract

In the financial industry, customer service is extremely important. In India, the banking system is unquestionably one of the most important means of delivering financial services, and it also serves as an efficient avenue for doing so. Service charges are one of the most important variables to consider when evaluating the Bank's performance. The study focuses on the customers' perceptions of service costs charged by public sector banks. More number of private banks made a difference in the landscape of banking sector by the nature of their operating and promotional efforts. As private payment apps and private banks become more competitive, studying about customers' perceptions of service prices is critical to understanding how they use services. This research is both descriptive and analytical. Both primary and secondary data are used in this study. The sampling method used for the study purpose was stratified random sampling. The respondents are customers of the Bank. Based on secondary sources received from the banks, the Bank with more branches in the Thrissur District was taken for study purposes. The primary data is gathered from 97 Bank customers using a structured questionnaire. The questionnaire was created to collect information. It was divided into two parts: Part A was used to collect personal and demographic information, and Part B was used to make a five-dimensional statement about how customers felt about bank service charges. The collected data were analyzed by Kruskal Wallis test using SPSS software. The result shows that there is a strong relationship between the customers' perception and service utilization. . This research could assist banks in focusing on consistency. To accomplish so, the researcher will conduct a customer study and utilize the results to recommend acceptable techniques for better managing services and their associated costs. Furthermore, the researcher seeks to determine how customer perception levels influence customers' usage of services.

Keywords: Service charges, banking sector, pricing dimensions, customers' perception, service utility.

Introduction

India is attempting to transition to a cashless economy, and in order to improve the openness of cash transactions, banks must be required to disclose and update the terms of some service costs on their websites. They must also prominently display service charges and fees on their websites' homepages under the heading 'Service Charges and Fees,' so that bank customers can quickly find them. The RBI website now contains a link to the banks' websites, allowing bank customers to learn about the banks' service charges and prices for various services. One of the findings of a pilot research commissioned by the RBI on the pricing of basic banking services is that banks did not disclose information on service charges with more than 30% of respondents when the account was opened. In addition, the majority of clients were unhappy with the service fees charged by banks in a variety of categories. Service fees are included in remittances, issuing demand draughts and pay orders, retail loans, and credit cards; however the charges differ by bank. The credit card market, according to a leading banker, has the highest charge disparity. This is because the operational costs of credit cards, as well as the losses, are much higher. Long-term client connections are now considered to be of the utmost importance. Understanding customer needs and adjusting offers to satisfy them are essential for all businesses in the financial services sector. Due to the concrete that was put in the previous step, this will clear the way for greater client pleasure. The size of the institution matters a lot in the banking sector, where the same is true. The use of direct pay and online financial services has increased in value throughout this ICT (Information, Communication, and Technology) era. Customers today demand flexible operating hours, customization, and openness. Customers are leaving the market at higher rates due to increased market competition. As a result, this topic is pertinent to researching customers' perceptions at a public sector bank. This research is both descriptive and analytical. To accomplish so, the researcher will conduct a customer study and utilize the results to recommend acceptable techniques for better managing services and their associated costs. Furthermore, the researcher seeks to determine how customer perception levels influence customers' usage of services.

Statement of Problem:

As there is fierce competition between public sector banks and new generation banks, service charges is one of the major factors to examine when analyzing the performance of the bank. The Indian government is currently encouraging its people to transition to a cashless society. Therefore, using compensated financial services has become necessary. The study's primary goal is to investigate how customers view the service fees charged by public sector banks. By virtue of the way they operate and market themselves, more private banks have altered the banking industry's landscape. This study might aid banks in concentrating on consistency. To do this, the researcher will analyze consumer behavior and use the results to suggest the best methods for better managing services and their associated costs. The researcher also tries to determine how the level of customer

perception of service fees affects the way that customers use services. Therefore, it is vital to analyze how clients perceive public sector banks. This research combines analytic and descriptive methods.

Literature Review:

Customers' perception: When Customers wrongly assume that the company's prices were higher than those of its main competitors. The source of this impression is because, When the retailer has a far wider range of prices than its competitors. As a result, the market has become perplexed. Customers can be price sensitive when it comes to particular product categories, so businesses must be aware of this.

