



PERSPECTIVES OF BANKERS ON DIVERSIFICATION OF BANKING BUSINESS IN  
INDIA

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**Abstract**

*Today, Banking is an indispensable tool of any economy and fee based services make it more attractive by providing solution of all the products/services under one roof. The present paper is the outcome of an empirical study conducted with the objective of investigating the perspectives of bankers towards diversified business of banks in India and explores the benefits and suitability of fee-based services offered by banks to their customers. The survey data used in this research are collected through a questionnaire in different regions of India by administering to 110 bankers. The enquiry reveals that the bank customers utilize almost same type of banking services irrespective of whether they hold accounts in private, public or foreign banks. The factor analysis has rendered seven factors which ascertain the effectiveness of the diversification of banking business in fee based services. In order of the factor mean three important factors for the implementation of successful diversification are; low cost of non-interest services, well segmented, and banks' advantage of economies of scale.*

*Keywords: Diversification, fee based services, factor analysis, Bankers perspectives*

**I. INTRODUCTION**

Beginning 1991, a slew of products and facilities in the banking sector were introduced. A committee, constituted under the chairmanship of M. Narasimham, the then deputy governor of the RBI to suggest ways and modalities for the liberalization of banking practices which all resulted into the country getting swamped with a number of foreign banks and their ATM stations. Various technology- based products and services like phone- banking and net- banking were introduced. The RBI also allowed some private banks to operate. These are Global Trust Bank (GTB), which later merged into Oriental Bank of Commerce, UTI Bank (rechristened as Axis Bank in 2007), ICICI Bank, and HDFC Bank. This led to the creation of vibrant banking sector capable of competing with the best in the world. The new policy revamped the Indian Banking sector thoroughly. Till now bankers adhered to a 4-6-4 policy popularly known as "borrow at 4%; lend at 6%; go home at 4" (URL 3) of functioning. This phenomenon is fading away gradually with the newer ways of bank functioning.



In January, 2001, the RBI revised the guidelines for new bank licences which led to the formation of two new banks – Kotak Mahindra Bank and YES Bank

In April 2014, the Reserve Bank of India granted licenses to 23 new players – with two getting universal banking licences (April 2, 2014), 11 getting payments banks licences (August 19, 2015) and 10 getting licences for small finance banks (September 16, 2015). These small finance and payments banks –called niche banks–were set up to further the regulator's objective of deepening financial inclusion. The players thus selected included IDFC, a diversified financial services firm with a special focus on infrastructure financing, and Bandhan, the country's largest micro lender based in Kolkata. Very soon, in a major policy decision in 2014, the Government decided an “on tap” regime for licences. This promises a shift from a system where only a handful were allowed every 10 years or so to a system where any institution which met the regulator's conditions would automatically be allowed to operate. This policy centering on openness and transparency carries every prospectus of a revolution in growth.

The introduction of payments banks will go a long way in removing some hurdles. These banks are intended to serve the needs of migrant labours, low income households, small businesses; in short, they will promote last mile connectivity. The country may not be fully ready yet to accept the latest in world banking practices, like bitcoin but that will be no reason to reject it altogether; indeed, some headway has been made in the direction of crypto currency. These may be in their nascent state but what such steps emphasize is the urgency to rewrite the economic power grid to help solve some of the difficult problems the economy is facing.

## II. REVIEW OF LITERATURE

**Uppal (2009)** spots time as the major factor affecting the quality and reputation of banks. He says that e-banks provide quicker and better services in less time, winning them more popularity. According to **Rani, V(2012)** e-banks need to shift from product-orientation to customer-orientation, in so far as their business definition is concerned. The findings indicate that in e-banking, opportunities and challenges can be met fruitfully if banks go in for different services. **Alagarsamy's (2013)** assessment is that bank employees have need of sufficient training about bank products & services. They mention that customers find it difficult to understand different banking procedure adopted by different banks. This explains the 'customer hesitation to deal with banks', they add **Joji et. al. (2013)** maintain that bank customers prefer convenience in getting services to giving importance to the bank which provides the services. **Singh et. al. (2011)** find the absence of customers' satisfaction with the employee behavior and infrastructure of nationalized banks. Customers' complain against high charges and problems in accessibility and communication in private and foreign banks. **Singh et. al. (2011)** point out that there are several factors determining customer satisfaction but the ones that play significant role are only three: 'word-of-mouth, social responsibility, and reliability'.



**Busch et. al. (2009)** finds confirmation that risk-adjusted returns on equity and total assets have been positively impacted by higher fee income activities for German universal banks. They also find that savings and commercial banks have a larger share of fee-based income charged lower interest margins, which goes to imply subsidization between interest and fee business. **Curi, C. (2014)**, investigating whether one model fits all the three dimensions related to assets, funding and income, maintains that diversification with regards to assets benefits both funding and income. **Alshomaly, I. (2014)** finds Jordanian banks are less diversified in revenue stream and more diversified regarding credit and deposit activities of banks. The Jordanian stock market reacts positively with revenue diversification but not with the change in the structure of deposit and credit of banks. **Marinc (2009)** studies the banks whose foremost function is to keep an eye on their borrower. Within this framework, he analyzes the profits of diversification and the pressures of systemic risk and inter-bank competition. He finds that if diversification develops banks' monitoring inducements and high systemic risk obstructs banks' monitoring incentives, it makes diversification a less successful venture.

