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Impact of Profile Variables on Level of Satisfaction: A Study on Private Sector Banks in Trichy District

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Abstract: The major aim of this research paper is to measure the quality of service offered by private banks in India. However it attempts to analyse the relationship between age, monthly income and level of satisfaction of customers in Trichy district. In order to understand the level of satisfaction of customers two important profile variables such as age and monthly income were used. The primary data is collected through questionnaire. Pilot study was conducted in five bank branches 2 each situated in urban and rural areas and remaining one at semi urban. The Chi square test was applied to examine the null hypothesis. The computed results show that level of satisfaction is independent of age but dependent on monthly income. , while there exist relationship between monthly income and level of satisfaction. The study proves that the earning of an individual plays a vital role in customer satisfaction level followed by tangibility, assurance and finally the reliability of bank

Keywords: Level of satisfaction, pilot study, hypothesis, Ombudsmen

I. INTRODUCTION

Business today is continually looking for ways to achieve a competitive advantage. Margins are shrinking, competition is increasing. Customers are the most important asset of any business. Banking is a prudent service industry considered to be the heart of any developing country. Banks essentially are social organizations, rendering financial services to sub serve the socio-economic objective of the society. In India Banking sector is sound, well capitalized and regulated. Indian economic conditions and financial services are better than in many other countries in the globe. Studies show that Indian banks are resilient and can withstand global recession. Government is striving hard to revitalize the industrial growth in the country and the RBI had initiated a number of measures that would go a long way in helping the banks to restructure. Thus banks strive hard to mobilize more and more deposits, which forms the important source of functioning.

The growth of banks, depend on the individual bank's efficiency in customer service, public relation and image building. The growth of deposit in bank is twined with the efficiency of customer service. Some of the prominent definitions include "Quality is predictability" (Deming ,1982), "conformance to specification or requirements" (Crosby, 1984), "fitness for use" (Juran, 1988) and "customer's opinion" (Feigenbaum, 1945). These initial efforts in defining quality originated largely from the manufacturing sector. A solid foundation in defining and measuring service quality was emanated in the mid eighties by Gronroos (1984) and Parasuraman et al. Various strategies are formulated to retain the customer and the key of it is to increase the service quality level. Service quality is particularly essential in the banking services context because it provides high level of customer satisfaction, and hence it becomes a key to competitive advantage (Ahmossawi, 2001).

Realizing the importance of customer service in banks, various committees were appointed to study the customer service in bank and to make their recommendations to improve the same. Despite the fact of various recommendations made by these committees, the banks are yet to reach the expectations of the customer.

After nationalization of major commercial banks in 1969 and 1980, majority of the banks are in public sector which change from 'Class Banking' to 'Mass banking' which led to increase in volume of clientele. The increase in volume of customers automatically led to deterioration in quality of customer service.

II. BANKING SECTOR SERVICES

A. Market Size of Banking Sector

The Indian banking sector comprises of 46 commercial banks jostling for business with dozens of foreign banks as well as rural and co-operative lenders. At the end of February, 13.7 crore accounts had been opened under Pradhanmantri Jan Dhan Yojna (PMJDY) and 12.2 crore RuPay debit cards were issued. These new accounts have mobilised deposits of Rs 12,694 crore (US\$ 2.01 billion).

B. Service Attributes In Banking Sector

Customer satisfaction is an elusive area especially in service sector since offerings are intangible. In fact, it has been said that intangibility is the key to determine whether or not an offering is a service or a product. Customer satisfaction is the sum total of the customers' expression of the service quality. Enhancing the quality of service is important for the survival of the business itself and this can be identified only by diligent research backing. The survival of business has direct correlation with the satisfaction of the customer. Customer satisfaction, which is attributed to the conduct of business, has certain specific dimensions. Quantification and measurement of these dimensions is an area not sufficiently researched.

The customer is the king. Business starts with customer and ends with customer are all clichés. No issue of Harvard Business Review is complete without an article or a research pertaining to customer satisfaction. The topic is as elusive as the customer himself. Even companies which have bagged awards for customer satisfaction do not rest in peace since they have updated themselves constantly against the changing expectations and levels of the customer and strive to maintain the satisfaction level.