According to a study, price perception is significantly more important than reality in purchase decisions. A study was undertaken in five countries to determine the importance of pricing perception for merchants. Three characteristics have been recognized as determinants that influence price perception. The first is price communication clarity; the second is price communication on entry points; and the third is the general environment.

Zietsman, M.L., Mostert, P. and Svensson, G. (2019), the purpose of this study was to see if perceived pricing and service quality can act as mediators between price fairness and perceived value in service interactions between microbusinesses and their banks. The research was based on a self-administered, internet-based survey of banking professionals. The sample includes 381 micro-businesses in South Africa that employ one or two people. The relationship between commercial banking clients' perceptions of price fairness and the value of the service supplied is influenced by perceived pricing and service quality, according to this paper, which supports both theory and practice.

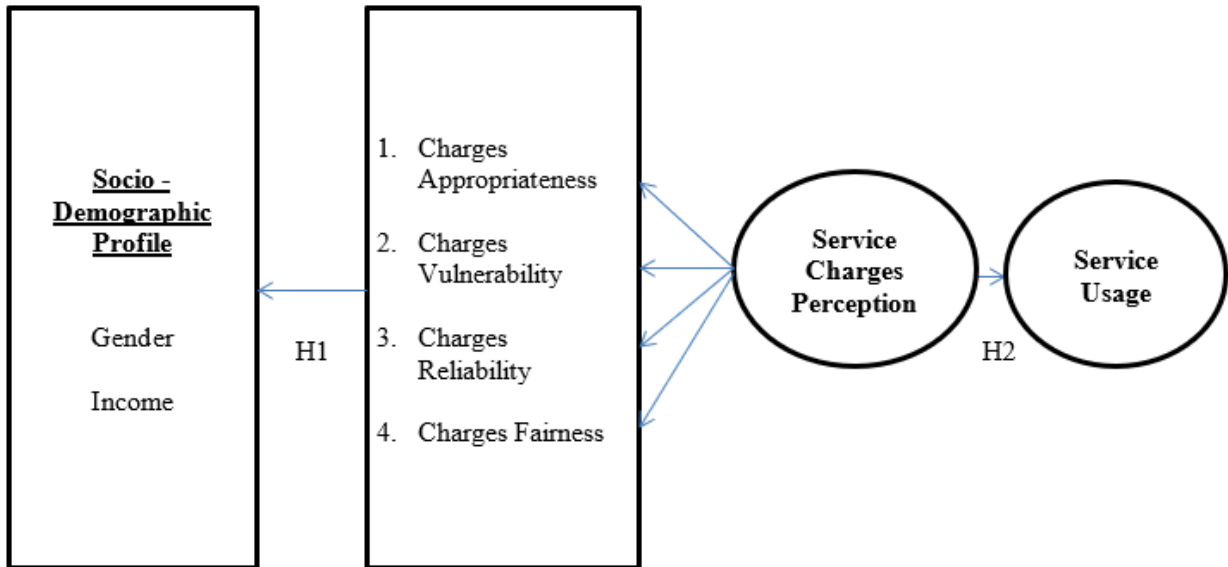
Munnukka, J. (2008), Customers' price perceptions and intends to purchase mobile services could be improved by segmenting customers based on research findings and targeting pricing schemes specific to these segments. The study also backed the adoption of multidimensional pricing schemes, which were discovered to have a favorable impact on customers' price perceptions.

Herrmann, A., Xia, L., Monroe, K.B. and Huber, F. (2007), the article looked at both the direct and indirect impacts of price perception on satisfaction evaluation. The effects of consumer vulnerability and price procedure fairness on satisfaction judgments are novel, and they add to our understanding of the dual-entitlement principle and price fairness.

Dr Stephan Zielke (2006) one of the most difficult problems is determining how customers perceive various pricing activities and how these views are organized in their thoughts as price images. The purpose of this paper is to create an item scale that encompasses the many elements of the price image construct. In the first stage, an examination of the underlying factor structure of the pricing image yields seven dimensions. The convergent validity of the relevant measurement models is demonstrated for three of these dimensions. An examination of the predictive potential of the various image dimensions reveals that they have considerable effects on price attitudes and behavior intentions.

