

# A Study Of Service Quality Provided By The Banks On The Backdrop Of Demonetisation In Kolhapur District

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**Abstract**— Demonetization has become the buzzword since November 8 when the government announced its decision to discontinue the legal tender status of Rs 500 and Rs 1000 notes. The original objectives were stated as: eliminating fake currency; inflicting losses on those with black money; and disrupting terror and criminal activities. Later, new objectives were tacked on: enabling growth in bank credit, turning India into a cashless economy. This government push to make Indians go cashless looks like a large, centrally planned effort in mission mode. This high modernist approach is ill suited for this objective. Going from cash to cashless is a vague and complex problem with unclear pathways. Storing money in financial instruments and using it to make day-to-day payments requires regular, reliable and secure access to these instruments. This is not a simple product that can be launched across the country overnight, but a sophisticated service that needs to take into account the infinite variety of needs of households and enterprises. At its core, it is a personal choice that each one should make in their own time. If this choice, and immature systems, are forced down their throats, many persons would recoil from electronic payments. This paper tries to focus on the quality of services provided by banks during the demonetization phase i.e. 8<sup>th</sup> November to 31<sup>st</sup> December, 2016..

**Keywords**— Demonetisation, banking, service quality, payment system, cashless

## I. INTRODUCTION

An optimal shift from cash to electronic store of value and payments will happen if enabling conditions are created, within which people can make their choices. Government's primary role in this transition should be to facilitate payment system while addressing problems through regulations and grievance redress. Government also has a role in ensuring provision of enabling infrastructure, which includes Aadhaar, telecom network, broadband network, etc. There is an enormous mismatch between expectation and reality on this issue. Some people seem to assume that India could quickly go cashless during this period of remonetisation of cash. This premature use of coercion, in an under-developed payments ecosystem which has suffered from major errors of policy for

decades, speaks poorly of the policy process. It is problematic to cite this complex, long-term aspiration to reduce use of cash as some kind of mitigant for this sudden note ban.

A study by the National Investigation Agency and the Indian Statistical Institute, in 2016, estimated that fake Indian currency notes in circulation have a face value of Rs. 400 crore. This is an incidence of fake currency of 0.022%. The scale of counterfeiting of the Indian rupee is not out of line with what is seen in other countries, and the procedures adopted worldwide to address this include investigative actions against counterfeiters, phased replacement of old series of notes with new notes that have better security features, etc. Demonetisation is generally not seen as a tool for dealing with counterfeiting. We must also not forget that the counterfeiters will now get to work on the new 500/2000 rupee notes, while India will likely never do a demonetisation again.

“Make all Public Services accessible to the common man in his locality, through common service delivery outlets and ensure efficiency, transparency and reliability of such services at affordable costs to realize the basic needs of the common man.” (Vision Statement of NeGP)

## II. REVIEW OF LITERATURE

A There may be books and articles written on the subject of e-banking. However, thinking in the context of service quality is a recent phenomenon. Therefore, literature on this subject is relatively less. However, it is growing in recent years. In the context of this work, the studies focusing on various aspects of application of e-banking services and other issues are taken into concern.

Bhatnagar et al (2008) in his research paper on ‘Impact Assessment of e-Governance Projects: A Benchmark for the Future’ mentioned on an impact assessment study of three state-level e-government projects – vehicle registration, property registration, and land records across twelve states, and three national level projects implemented by the Income Tax Department, the Ministry of Corporate Affairs, and Regional Passport Offices were shared. The study indicated

that although almost all the projects had delivered some benefits to citizens, there were large variations in the performance of computerized systems across states. Amongst the three projects, land record computerization seems to have resulted in the most positive impact on citizens. Computerization reduced the number of trips in almost all the states by one. Among the three national projects, MCA (implemented by the Ministry of Corporate Affairs) appears to have had the most positive impact on users. MCA has been significantly more successful in terms of the value delivered to the users. In all the three projects, users preferred the online service.

Gallakota (2008) in her research article on 'ICT use by businesses in rural India: The case of EID Parry's Indiagriline' mentioned that the most important problems faced by farmers are physical and infrastructural in nature. These problems cannot be solved by information alone. It is necessary to create a nodal point where various stakeholders can come together—farmers, banks, insurance agents, farm input providers and commodity traders. The study indicates that at the stage of diffusion of ICT, just having a computer, internet connectivity and content in itself will not create revenue or add value and might not be a viable business model. Further she quoted that expecting walk in traffic to use the computer for browsing purposes has not been financially viable at this point. It is possible that as the awareness of the potential of a computer increases, it might be enough, but in the current situation, this is insufficient.