### III. NATURE AND SOURCES OF DATA

The target population for the primary survey comprises bank officers. The bank officers were contacted for the purpose of filling the questionnaires as the subject of the study is such that the respondents should have grounding in some business diversification strategies and their implications for the functioning of the banks. The major work of data collection was performed during the period from June 2014 to December 2014. The researcher adopted the convenience sampling and purposive sampling techniques for sampling elements. Data were collected through online and offline mode with the help of a structured questionnaire which was pre-tested for better results. The questionnaire meant for the bank officers was to know their perspectives on diversified business of banks. Their responses are assessed on a five point scale regarding 24 different statements. Keeping into consideration the nature of study, the researcher purposively contacted the locally accessible Bank officers, who were asked to fill up the questionnaires administered to them and to help in generating network of peers to whom questionnaires could be sent by email. In this way, the numbers of questionnaires sent were approximately 300 were questionnaires were sent to the bank officers working in different banks, and 150 (50%) questionnaires were received back as filled up. Of these, 40 questionnaires were excluded for being deficient in one respect or the other, resulting in the final sample size of 110 banker respondents.

Cronbach Alpha reliability test was used to measure the internal consistency of the data. The Cronbach's Alpha value for all factors/ services of fee based business of banks (0.756) implies that the internal consistency of the data is very good. Further, all the values of reliability test are greater than 0.5, which indicates that the sampled data are strongly reliable.



**Cronbach Alpha reliability test of for Bankers' survey**

| Factors/Services | No. of Items | Cronbach Alpha |
|------------------|--------------|----------------|
| 9.1 to 9.24      | 24           | 0.756          |

**4.1 Sampled bankers' profile**

In this section first we presented the demographic profile of the respondents interviewed for the purpose. Table 1 presents the respondents' demographic profile according to bank group, states, gender, age, education and experience. The table shows that public bank group has the highest percentage (58%) among all bank groups followed by private (37%) and foreign banks (5%). State-wise distribution reveals that 23 percent of the sampled respondents are from Delhi and 12% of sampled respondents are from Haryana. Gender-wise, majority of the respondents are male (64%) and rests are females (36%). Age-wise distribution of bankers reveals that 45 % of the sampled respondents' fall in the age of 25-34 years and only 11 % of sampled respondents are in the age group of 18- 24 years. Education-wise, 61 % of respondents are postgraduates and 39 % respondents are educated up to graduation level. Work experience-wise, majority of them have the experience of 6-10 years (42%) and very few of them (9%) have the work experience of more than 21 years.

**Table 1 Profile of respondent bankers' N=110**

| Respondents' characteristics   | Numbers | Percent |
|--------------------------------|---------|---------|
| <b>Bank group-wise sectors</b> |         |         |
| Public banks                   | 64      | 58      |
| Private banks                  | 41      | 37      |
| Foreign banks                  | 5       | 5       |
| <b>State-wise</b>              |         |         |
| Haryana                        | 13      | 12      |
| Delhi                          | 25      | 23      |
| Maharashtra                    | 15      | 14      |
| Gujarat                        | 22      | 20      |
| Rajasthan                      | 16      | 15      |
| Calcutta                       | 19      | 17      |
| <b>Gender-wise</b>             |         |         |
| Male                           | 70      | 64      |
| Female                         | 40      | 36      |
| <b>Age-wise (in years)</b>     |         |         |



|                                   |    |    |
|-----------------------------------|----|----|
| 18-24                             | 12 | 11 |
| 25-34                             | 49 | 45 |
| 35-49                             | 31 | 28 |
| 50-64                             | 18 | 16 |
| <b>Education-wise</b>             |    |    |
| Graduate                          | 43 | 39 |
| Post Graduate                     | 67 | 61 |
| <b>Experience-wise (in years)</b> |    |    |
| 0-5                               | 22 | 20 |
| 6-10                              | 46 | 42 |
| 11-20                             | 32 | 29 |
| more than 21                      | 10 | 9  |

Source: Based on field survey

#### IV. RESULTS AND DISCUSSION

**5.1 Factor analysis of bankers' perspectives on fee-based services:** In this section, (Table 2) a factor-analysis with sampling adequacy test is applied on the 23 variables of suitability of fee-based services to reduce all enlisted variables into the most important 7 factors. These variables of the suitability of fee-based services were evaluated on five point Likert scale comprising strongly agree, agree, neutral, disagree and strongly disagree.

**Sampling adequacy test:** For checking the adequacy of sampling distribution for factor analysis, KMO and Bartlett's test was applied the results of which are presented in Table 2. The results show that KMO measure of sampling adequacy is 0.734 with 934.85 chi-square value for 276 degree of freedom. This value is statistically highly significant ( $p=0.00$ ) at 5 percent level. It means that sample adequacy model is appropriate for the model.