Some of the main challenges in customer service in banking includes poor data base management of customers, illiteracy level of majority of customers, lack of adequate infrastructure and technology on which customer satisfaction depends on like electricity (for ATM operations), low level of internet penetration. The importance of technology in banking became obvious when developed countries that had involved IT in its banking operations managed to reduce their costs of operations (Daily Graphic, 2008). Banks in India rapidly introduced technology into its operations in the late 1980s to enhance their operations and to help clients enjoy their services with much convenience.

From the point of view of an overall sales process engineering effort, customer service plays an important role in an organization's ability to generate income and revenue (Don & Rogers, 2008). The benefits of the current customer-centric banking industry are phenomenal. The banks are able to differentiate themselves from the competition and improve their image in the eyes of the customer.

C. Globalised Scenario

"Change" is a continuous process and banking industry is no exception to this natural law. Change in the Indian banking industry is inevitable due to the implementation of the financial sector reforms and policies in the country. The main objective of financial sector reforms is to promote an efficient, competitive and diversified financial system in the country. Indian banking industry has undergone tremendous transformation after liberalization and globalization process initiated from 1991. These changes have forced the Indian banking industry to adjust the product mix to effect the rapid changes in their process to remain competitive in the globalised environment.

Banking services largely depend upon customer demands and their perceived preferences in urban and metropolitan sectors customers are more knowledgeable and demand more facilities than offered. They are looking for services that are cheaper, faster and qualitatively better. The “bank-comes-home-to-you” approach is fast developing.

D. The Banking Scenario

Change is the law of life and banking is no exception. Winds of rapid change have been blowing in the recent past over the banking arena which turnout to be a testing, challenging and exciting period. Change and innovations are two important tools to the development of banking industry. But very often it is found that banks do not adjunct in tune with the challenges posed by the changes. They tackle one issue after the other and by doing so do not adjust properly to whole lot of changes.

All changes interact with each other. In the recent years, Indian banks are going through various functional and structural changes to keep pace with global changes. Banking edifice in our country has passed through various phases in the last century, for more than 100 years, like social control, nationalization, liberalization, privatization, globalization, and computerization and so on.

III. DEVELOPMENTS IN BANKING SECTOR

Customer Awareness and Satisfaction

Banking services largely depend upon customer demands and their perceived preferences in urban and metropolitan sectors. Customers are more knowledgeable and demand more facilities than offered. They are looking for services that are cheaper, faster and qualitatively better. The “bank-comes-home-to-you” approach is fast developing. Further, Indian Overseas Bank is offering “Home Décor Loan” besides “Home Loan” in order to furnish the house with modern amenities. Customers can now-a-days know the status of their accounts; request a financial statement or a cheque book, order “stop payment” on cheques and transfer funds, all from their desktop.

A. Development of Banks before Nationalization

In this period banks are functioned to help a particular group of persons who are financially sound and its service is not useful for people who are really in poverty line. The following services are rendered by a bank in general :

1. Money deposits in savings account.
2. Grant loan to its customers under various schemes.
3. Gives credit card systems to its customer.
4. Operates its branches in rural and urban areas so as reach all its service to farmers and villagers.
5. It also gives housing loan to its customer for long period with minimum interest.
6. Its service is also useful for small scale industries.
7. It also introduces safe deposit schemes to safeguard its customers deposits.
8. It's all services are controlled and guided by Reserve Bank of India.
9. To develop its services, various groups of efficient persons are employed at various levels.
10. Bank gives loan to its customers after proper verification and loan is sanctioned after getting surety from customer.

B. Development of Banks after Nationalization

In India, Banking operations find various faults from its services. And the bank development is not reached to the expected level because of this partial services to one particular sector of its customer. So to rectify these defects, it is necessary to

nationalize the banks in India. After nationalization, the services of banks improved to a large extent and its services are most beneficial to farmers and laymen.

The benefits of a nationalized bank may be summarized as follows :

1. Bank services are flexible to all and banks are functioned without the interruption of a particular person.
2. Management of banks area is controlled by well-experienced person and skilled persons
3. Its services are helpful to small scale industries development.
4. Banks are helpful for industrial development.
5. It is also useful for new business beginners.
6. Exporters are benefited by its services.
7. Central bank and commercial banks are linked.
8. All banks are computerized.
9. It improves the administrative function in rural banks and also it controls the function of all banks.
10. It also aims to develop the national funds flow and per capita income.