Gupta et al (2007) found in his study on 'A Study of Information Technology Effectiveness in Select Government Organisation in India' found that IT is used moderately in the government organizations. There was a lack of previous experience in IT besides high centralization and excessive controls. Further, they concluded that the training programme for IT arranged was not adequate, and organizations were power-oriented. This hindered the efficient working of IT in the organization. They also quoted that managerial resistance, financial constraints, excessive controls and formalities, lack of previous experience, appropriate planning, lack of good quality hardware, and poor backup of vendor are the factors which reduce IT effectiveness.

Naik et al (2012) found in their research article on 'Fostering inclusive growth through e- Governance Embedded Rural Telecenters (EGERT) in India' that the telecenters are becoming the preferred mode of providing e-governance to rural citizens because of low e-literacy, individual ownership of computer and Internet penetration. At the same time entrepreneurs have been testing various business models to provide services in rural areas. These telecenters can also improve governance at the lowest levels of administration by substantially improving the process of collection and

management of data related to various government programs. The presence of telecenters can become a medium in facilitating the provision of a wider range of services and can also improve planning, execution, monitoring and evaluation of programs at the local levels in these areas.

Tripathi (2007) in her research article on 'Lokvani (voice of the masses): A case study of e-governance in rural India' mentioned that Lokvani an e-governance initiative was implemented in November 2004 in a district, Sitapur located in Uttar Pradesh. The programme was introduced as public-private- partnership programme to provide various services like online submission, monitoring, and disposal of public grievances/complaints, online land records, Information about various government schemes and application forms, Information about various development works/ expenditure, online status of arms license applications etc.

Yaghoobi et al quoted in their research article on 'Effective Factors on Efficient Development of Rural ICT Centers' that effective factors in efficient development of rural ICT offices are closeness of offices to gathering center of village, proper services delivery at rural ICT offices, wide and comfortable space of ICT providing offices, rate of information exchange and communication with people out of village, effect level of accurate, orderly and disciplined service providing at offices, villagers' insight into government aims at ICT offices, existence of educated members in family.

The above overview of literature is indicative rather than exhaustive. However, the review points out certain trends and gaps in research. It makes clear that there is a relative lack of studies with interdisciplinary approach. Besides, whenever new innovative projects are implemented, the need is to conduct studies to assess their success or failure. Further no study is conducted for Kolhapur district. The study is highly important from the above point of view.

### **III. OBJECTIVES OF THE STUDY**

1. A To study the quality of service provided by banks during the demonetisation phase.
2. To identify the problems faced by the common people due to this move of government
3. To analyse the perception and the satisfaction of the customers towards the services provided during demonetisation

### **IV. HYPOTHESES OF THE STUDY**

1. Demonetisation has enhanced the service quality of the services provided by the banks.

2. Satisfaction of customer towards banking services is dependent on quality of services

**V. RESEARCH METHODOLOGY**

The descriptive research design is adopted for the study.

The study is confined to Kolhapur District. There are 12 Talukas in Kolhapur district. From the 12 talukas, 20 customers from each who have availed the services of these banks are considered on the basis of random sampling method to study their perception, satisfaction and benefits about the services provided by banks. Total number of respondents taken for study is 240. Questionnaire is used as tools for collecting the relevant data from the respondents. The data is tabulated and processed on computer by using SPSS software. The tabulated data is analysed by using statistical tools like Chi square test, coefficient of correlation, Mean, Coefficient of Variation, Frequency distribution and percentages.

**VI. RESULTS AND DISCUSSION**

ICT use -

The banks have provided various services with the help of the Government. Online banking, mobile applications, UPI, Wallets are the services provided alongwith the normal services like RTGS, NEFT by the banks for routine functions. IMPS, USSD are also being used extensively by the customers to perform their banking operations particularly when the availability of hard cash is frozen due to demonitisation.

Profile of the respondents –

TABLE I  
PROFILE OF THE RESPONDENTS

Demographic Characters	Parameters	% of respondents
Age	18 to 30	39.4
	31-40	19.6
	41-50	25.2
	51-60	9.7
	Above 60	6.1
	Total	100.0
Gender	Male	68.3
	Female	31.7
	Total	100.0
Education	10 <sup>th</sup>	22.7
	12 <sup>th</sup>	18.4
	Graduate	45.9
	post graduate	11.8
	Any other	1.2
	Total	100.0
Occupation	Farmer	12.4
	Government service	7.9

	Private service	26.4
	Professional	17.1
	Business	12.0
	Housewife	8.5
	Student	15.1
	Any other	.6
	Total	100.0

Table 1 shows that majority respondents are from the age group 18 to 40 years. Most of the respondents' i. e. 68% is the male respondents. 22%, 18% and 45% respondents are 10<sup>th</sup>, 12<sup>th</sup>, and Graduates respectively. 15%, 12% and 26% respondents are students, farmers and private service holders.