**Table 2 KMO and Bartlett's test for bankers' survey**

|  |                    |         |
|--|--------------------|---------|
| Kaiser-Meyer-Olkin Measure of Sampling Adequacy. |                    | .734    |
| Bartlett's Test of Sphericity                    | Approx. Chi-Square | 943.865 |
|  | Df                 | 276     |
|  | Sig.               | .000    |





A principal component method of extraction with Varimax rotation is applied. The results exhibit (Table 3) that more than 64.68 percent of the total variance is extracted with seven Eigen values are greater than one (3.41, 2.75, 2.65, 2.16, 1.58, 1.52 and 1.47) and therefore, these may be considered as major factors. The individual values of variances (14.2, 11.46, 11.02, 8.99, 6.57, 6.33 and 6.11) describe that the first factor has the highest and the last factor the lowest variance. Thus, it can be said that the factor analysis has extracted good amount of variance in the variables. Further, a factor mean is calculated with the help of individual mean and then factor ranking is assigned on the basis of factor mean. The highest value (0.71) of factor mean is considered as first rank; second highest (0.63) as second rank, and so on and so forth.

**Factors which emerge through the factor analysis are as follow:**

Factor 1- Banker-customer relations

Factor 2- Resourcefulness of banks for fee-based services

Factor 3- Banks' advantage of economies of scale

Factor 4- Expertise of bank employees

Factor 5- Low cost of non-interest services

Factor 6- Well-segmented branches

Factor 7- Better assessment of customer needs

**F1. Banker-customer relations:** Out of the seven major factors, the first factor is named 'Banker-customer relations'. A quick look at the factor loading value for the first factor shows that the highest factor loading value (0.75) is for 'Banks have better infrastructure than institution/agents to provide fee-based services', which is followed by 'Non-fund based services increase the role of employees in the banks' (0.67), 'Users of services have more faith in banks than private agents' (0.66), 'Diversification in non-interest/fee-based business increase the profitability of bank' (0.51), 'Bank can communicate better about new services to customers' (0.46), and 'Diversification brings innovativeness in banks' (0.41) .

In the principal components analysis, the first factor defines maximum variance than the others, which is 14.2 percent of total variance. The percentage of variance for each successive factor goes on reducing in Table 3.

**F2. Resourcefulness of banks for fee-based services:** The second factor of fee-based service suitability explains 11.46 percent of total variance. An examination of loading values for this factor reveals that 'Satisfied with various services provided by banks' has the highest loading (0.73) for this factor. This is followed by 'Banks are expert in all services' (0.71), 'Banks have sufficient resources to launch innovative products & services' (0.64), 'Non-banking services enhance the status of banks' (0.60) and 'Banker and customer relationships have improved after introduction of fee-based services' (0.27). Thus, the factor is suitably named 'Resourcefulness of banks for fee-based services'.



**F3. Banks' advantage of economies of scale:** This factor explains 11.02 percent of total variance. There is highest loading value for 'Fee-based services help in increasing the number of customers of a bank' (0.77), which is followed by 'Bank should diversify into non-banking services to increase business' (0.63), 'Fee-based services improve the image of banks' (0.56) and 'Banks can provide fee-based services at low cost due to economies of scale' (0.46). All these items go well in the given title and hence the factor named as 'Banks' advantage of economies of scale'.

**F4. Expertise of bank employees:** This factor explains 8.99 percent of total variance. A careful examination of the factor loadings in the table reveals that 'Bank employees are capable to push one to buy their products and services' (0.74), followed by 'bank employee need training to provide more fee-based services' (0.59), 'Fee-based services are unnecessary burden on banks' (0.56), and 'Fee-based services are distracting bank employees from their main business of lending and borrowing' (0.22). The nature of different items goes well with the title of the present factor.

**F5. Low cost of non-interest services:** This component of factor analysis explains 6.57 percent of total variance. There is only one variable 'The price charged in the form of commission by the bank for non-interest services is reasonable' with 0.71 loading value. By viewing the nature of variable, this factor is assigned the label of 'Low cost of non-interest services'.

**F6. Well-segmented branches:** This factor shows 6.33 percent of total variance and loads on the two variables. The highest load factor is of 'Banks are capable to provide only need based services' (0.66) and 'Banks are well segmented/located to provide fee-based services' (0.60). Thus, we have found it appropriate to name it as 'Well-segmented branches'.

**F7. Better assessment of customer needs:** This factor shows the lowest percentage (6.11) of total variance and it includes two variables, 'Bank can better assess customer needs before introducing non banking services' (0.34) followed by 'The bank staff is professionally trained to sell insurance policies of collaborating insurance companies' (0.16). As the variable with the higher load value goes with this factor, we decided to name it as 'Better assessment of customer needs'.