The success of any corporation is directly tied to the price perception. Although what the buyer spends in the end is the fact, how it reaches his decision is based on perception. Only if the corporation succeeds in establishing the desired perception of the product or services will the customer consider buying or using it. As a result, the customer's buying or using decision is influenced by his or her pricing perception. Studying about service charges perception is more crucial in banks as the government initiative and push to move India cashless economy.

Proposed model: Figure 1



Research question:

On-going with this, the service charging method by the banks inhibits consistency, which causes problems among customers' perception level, which prevents the achievement of customer service usage. The banking industry charges a range of service fees, the majority of which are set at a fixed, standard rate. When we create a checking or savings account with the bank, they levy a monthly maintenance fee. This expense is taken out of the account at the end of each month. However, the unjust, arbitrary way that fees are applied is what really irks customers, not just the fee itself. The study takes into account the various levels of customer perception of service fees and how they affect service utilisation.

From the problem, the discussion researcher has framed the following research question.

1. Does the customers' perception of service charges affect their level of service usage?
2. Does Socio demographic Variables such as gender and Income affect the Perception level of Customers?

Objective:

1. To measure the level of customer perception towards service charges in Public Sector Banks.

2. To examine the effect of socio-demographic variable such as Gender and Income on the Perception Level of Customer towards service charges.
3. To analyze the effects of Customer perception towards charges on service usage

Hypotheses:

Hypothesis 1

There is no significant relationship between gender and the level of customer perception

Hypothesis 2

There is no significant relationship between income and the level of customer perception

Hypothesis 3

There is no significant relationship between service usage and customer perception

Table:1 Reliability Test

Variable	Cronbach's Alpha	Results
Perception of Service Charges (X1)	0.894	Reliable (>0.6)
Service Usage (Y2)	0.951	Reliable (>0.6)

The Cronbach alphabet number is greater than the minimum value, according to the reliability test results (0.60). As a result, it can be concluded that the research instrument used to measure compensation, job satisfaction, and employee performance variables are reliable and can be used in further research.

Research Methodology

Both descriptive and analytical studies employed the research design. The primary data for the current investigation were gathered using a pretested questionnaire technique. By completing a pilot study, the questionnaire was pretested, and the study-specific modifications have been implemented. Data for the study were gathered between March 2021 and June 2021. 97 respondents were picked by the researcher from a group of public sector banks in Kerala's Thrissur area. A statistical instrument like Kruskal Wallis test was used. **Analysis and Results:**

Table:2 Socio Economic Profile of the Sample Respondents

Profile	Frequency	Percentage
Age		
18-25	31	32
25-34	9	9.2
35-44	20	20.6
45-54	8	8.2
55-64	14	14.4
>65	16	16.5

Gender		
Male	53	54.6
Female	44	45.4
Location		
Rural	29	29.9
Urban	36	37.1
Semi-urban	32	33.0
Employment Status		
Salaried	20	20.6
Professional	19	19.6
Self Employed	22	22.7
Student	12	12.3
Retired	14	14.4
Homemaker	10	10.3
Income		
< 1 lakh	40	41.2
1-2.5 lakhs	14	14.4
2.5-4 lakhs	19	19.6
4-10 lakhs	4	4.1
10-15 lakhs	9	9.3
>15 lakhs	11	11.3
Type of bank account		
Savings	45	46.4
Current	22	22.7
Loan	20	20.6
Demat	10	10.3

Source-Primary data

- Majority of the sample respondents belongs to the age group of 18-25.
- Majority of the sample respondents are male.
- Majority of the sample respondents from urban area.
- Majority of the sample respondents are self-employed.
- Majority of the sample respondent's income below 1 lakh.
- Majority of the sample respondents having savings account in public sector banks.

Hypothesis 1

There is no significant relationship between gender and the level of customer perception

Table 3 Gender & Customer Perception towards Services Charges

Demographic Detail	Customer Perception	Level Of Significance	Result
Gender	Charges Appropriateness	0.175	NS
	Charges Vulnerability	0.517	NS
	Charges Fairness	0.214	NS
	Charges Reliability	0.860	NS

Source-Primary data

There is no significant relationship between gender and the level of customers' perception of charges appropriateness, charges vulnerability, fairness, and reliability the value of significance is more than 0.05, and therefore the null hypothesis is accepted.