As the inflation level elevated, , the banks were compelled to offer attractive interest rates on their term deposits so as to protect their liability franchise. The higher deposit rates coupled with lower credit offtake impacted the net interest income and thereby the earnings profile of commercial banks.

C. Development Of Banks At Present

There have been many investments and developments in the Indian banking sector in the past few months.

- » The United Economic Forum (UEF), an organisation that works to improve socio-economic status of the minority community in India has signed a memorandum of understanding (MoU) with Indian Overseas Bank (IOB) for financing entrepreneurs from backward communities to set up businesses in Tamil Nadu
- » The RBI has allowed third-party white label automated teller machines (ATM) to accept international cards, including international prepaid cards, and the said white label ATMs can now tie up with any commercial bank for cash supply.
- » The RBI has allowed banks to sell policies of different insurance firms subject to certain conditions and it had also allowed bonds to be issued by multilateral financial institutions like World Bank Group, the Asian Development Bank and the African Development Bank in India as eligible securities for interbank borrowing.

IV. REVIEW OF PREVIOUS STUDIES

The following studies have been conducted by various researchers in the area of marketing strategies, customer services and customer satisfaction in public sector banks. Reviews of these studies enable the researcher to formulate the present study.

A. Dilshath conducted a study on “Customer Satisfaction in Nationalized banks” with special reference to Madras City. Some of the important findings are

- (i) Customers are not satisfied at the customers due to long time taken for drawing money.
- (ii) Customers are also dissatisfied because certain services like investment advice and tax advice are not given to them.
- (iii) Borrowers are dissatisfied because of the cumbersome procedural formalities in getting loans sanctioned.

David Sundararajan in his study “Marketing Strategies in Canara Bank has analysed the Marketing strategies followed by the bank and concluded that service strategy assumes greater importance in expanding bank’s market share.

C. Rajalakshmi, in her study titled, “ A critical Appraisal of general Utility services of Commercial Banks in Aruppukkottai Town”, analyses the range of general utility services and revealed that such services play an important role in attracting the customers.

Miss Archana Mathew in her article namely “Customer Service in Public sector Bank - A comparative study” reveals that customers faced the problems in delayed service, lack of proper guidance and discrimination by the bank staff. She suggested automation to reduce delay in the performance of service.

Mr. Lawrence Shurman, in his report of the Indian Banks Association, concluded that there are many dissatisfied customers and stressed the role of Banking Ombudsmen to resolve fairly the problems of customers.

The banking sector, being the barometer of the economy, is reflective of the macro-economic variables. While the Indian economy is yet to catch strength, the Indian banking system continues to deal with improvement in asset quality, execution of prudent risk management practices and capital adequacy.

According to K.P. Padamakumar, Chairman, Federal Bank, Banks are increasingly facing sliding margins and fierce competitions. It is imperative to increasing volumes and reduce operational cost.. Thus due to tough competition in the banking sector and due to the entry of private players, the quantity of services of the banks are increasing day by day but as far as quality is concerned, it is continuously deteriorating. Today the customer is interested in how he / she can benefit from the banks and their products. That is why it becomes necessary for a bank to differentiate its products from the others.

In an article in Economic Times, Paytm, a gateway and a market place backed by Alibaba is being valued at nearly \$2 billion without much revenue or profits to talk about when Indian Bank and Indian Overseas Bank together with more than 3,500 branches and a century old history, are valued lesser. For more than a decade, banks were split into state-run, old private sector and the new-age private sector banks such as HDFC Bank and ICICI Bank, which derived higher valuations due to their customer focus and snatching market share from nationalised banks.

In four years, state-run banks have lost a 1.5 percentage point market share in savings account deposits while private banks gained 3.2 percentage points, according to brokerage Morgan Stanley. The loss in other segments is similar. For private banks too, future market share gains are not a given. A changing networking landscape and nimbler service providers can threaten their expansion.

Jayadev.M and Roger Moser in their interview had said, The issue of rural retail banking is extremely topical. Over the past few decades, while urban retail banking has seen a lot of growth, rural areas have continued to suffer from insufficient access to financial services. This is mainly due to the requirement of asset deeds, identity and income proofs among other documents by banks and FIs and absence of enough branches in these areas. The high cost of conventional banking is an additional impediment to the realisation of financial inclusion.