| Factors   | Statements   | Me<br>an | SD   | Loadi<br>ng<br>value | Eign<br>value<br>s | Facto<br>r<br>mean | Factor<br>rank | % of<br>varianc<br>e | Cumulativ<br>e % of<br>variance |
|---|--|----------|------|----------------------|--------------------|--------------------|----------------|----------------------|---------------------------------|
| F1: Banker-<br>customer<br>relations                                | Bank can communicate better about new services to customers.                             | 3.09     | 1.1  | 0.46                 | 3.41               | 0.58               | 5              | 14.2                 | 14.2                            |
|   | Non fund based services increased the role of employees in the banks                     | 2.75     | 1.06 | 0.67                 |                    |                    |                |                      |                                 |
|   | Diversification brings innovativeness in banks   | 2.78     | 1.12 | 0.41                 |                    |                    |                |                      |                                 |
|   | Users of services have more faith in banks than private agents. (like-insurance)         | 2.71     | 1.3  | 0.66                 |                    |                    |                |                      |                                 |
|   | Banks have better infrastructure than institutions/agents to provide fee-based services. | 2.63     | 1.1  | 0.75                 |                    |                    |                |                      |                                 |
|   | Diversification in non-interest/fee-based business increase the profitability of bank.   | 2.75     | 1.12 | 0.51                 |                    |                    |                |                      |                                 |
| F2:<br>Resourceful<br>ness of<br>banks for<br>fee-based<br>services | Banks are expert in all services.  | 3.69     | 0.89 | 0.71                 | 2.75               | 0.59               | 4              | 11.46                | 25.66                           |
|   | Banks have sufficient resources to launch innovative products & services                 | 2.82     | 1.13 | 0.64                 |                    |                    |                |                      |                                 |
|   | Non- banking services enhance the status of banks  | 3.25     | 1.14 | 0.6                  |                    |                    |                |                      |                                 |
|   | You are satisfied with various services provided by your bank                            | 3.51     | 0.83 | 0.73                 |                    |                    |                |                      |                                 |
|   | Banker customer relationships have improved after introduction of fee-based services.    | 4.31     | 0.85 | 0.27                 |                    |                    |                |                      |                                 |





|  |   |      |      |      |      |      |   |       |       |
|--|---|------|------|------|------|------|---|-------|-------|
| F3: Banks' advantage of economies of scale | Bank should diversify into non-banking services to increase business.   | 3.39 | 0.86 | 0.63 | 2.65 | 0.6  | 3 | 11.02 | 36.68 |
|  | Banks can provide fee-based services at low cost due to economies of scale.                                   | 2.75 | 0.94 | 0.46 |      |      |   |       |       |
|  | Fee-based services help in increasing the number of customers of a bank.                                      | 3.22 | 1.05 | 0.77 |      |      |   |       |       |
|  | Fee-based services improve the image of bank.   | 2.64 | 0.97 | 0.56 |      |      |   |       |       |
| F4: Expertise of bank employees            | Bank employee need training to provide more fee-based services  | 3.18 | 1.02 | 0.59 | 2.16 | 0.53 | 6 | 8.99  | 45.67 |
|  | Fee-based services are unnecessary burden on banks  | 3.21 | 1.36 | 0.56 |      |      |   |       |       |
|  | Fee-based services are distracting bank employees from their main business of lending and borrowing.          | 3.35 | 1.33 | 0.22 |      |      |   |       |       |
|  | Bank employees are capable to push one to buy their products and services.                                    | 3.14 | 0.91 | 0.74 |      |      |   |       |       |
| F5: Low cost of Non-interest services      | The price charged in the form of commission by the bank for non-interest services is reasonable               | 3.25 | 0.88 | 0.71 | 1.58 | 0.71 | 1 | 6.57  | 52.25 |
| F6: Well-segmented branches                | Banks are capable to provide only need based services in a particular area                                    | 2.66 | 0.9  | 0.66 | 1.52 | 0.63 | 2 | 6.33  | 58.57 |
|  | Banks are well segmented/ located to provide fee-based services.  | 2.94 | 0.96 | 0.6  |      |      |   |       |       |
| F7: Better assessment of customer needs    | The bank staff is professionally trained to sell insurance policies of the collaborating insurance companies. | 2.88 | 0.94 | 0.16 | 1.47 | 0.25 | 7 | 6.11  | 64.68 |
|  | Bank can better assess customer needs before introducing non banking services.                                | 3.47 | 0.75 | 0.34 |      |      |   |       |       |



**5.2 Independent variables wise evaluation of fee-based services suitability factors:** In this sub section we analyzed the relation of the different factors (which comes out from the preceding sub section) with independent variables, such as age, bank group, experience, and education.

**5.2.1 Age-wise analysis:** This section presents the analysis of age-wise respondents with major factors of fee-based services in relation to age groups. Table 4 shows age-wise descriptive statistics of factors with mean, SD, F-value and sig values along with the results of ANOVA (one-way). The results indicate that significant value of f is found in F1, F2, F3, F4 and F6 with F=4.23 at p=0.00, F=3.01 at p=0.03, F=4.95 at 0.00, F=4.06 at p=0.00 and F=3.48 at 0.02, respectively. Multiple Post hoc Tukey HSD test (Table 5) is used to know how a specific group differs from the other groups. F1-- 'Banker-customer relationship' --reveals that there is significant mean difference between age group '25-34 years' (M=3.05, SD =0.97) and '35-49 years' (M=2.55, SD =0.60), '25-34 years' and '50-64 years' (M=2.43, SD =0.39). It shows that respondents of age group '25- 34 years' agreed that fee-based services are helpful in maintaining good banker and customer relationship. In the case of F2, F3 and F4, significant difference is found between the age groups '25-34 years' and '35-49 years'. Results reveal that bank officers in age group '25-35 years' agree that for providing fee-based services banks have sufficient resources, advantage of economies of scale, and expertise of banks employees. In F6, respondents in age group 25-34 years (M=3.01, SD =0.72) significantly differ from 50-64 years (M=2.42, SD =0.60). The results of Tukey HSD test convey that bank officers in age group 25-34 years are satisfied that bank has enough resources and that they are well-segmented for providing fee-based services.