Gap Analysis between Service Quality Expectations and Service Quality Perception –

TABLE II  
GAP ANALYSIS BETWEEN SERVICE QUALITY EXPECTATIONS AND SERVICE QUALITY PERCEPTION

Sr. No.	Service Quality Parameters	Mean Value Customer Expectations	Mean Value Customer Perception	Gap
<b>1</b>	<b>Reliability</b>			
1.1	Banking services provide prompt information to citizens	4.6809	4.6255	0.0554
1.2	Banking services provide convenient service at minimum charges	4.0766	4.0809	-0.0043
1.3	When you have a problem the banks will shows a sincere interest in solving it.	4.1660	4.2043	-0.0383
	<b>Average Reliability</b>	<b>4.30783</b>	<b>4.30357</b>	<b>0.00427</b>
<b>2</b>	<b>Assurance</b>			
2.1	Banking facility helps to perform the services accurately.	4.6596	4.6255	0.0341
2.2	Bankers are courteous towards citizens.	4.0723	4.0298	0.0425
2.3	Banking facilities make citizens feel good	4.1957	4.1660	0.0297
2.4	Modern banking facility supports customers	4.1702	4.1277	0.0425
	<b>Average Assurance</b>	<b>4.2745</b>	<b>4.2373</b>	<b>0.0372</b>
<b>3</b>	<b>Tangibility</b>			
3.1	Banking facility provides modern equipment.	4.7064	4.7745	-0.0681
3.2	Banking facility lead to improve the physical feature of bank.	4.2383	4.3106	-0.0723

3.3	Bank will have professional appearance and clear communication	4.2255	4.3064	-0.0809
3.4	Application forms for availing services are simple to fill	4.1574	4.2851	-0.1277
	<b>Average Tangibility</b>	<b>4.3319</b>	<b>4.4191</b>	<b>-0.0872</b>
<b>4</b>	<b>Empathy</b>			
4.1	Customers feel that banks cared about them.	4.7277	4.6894	0.0383
4.2	Individualized attention will be provided to the customers.	3.9574	3.9489	0.0085
4.3	Banks will have convenient working hours.	4.2383	4.2213	0.017
	<b>Average Empathy</b>	<b>4.3078</b>	<b>4.2865</b>	<b>0.0213</b>
<b>5</b>	<b>Responsiveness</b>			
5.1	Banking facilities will help to know exactly when the services will be available.	4.4723	4.5191	-0.0468
5.2	Modern banking channels will help to solve the problems	4.0681	4.0213	0.0468
5.3	Customers will be able to give feedback regarding the services	4.1745	4.1106	0.0639
5.4	New technologically advanced products will educate people regarding benefits of e-facilities	4.1234	4.1447	-0.0213
	<b>Average Responsiveness</b>	<b>4.2096</b>	<b>4.1989</b>	<b>0.0107</b>

Service quality is measured using RATER model developed by Parshuraman, Zeithmal and Berry. As per this model Reliability, Assurance, Tangibility, Empathy, Responsiveness are the dimensions of the service quality. The mean value of the expected services and the perceived services is calculated. The gap between expected service quality and perceived service quality is measured. Table 6.2 shows that mean value of the gap for the Reliability, Assurance, Empathy, and Responsiveness is very narrow which reveals that service quality is as per the customer expectations. The mean value of the gap for tangibility is in negative value that means the perception regarding the tangibility dimension exceeds expectations. From the above table it can be interpreted that the perception regarding service quality is high and the e-governance enables to provide the good service quality to the citizens.

TABLE III

## SATISFACTION ABOUT THE SERVICES PROVIDED BY THE BANKS DURING DEMONETISATION

Satisfaction with the services provided by the maha e- seva Kendra	Frequency	Percent
Yes	228	95.0
No	12	5.0
Total	240	100.0

From table 3, it can be interpreted that majority i. e. 95% respondents are satisfied with the services provided by the banks during the demonetisation.