Hypothesis 2

There is no significant relationship between income and the level of customer perception

Table 4 Income & Customer Perception towards Services Charges

Demographic detail	Customer Perception	Level of Significance	Result
Income	Charges Appropriateness	0.010	S
	Charges Vulnerability	0.023	S
	Charges Fairness	0.014	S
	Charges Reliability	0.011	S

Source-Primary data

There is a significant relationship between income and the level of customers' perception of service charges appropriateness, vulnerability, fairness, and reliability the value of significance is less than 0.05 and therefore the null hypothesis is rejected.

Hypothesis 3

There is no significant relationship between service usage and customer perception

Table 5 Service Usage and customer perception

Dimension	Customer Perception	Level Of Significance	Result
Service Usage	Charges Appropriateness	0.020	S
	Charges Vulnerability	0.016	S
	Charges Fairness	0.011	S
	Charges Reliability	0.013	S

Source-Primary data

There is a significant relationship between service usage and the level of customers' perception towards service charges on charges appropriateness, charges vulnerability, the value of significance is less than 0.05 and therefore the null hypothesis is rejected.

Findings and suggestions:

According to the findings of the study, the majority of the respondents who have a bank account are young, and it is clear that PSBs are working hard to recruit new clients and keep existing ones. Developed a conceptual link between charge fairness, charge reliability, charge vulnerability, charge appropriateness, and amount of service consumption, and discovered that consumer perception of services had an empirical impact on usage judgments. It also analyses elements that influence consumers' perceptions of charges, such as fairness, reliability, vulnerability, and appropriateness. The findings reveal that there is a link between customer perception and service usage, and that the characteristics of perception, such as charges fairness, charges vulnerability, and charges appropriateness, have a stronger impact on the amount of service utilization. When the respondent's Socio Demographic Profile was examined, it was discovered that only the Income element has a substantial impact on consumer perception. Other demographic characteristic of the respondent, such as gender, were likewise discovered to have no significant impact on customer perception. The following recommendations should be made based on the findings of the research and interpretations, which need banks to be more responsive. In this competitive environment, it is critical for banks to work harder to retain clients by assuring fairness in pricing, ensuring customer loyalty, and continuing to improve products and services in response to changing customer needs and socioeconomic circumstances. Customers have high expectations of bankers, and the bank must meet those expectations by tailoring services and associated fees to their specific needs.

Future research opportunities and study limitations:

The study was only cross-sectional, but a longitudinal study could be conducted. The study was limited to Public Sector Banks Banks in Thrissur district, Kerala; however, Private sector banks and foreign banks may be included in future studies.. Hence therefore all confinements of scaling techniques were affected in this investigation. Although the study was just cross-sectional, one that was longitudinal may be carried out. Since there were only 97 responders in the sample, it cannot be generalised. The study time was chosen to focus the customers' viewpoint. The majority of the information needed for the study was collected subjectively using a five point scale. Therefore, in this experiment, all limitations of scaling strategies were impacted.

Conclusion

As of digitalization, the functioning of banks is becoming efficient and faster than ever before. With the ascending globalization and the espousal of the universal banks, the competition has further more excavated. Anywhere and anytime banking now turn out to be a reality. Nowadays banks are challenging with one another to grow their customer perception thereby growing

efficiency and service quality. The customer perceptions have played a very substantial role in the banking processes. Reasonable and fair Service charges can be used as an efficient technique to meet the tight competition. Deregulation, liberalization and privatization, some of the major financial developments let loose the driving forces of competition letting the banks to follow up their business. The emergence of information technology and other and level of income have created a massive growth in banking in India and also increased the cost of operation. • When a transaction the bank makes results in or is likely to result in a shortfall in the necessary minimum amount, the bank must always warn customers. The importance of justice, appropriateness, dependability, and vulnerability in charging clients should be highlighted by the bank. Bank management should be aware that the RBI is receiving complaints about the fairness of charges in order to improve consumer perception of the service costs and maintain appropriate security mechanisms for protected banking. The reasonableness scheme's compliance must be reviewed by BCSBI, and banks should take the required steps to educate clients about the modification of fees made on a regular basis. To attain competent operation in the working of banks, banks need to stress on four main dimensions of service charges such as Appropriateness, Fairness, Reliability and Vulnerability

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