**Table 4 ANOVA for bankers' age-wise perspectives on fee-based services N=110**

| Factors   | Age (in years) | N  | Mean | SD   | F-value | Sig. level |
|---|----------------|----|------|------|---------|------------|
| F1: Banker-customer relations                       | 18-24          | 12 | 2.85 | 0.65 | 4.23    | 0.00**     |
|   | 25-34          | 49 | 3.05 | 0.97 |         |            |
|   | 35-49          | 31 | 2.55 | 0.60 |         |            |
|   | 50-64          | 18 | 2.43 | 0.39 |         |            |
| F2: Resourcefulness of banks for fee-based services | 18-24          | 12 | 3.57 | 0.65 | 3.01    | 0.03**     |
|   | 25-34          | 49 | 3.69 | 0.60 |         |            |
|   | 35-49          | 31 | 3.30 | 0.65 |         |            |
|   | 50-64          | 18 | 3.37 | 0.54 |         |            |
| F3: Banks' advantage of economies of scale          | 18-24          | 12 | 3.02 | 0.52 | 4.95    | 0.00**     |
|   | 25-34          | 49 | 3.23 | 0.55 |         |            |
|   | 35-49          | 31 | 2.69 | 0.79 |         |            |
|   | 50-64          | 18 | 2.88 | 0.60 |         |            |
| F4: Expertise of bank                               | 18-24          | 12 | 3.46 | 0.56 | 4.06    | 0.00**     |
|   | 25-34          | 49 | 3.44 | 0.64 |         |            |



|   |       |    |      |      |      |        |
|---|-------|----|------|------|------|--------|
| employees                               | 35-49 | 31 | 2.94 | 0.86 |      |        |
|   | 50-64 | 18 | 2.94 | 0.89 |      |        |
| F5:Low cost of Non-interest services    | 18-24 | 12 | 3.08 | 1.00 | 1.17 | 0.32   |
|   | 25-34 | 49 | 3.27 | 0.93 |      |        |
|   | 35-49 | 31 | 3.45 | 0.72 |      |        |
|   | 50-64 | 18 | 3.00 | 0.91 |      |        |
| F6: Well-segmented branches             | 18-24 | 12 | 2.79 | 0.78 | 3.48 | 0.02** |
|   | 25-34 | 49 | 3.01 | 0.72 |      |        |
|   | 35-49 | 31 | 2.69 | 0.70 |      |        |
|   | 50-64 | 18 | 2.42 | 0.60 |      |        |
| F7: Better assessment of customer needs | 18-24 | 12 | 3.25 | 0.62 | 0.51 | 0.68   |
|   | 25-34 | 49 | 3.24 | 0.66 |      |        |
|   | 35-49 | 31 | 3.10 | 0.62 |      |        |
|   | 50-64 | 18 | 3.08 | 0.69 |      |        |

Source: Based on field survey

Note: \*\*Significant at the 0.05 level.

**Table 5 Post Hoc Tukey HSD test for bankers' age-wise perspectives on fee-based services  
N=110**

| Factors  | (I) Age<br>(in years) | (J) Age<br>(in years) | Mean Difference<br>(I-J) | Sig. level |
|--|-----------------------|-----------------------|--------------------------|------------|
| F1: Banker-customer relations                      | 18-24                 | 25-34                 | -0.20                    | 0.85       |
|  |                       | 35-49                 | 0.30                     | 0.67       |
|  |                       | 50-64                 | 0.42                     | 0.46       |
|  | 25-34                 | 18-24                 | 0.20                     | 0.85       |
|  |                       | 35-49                 | 0.50                     | 0.03**     |
|  |                       | 50-64                 | 0.63                     | 0.02**     |
|  | 35-49                 | 18-24                 | -0.30                    | 0.67       |
|  |                       | 25-34                 | -0.50                    | 0.03**     |
|  |                       | 50-64                 | 0.12                     | 0.95       |
|  | 50-64                 | 18-24                 | -0.42                    | 0.46       |
|  |                       | 25-34                 | -0.63                    | 0.02**     |
|  |                       | 35-49                 | -0.12                    | 0.95       |
| F2:Resourcefulness of banks for fee-based services | 18-24                 | 25-34                 | -0.13                    | 0.92       |
|  |                       | 35-49                 | 0.26                     | 0.59       |
|  |                       | 50-64                 | 0.20                     | 0.82       |