Shikha Agrawal, in his article titled “Indian service sector: A case study of Banking Sector”, had emphasized the need for extending banking services to rural areas. Currently, according to a series of estimates and market studies the number of rural bank branches is 31,727. This is 39.7% of the total number of bank branches in the country. The number of no-frill accounts is 28.23 million. There are only 54 savings accounts for every 100 persons in rural areas and only 26% of rural citizens with an annual income of less than Rs. 50000 have a bank account. In the same income bracket, only 13% farmers have ever availed of bank loans while 54% have used non-institutional and other forms of lending³. Thus, there is sufficient need for extending financial services to the rural areas.

In the coming years, the deposit ratio will be 80% in private banks and 20% in public sector banks which is a reverse of a decade before. Banking is and for the time to come, will remain customer oriented business. If one can satisfy the customers effectively, then customer becomes client. Thus to be successful, the banks should satisfy their customers qualitatively as well as quantitatively. They should *.put the customers first . because .Customer is the king .* for the proper functioning of the Indian Banks today.

Owing to elevated inflation levels, the banks were compelled to offer attractive interest rates on their term deposits so as to protect their liability franchise. The higher deposit rates coupled with lower credit offtake impacted the net interest income and thereby affecting the earning profile of commercial banks.

Following an announcement in the Union Budget, the central bank has allowed banks to raise funds via long-term bonds for financing to the infrastructure sector. For these, they don't have to meet the cash reserve ratio, statutory liquidity ratio or priority sector norms. This will help lenders to boost infrastructure and affordable housing financing. In addition, banks are now allowed to refinance core sector projects every five years for four times, the '5/25 rule', helping lenders to address their asset liability issues.

V. OBJECTIVES OF THE STUDY

The specific objectives of the study are

- » To review the progress of private banking sector in India and Tiruchirappalli
- » To evaluate the marketing strategies of private sector banks from the point of customers.
- » To examine the relationship between profile variables and level of satisfaction of customers.
- » To identify the dimension of perception towards customer services provided by private sector banks.
- » To offer suggestions to improve customer satisfaction.

A. Hypothesis

1. To give a specific focus to the objectives, a few hypotheses have been formed to test the above said objectives by using appropriate statistical tools. They are
2. There is an association between the profile variables such as age, sex, marital status, education, occupation, family size, and income, residential area of the customers and their level of satisfaction.
3. There is a close association in observation of customers about deposit services.
4. The observation of the bankers and customers about credit schemes are closely associated.

B. Methodology

This section describes the methodology of the present study which includes choice of the study area, sample design, collection of data, period of study and Tools of analysis

The following relationship has been used to classify the customer satisfaction into three categories namely high level, medium level and low level satisfaction.

Score value ($X + SD$) \geq **high level of satisfaction,**

Score value ($X - SD$) \leq **low level of satisfaction** respectively

Score values in between ($X + SD$) and ($X - SD$) = **medium level satisfaction.**

C. Pilot Study

Pilot study was conducted during April 2015. In the pilot study interview schedules were pre-tested and necessary modifications were carried out before being used for the final survey. Pilot study was conducted in five bank branches 2 each situated in urban and rural areas and remaining one at semi urban. The five randomly selected banks are ICICI and HDFC Bank Ltd from Urban, City Union Bank from semi urban and Lakshmi villas and South Indian Bank from rural area. In these banks, 5 each customers, total of 25 customers were randomly selected to conduct pilot study. The findings of the pilot study enabled the researcher to formulate hypotheses and finalise the design of the study.

D. Limitations Of The Study

The study is subjected to the following limitations

1. Some of the respondent's customers may have failed to reveal their true income out of fear and confidentiality which may tend to affect the analysis at times.
2. The study covers only individual depositors and borrowers. Institutional depositors and borrowers are not covered in the study.