Hypothesis Testing –

Hypothesis 1 –

Demonetisation has enhanced the service quality of the services provided by the banks

TABLE IV  
Z VALUE OF THE PARAMETERS OF THE SERVICE QUALITY PROVIDED BY THE BANKS

Sr. No.	Parameters	Z Value	Hypothesis Accepted/ Rejected
1.	Time taken for delivery of service has reduced	8.427	Accepted
2.	The accuracy of service delivery has increased	8.625	Accepted
3.	The cost of service delivery has reduced	-0.125	Rejected
4.	The speed of delivery of service has increased	7.704	Accepted
5.	Promptness of service delivery has increased	10.44	Accepted
6.	Reliability of service delivery has increased	8.5	Accepted
7.	E-banking services made access to service more easily	7.704	Accepted
8.	Time & effort in availing e-banking services is less	2.457	Accepted
9.	Clarity & simplicity of processes and procedures is high	8.625	Accepted
10.	There is better transparency in services on electronic form	7.704	Accepted

The hypotheses are tested at 5% level of significance. The critical value of Z 0.05 = 1.64.

To test the hypothesis ‘Demonetisation has enhanced the service quality of the services provided by the banks.’, 10 sub hypotheses are formulated which are related to the service quality of banks. Z test is applied for these 10 sub hypotheses. The hypothesis that the cost of service delivery has reduced is rejected and all other 9 hypotheses are accepted. So it can be concluded that the hypothesis ‘Demonetisation has enhanced the service quality of the services provided by the banks.’ is

$$\chi^2 > 5.991$$

Therefore the hypothesis ‘Satisfaction of customer towards banking services is dependent on quality of services’ is accepted.

TABLE VI  
INNOVATIVE SERVICES PROVIDED BY BANKS AND PERCEIVED BY CUSTOMERS DURING DEMONITISATION

Feature	NEFT	RTGS	IMPS	USSD/UPI	Debit and Credit Cards	e-Wallets
Timing	8 a.m. to 6.30 p.m.	8 a.m. to 4.30 p.m.	24 X 7	24 X 7	24 X 7	24 X 7
Time Taken	Same Day	Real Time	Immediate			
Transaction Limit	10 Lakh	2-10 Lakh	2 Lakh per day	1 Lakh per transaction	Limit given for card	20,000 p.m.
Authentication	Two Factor Authentication					
Interest Earned	Yes	Yes	Yes	Yes	Yes	No
Beneficiary Registration	Required	Required	Not Required	Not Required	Not Required	Not Required
Information Required	Account number and IFSC			MPin/Aadhar	PIN/CVV/ Expiry date	Login
USP	Virtual Transfer	High Value	Instant	Single App	Online and PoS	Easy to operate
Technical Requirement	Internet connectivity			Smartphone with connectivity (card may not require smartphone)		

accepted.

Hypothesis 2 –

Satisfaction of customer towards banking services is dependent on quality of services

TABLE V  
ASSOCIATION BETWEEN SERVICE QUALITY AND CUSTOMER SATISFACTION WITH THE SERVICES PROVIDED BY BANKS

Satisfaction with the services provided by the banks	Service Quality			Total
	Disagree	Neutral	Agree	
Yes	0	9	207	216
	0%	4%	96%	90%
No	2	5	17	24
	1%	2%	97%	10%
Total	2	14	224	240
	1%	5%	94%	100.0%

$$\text{Chi Square Test} - \chi^2 = 36.405$$

At 5% level of significance the critical value is  $\chi^2_{0.05}(2) = 5.991$

Transaction Amount (Rs.)	NEFT (Rs.)	RTGS (Rs.)	IMPS	USSD/ UPI	Debit and Credit Cards	e-Wallets
Upto 5,000	2.5	N.A.	5	0.5	Annual fee based on type of card. Additional charges may be levied for online services	Currently no charges but in future there may be charges on these services
5,000-10,000	2.5	N.A.	5	N.A.		
10,000 to 1 Lakh	5	N.A.	5	N.A.		
1 Lakh to 2 Lakh	15	N.A.	15	N.A.		
2 Lakh to 5 Lakh	25	25	N.A.	N.A.		
5 Lakh to 10 Lakh	25	50	N.A.	N.A.		

TABLE VII  
DIGITAL PAYMENT OPTIONS

**VII. CONCLUSION**

The present research work is an attempt to study the banking services and their quality during the demonetisation phase particularly from 8<sup>th</sup> November, 2016 to 31<sup>st</sup> December,

2016. From the study it can be concluded that there is no much difference between the customers service quality expectations and the service quality perceptions. Also the perception regarding service quality is high and the e- banking enables to provide the good service quality to the customers. As a result of this majority of the citizens are satisfied with services provided by banks. Thus, it can be concluded that during the demonetisation lot of new and innovative products were used by the customers and banks have provided services to the customers satisfactorily.

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