|  |       |       |       |        |
|--|-------|-------|-------|--------|
|  | 25-34 | 18-24 | 0.13  | 0.92   |
|  |       | 35-49 | 0.39  | 0.03** |
|  |       | 50-64 | 0.33  | 0.22   |
|  | 35-49 | 18-24 | -0.26 | 0.59   |
|  |       | 25-34 | -0.39 | 0.03** |
|  |       | 50-64 | -0.06 | 0.99   |
|  | 50-64 | 18-24 | -0.20 | 0.82   |
|  |       | 25-34 | -0.33 | 0.22   |
|  |       | 35-49 | 0.06  | 0.99   |
| F3: Banks' advantage of economies of scale | 18-24 | 25-34 | -0.21 | 0.72   |
|  |       | 35-49 | 0.33  | 0.42   |
|  |       | 50-64 | 0.15  | 0.93   |
|  | 25-34 | 18-24 | 0.21  | 0.72   |
|  |       | 35-49 | 0.54  | 0.00** |
|  |       | 50-64 | 0.36  | 0.17   |
|  | 35-49 | 18-24 | -0.33 | 0.42   |
|  |       | 25-34 | -0.54 | 0.00** |
|  |       | 50-64 | -0.18 | 0.77   |
|  | 50-64 | 18-24 | -0.15 | 0.93   |
|  |       | 25-34 | -0.36 | 0.17   |
|  |       | 35-49 | 0.18  | 0.77   |
| F4: Expertise of bank employees            | 18-24 | 25-34 | 0.02  | 1.00   |
|  |       | 35-49 | 0.51  | 0.18   |
|  |       | 50-64 | 0.51  | 0.26   |
|  | 25-34 | 18-24 | -0.02 | 1.00   |
|  |       | 35-49 | 0.50  | 0.02** |
|  |       | 50-64 | 0.49  | 0.08   |
|  | 35-49 | 18-24 | -0.51 | 0.18   |
|  |       | 25-34 | -0.50 | 0.02** |
|  |       | 50-64 | 0.00  | 1.00   |
|  | 50-64 | 18-24 | -0.51 | 0.26   |
|  |       | 25-34 | -0.49 | 0.08   |
|  |       | 35-49 | 0.00  | 1.00   |
| F6: Well-segmented branches                | 18-24 | 25-34 | -0.22 | 0.77   |
|  |       | 35-49 | 0.10  | 0.98   |



|  |       |       |       |        |      |
|--|-------|-------|-------|--------|------|
|  | 25-34 | 50-64 | 0.38  | 0.48   |      |
|  |       | 18-24 | 0.22  | 0.77   |      |
|  |       | 35-49 | 0.32  | 0.21   |      |
|  | 35-49 | 50-64 | 0.59  | 0.01** |      |
|  |       | 18-24 | -0.10 | 0.98   |      |
|  |       | 25-34 | -0.32 | 0.21   |      |
|  | 50-64 | 50-64 | 0.28  | 0.55   |      |
|  |       | 18-24 | -0.38 | 0.48   |      |
|  |       | 25-34 | -0.59 | 0.01** |      |
|  |       |       | 35-49 | -0.28  | 0.55 |

Source: Based on field survey

Note: \*\*significant at the 0.05 level.

**5.2.2 Education-wise analysis:** This sub section examines the association of different fee-based services suitability factors with different education levels (graduation and post graduation). Table 6 shows significant value of t- test (due to two options for the independent variables) only in F1, while the others are found insignificant. Value of t-test reveals that F2 to F7 are equally placed in terms of their importance irrespective of the educational qualification. In all the factors of fee-based services, no significant difference is found between the graduate and the postgraduate except in F1, which shows that fee-based services carry significance in maintaining better banker-customer relationship only for postgraduates.

**Table 6 T-test for bankers' education-wise perspectives on fee-based services N=406**

| Factors   | Education |      | Graduate (N=43) |      | Post Graduate (N=67) |      | Total (N=110) |        | Tests   |            |
|---|-----------|------|-----------------|------|----------------------|------|---------------|--------|---------|------------|
|   | Mean      | SD   | Mean            | S.D  | Mean                 | S.D  | Mean          | S.D    | t-value | Sig. value |
| F1: Banker-customer relations                     | 2.76      | 0.66 | 2.80            | 0.89 | 2.78                 | 0.81 | 5.97          | 0.02** |         |            |
| F2:Resourcefulness of banks for fee-based service | 3.49      | 0.62 | 3.53            | 0.64 | 3.52                 | 0.63 | 0.06          | 0.81   |         |            |
| F3: Banks' advantage of economies of scale        | 2.98      | 0.64 | 3.01            | 0.69 | 3.00                 | 0.66 | 0.63          | 0.43   |         |            |
| F4: Expertise of bank employees                   | 3.22      | 0.82 | 3.22            | 0.76 | 3.22                 | 0.78 | 0.35          | 0.56   |         |            |
| F5:Low cost of Non-interest                       | 3.19      | 0.91 | 3.30            | 0.87 | 3.25                 | 0.88 | 0.01          | 0.92   |         |            |





| services                                |      |      |      |      |      |      |      |      |
|---|------|------|------|------|------|------|------|------|
| F6: Well segmented branches             | 2.74 | 0.74 | 2.84 | 0.72 | 2.80 | 0.73 | 0.13 | 0.73 |
| F7: Better assessment of customer needs | 3.12 | 0.63 | 3.22 | 0.66 | 3.18 | 0.65 | 1.00 | 0.32 |

Source: Based on field survey

Note: \*\* significant at the 0.05 level

**5.2.3 Experience-wise analysis:** Table 7 shows descriptive analysis of bank officers experience-wise responses with factors related to fee-based service suitability. The test of ANOVA (one-way) shows significant F-value found at  $p < 0.05$  level in F1, 'Banker-customer relations' and in F6 'Well-segmented branches'. The results depict significant value in F1 and F6 with  $F=24.18$  at  $p=0.00$  and  $F=12.24$  at  $p=0.00$  respectively. Table 8 reveals the results of multiple comparisons post hoc Tukey HSD tests. The results of test disclose that in F1 significant mean difference exists between the experience-wise groups '0-5 years' and '6-10 years', '0-5 years' and '11-20 years', '0-5 years' and 'More than 20 years'. In the case of F6, significant mean difference can be seen between the experience groups '0-5 years' and '6-10 years', '0-5 years' and '11-20 years', and '0-5 years' and 'More than 20 years'. From these results, it is established that bank officers having experience of 0-5 years agree that with the introduction of fee-based services in banks, banker-customer relationship improve and also that for providing these services banks need well-segmented branches.

**Table 7 ANOVA for bankers' experience-wise perspectives on fee-based services**

| N=110  |                       |    |      |      |         |            |
|--|-----------------------|----|------|------|---------|------------|
| Factors  | Experience (in years) | N  | Mean | SD   | F-value | Sig. level |
| F1: Banker-customer relations                      | 0-5                   | 22 | 3.80 | 0.63 | 24.18   | 0.00**     |
|  | 6-10                  | 46 | 2.62 | 0.75 |         |            |
|  | 11-20                 | 32 | 2.44 | 0.42 |         |            |
|  | More than 20          | 10 | 2.43 | 0.56 |         |            |
| F2: Resourcefulness of banks for fee-based service | 0-5                   | 22 | 3.73 | 0.69 | 1.41    | 0.24       |
|  | 6-10                  | 46 | 3.44 | 0.67 |         |            |
|  | 11-20                 | 32 | 3.44 | 0.56 |         |            |
|  | More than 20          | 10 | 3.66 | 0.42 |         |            |
| F3: Banks' advantage of economies of scale         | 0-5                   | 22 | 3.33 | 0.51 | 2.35    | 0.08       |
|  | 6-10                  | 46 | 2.91 | 0.76 |         |            |
|  | 11-20                 | 32 | 2.93 | 0.57 |         |            |
|  | More than 20          | 10 | 2.93 | 0.65 |         |            |
| F4: Expertise of bank                              | 0-5                   | 22 | 3.45 | 0.73 | 1.53    | 0.21       |



|   |              |    |      |      |       |        |
|---|--------------|----|------|------|-------|--------|
| employees                               | 6-10         | 46 | 3.25 | 0.68 |       |        |
|   | 11-20        | 32 | 3.13 | 0.84 |       |        |
|   | More than 20 | 10 | 2.88 | 1.01 |       |        |
| F5: Low cost of Non-interest services   | 0-5          | 22 | 3.32 | 0.95 | 0.72  | 0.54   |
|   | 6-10         | 46 | 3.35 | 0.85 |       |        |
|   | 11-20        | 32 | 3.06 | 0.80 |       |        |
|   | More than 20 | 10 | 3.30 | 1.16 |       |        |
| F6: Well segmented branches             | 0-5          | 22 | 3.41 | 0.68 | 12.24 | 0.00** |
|   | 6-10         | 46 | 2.65 | 0.60 |       |        |
|   | 11-20        | 32 | 2.83 | 0.66 |       |        |
|   | More than 20 | 10 | 2.05 | 0.64 |       |        |
| F7: Better assessment of customer needs | 0-5          | 22 | 3.14 | 0.79 | 0.05  | 0.99   |
|   | 6-10         | 46 | 3.17 | 0.67 |       |        |
|   | 11-20        | 32 | 3.20 | 0.57 |       |        |
|   | More than 20 | 10 | 3.20 | 0.54 |       |        |

Source: Based on field survey

Note: Significant at the 0.05 level.

**Table 8 Post Hoc Turkey HSD test for bankers' experience-wise perspectives on fee-based services N=110**

| Factors                       | (I) Experience (in years) | (J) Experience (in years) | Mean Difference (I-J) | Sig. level |
|-------------------------------|---------------------------|---------------------------|-----------------------|------------|
| F1: Banker-customer relations | 0-5                       | 6-10                      | 1.179513              | 0.00**     |
|                               |                           | 11-20                     | 1.352746              | 0.00**     |
|                               |                           | More than 20              | 1.362121              | 0.00**     |
|                               | 6-10                      | 0-5                       | -1.17951              | 0.00**     |
|                               |                           | 11-20                     | 0.173234              | 0.63       |
|                               |                           | More than 20              | 0.182609              | 0.84       |
|                               | 11-20                     | 0-5                       | -1.35275              | 0.00**     |
|                               |                           | 6-10                      | -0.17323              | 0.63       |
|                               |                           | More than 20              | 0.009375              | 1.00       |
|                               | More than 20              | 0-5                       | -1.36212              | 0.00**     |
|                               |                           | 6-10                      | -0.18261              | 0.84       |
|                               |                           | 11-20                     | -0.00938              | 1.00       |



|                             |              |              |          |        |
|-----------------------------|--------------|--------------|----------|--------|
| F6: Well-segmented branches | 0-5          | 6-10         | 0.756917 | 0.00** |
|                             |              | 11-20        | 0.580966 | 0.01** |
|                             |              | More than 20 | 1.359091 | 0.00** |
|                             | 6-10         | 0-5          | -0.75692 | 0.00** |
|                             |              | 11-20        | -0.17595 | 0.63   |
|                             |              | More than 20 | 0.602174 | 0.04** |
|                             | 11-20        | 0-5          | -0.58097 | 0.01** |
|                             |              | 6-10         | 0.175951 | 0.63   |
|                             |              | More than 20 | 0.778125 | 0.01** |
|                             | More than 20 | 0-5          | -1.35909 | 0.00** |
|                             |              | 6-10         | -0.60217 | 0.04** |
|                             |              | 11-20        | -0.77813 | 0.01** |

Source: Based on field survey

Note: The mean difference is significant at the 0.05 level.

**5.2.4 Bank group-wise analysis:** Table 9 depicts bank group-wise descriptive analysis of factors related to the suitability of fee-based services. The table shows that there is no significant F-value in any of the seven factors. It reveals that the all bank groups are alike in terms of all the factors and that there is no significant difference among them. So post hoc is not applied.

**Table 9 ANOVA for bankers' bank group-wise perspectives on fee-based services**

|   |                     |    |      |      |         | N=110      |  |
|---|---------------------|----|------|------|---------|------------|--|
| Factors   | Bank groups         | N  | Mean | SD   | F-value | Sig. level |  |
| F1: Banker-customer relations                       | Public sector bank  | 64 | 2.68 | 0.75 | 1.50    | 0.23       |  |
|   | Private sector bank | 41 | 2.91 | 0.83 |         |            |  |
|   | Foreign bank        | 5  | 3.10 | 1.18 |         |            |  |
| F2: Resourcefulness of banks for fee-based services | Public sector bank  | 64 | 3.43 | 0.58 | 1.81    | 0.17       |  |
|   | Private sector bank | 41 | 3.62 | 0.67 |         |            |  |
|   | Foreign bank        | 5  | 3.80 | 0.73 |         |            |  |
| F3: Banks' advantage of economies of scale          | Public sector bank  | 64 | 3.00 | 0.67 | 0.76    | 0.47       |  |
|   | Private sector bank | 41 | 2.96 | 0.66 |         |            |  |



|   |                     |    |      |      |      |      |
|---|---------------------|----|------|------|------|------|
|   | Foreign bank        | 5  | 3.35 | 0.58 |      |      |
| F4: Expertise of bank employees         | Public sector bank  | 64 | 3.29 | 0.80 | 0.69 | 0.51 |
|   | Private sector bank | 41 | 3.13 | 0.76 |      |      |
|   | Foreign bank        | 5  | 3.05 | 0.69 |      |      |
| F5: Low cost of Non-interest services   | Public sector bank  | 64 | 3.39 | 0.90 | 1.92 | 0.15 |
|   | Private sector bank | 41 | 3.05 | 0.74 |      |      |
|   | Foreign bank        | 5  | 3.20 | 1.48 |      |      |
| F6: Well-segmented branches             | Public sector bank  | 64 | 2.71 | 0.72 | 1.32 | 0.27 |
|   | Private sector bank | 41 | 2.90 | 0.76 |      |      |
|   | Foreign bank        | 5  | 3.10 | 0.42 |      |      |
| F7: Better assessment of customer needs | Public sector bank  | 64 | 3.15 | 0.65 | 0.24 | 0.79 |
|   | Private sector bank | 41 | 3.23 | 0.64 |      |      |
|   | Foreign bank        | 5  | 3.10 | 0.82 |      |      |

Source: Based on field survey

## V. CONCLUSION

It must, then, be realized that diversification cannot be allowed to run like a bull in a China shop. All cautions and precautions need to be applied to implement it. Diversification has to be a strategy, well planned and well executed. An overdose of diversification will create a situation known in aviation circles as "coffin corner", which is a situation where an airplane reaches an altitude at which it loses all control. A similar situation can happen with diversification programmes if adequate checks and balances are not applied.

From our study it is found that bank officers' responses related to fee-based service suitability reveals that the age-wise analysis of fee-based services indicates that bank officers in the age-group '25-34 years' believe that fee-based services are helpful in maintaining good banker and customer relationship, and also that banks have sufficient resources to introduce these products owing to advantage of economies of scale and expertise of banks employees. In the bank group-wise analysis we found that all bank groups are alike in terms of all the factors and that there are no significant differences among them. Likewise, our results establish that bank officers having experience of 0-5 years agree that the introduction of fee-based services in banks enhance banker-customer relationship but also that for providing these services banks need well-segmented branches. In all the factors of fee-based services, application of t-test reveals that no significant difference is found except in F1, which shows that fee-based services carry significance in maintaining better banker-customer relationship only for postgraduates.



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