VI. ANALYSIS AND INTERPRETATION

TABLE I
Age and Level of Satisfaction

Sl. No.	Age in (years)	Level of Satisfaction -Private sector banks			
		High	Medium	Low	Total
1	18-40	24 (21.43)	20 (21.74)	11 (23.91)	55 (22.00)
2	40-60	73 (65.18)	62 (67.39)	24 (52.17)	159 (63.60)
3	60 and above	15 (13.39)	10 (10.87)	11 (23.92)	36 (14.40)
	Total	112 (100.00)	92 (100.00)	46 (100.00)	250 (100.00)

Source : primary data

Note : figures in brackets represent percentage to total

From the Table I it is observed that in private sector banks , out of 112 respondents with high level of satisfaction, a maximum of 73(65.18%) of them belong to the age group between 40-60 years, followed by 24(21.43%) of the respondents belonging to the age group between 18-40 years, and 15(13.39%) of them belong to age group above 60 years, while in the case of medium level of satisfaction, out of 92 respondents a maximum of 62(67.39%) of them belong to the age group between 40-60 years followed by 20(21.74) and 10(10.87%) belonging to the age group 18-40 and above 60 years respectively. Further it is also shown that out of 64 respondents, with low level of satisfaction, maximum of 24(52.17%) of them belong to the age group between 40-60 years and 11(23.91%) of them belong to the age group between 18-40 years and above 60 years respectively.

In order to test the relationship between age and level of satisfaction of the respondents, the following null hypothesis was formulated. The level of satisfaction is independent of age. The Chi square test was applied to examine the null hypothesis and the computed results are given in Table II

TABLE II
Age And Level Of Satisfaction – Chi Square Test

Particulars	Private Sector banks
Calculated value	04.211
Table value at 5% level	10.488

Degrees of freedom	04.000
Inference	Not significant

Source : Computed Data

It is clearly understood from the table 1.1 that in private sector banks, as for as age is concerned, the calculated value is less than the table value, hence the null hypothesis is accepted. Therefore, it is observed that age does not influence the satisfaction of the respondents.

TABLE III
Monthly Incomes And Level Of Satisfaction

Sl. No.	Monthly income in Rs.	Level of Satisfaction - Private sector Banks			
		High	Medium	Low	Total
1	Below 5000	10 (8.93)	6 (6.52)	5 (10.87)	21 (8.40)
2	5000-10000	41 (36.61)	24 (26.09)	14 (30.43)	79 (31.60)
3	10000-15000	29 (25.89)	51 (55.43)	17 (36.96)	97 (38.80)
4	15000 and above	32 (28.57)	11 (11.96)	10 (21.74)	53 (21.20)
	Total	112 (100.00)	92 (100.00)	46 (100.00)	250 (100.00)

Source : primary data

Note : Figures in brackets represent percentage to total

From the Table III, it has been inferred that in private sector banks, out of 112 respondents with high level of satisfaction, majority of 41(36.61%) of them have monthly income from Rs. 5000 to Rs. 10,000 followed by 32(28.57%) of them have monthly income of above Rs. 15,000, 29(25.89%) of belong to monthly income group between Rs. 10,000 and Rs. 15,000 and 10(8.93%) have monthly income below Rs. 5,000. In the case of medium level of satisfaction, out of 92 respondents, majority of 51(55.43%) of them have monthly income between Rs. 10,000 and Rs. 15,000 followed by 24(26.09%) have monthly income between Rs. 5000 and Rs. 10,000, 11 (11.96%) have monthly income above Rs. 15,000 and 6(6.52%) have monthly income less than Rs. 5000. Further, it also shows that out of 46 respondents with low level of satisfaction, majority of 17(36.96%) of them have monthly income between Rs. 10,000 and Rs. 15,000 followed by 14(30.43%) have monthly income between Rs. 5000 and Rs. 10,000, 10 (21.74%) have monthly income above Rs. 15,000 and 5(10.87%) have monthly income below Rs. 5000 respectively.

In order to test the relationship between monthly income and level of satisfaction the following null hypothesis was formulated **there exist no relationship between monthly income and level of satisfaction.** To test the above null hypothesis, Chi square test was applied. The results are given in Table -2.1

TABLE IV
Monthly Incomes And Level Of Satisfaction Chi Square Test

Particulars	Private Sector
Calculated value	15.5231
Table value at 5% level	13.691
Degrees of freedom	6
Inference	Significant

Source : Computed Data

From Table IV it is observed that in private sector banks, the calculated Chi square value is greater than the table value at 5 percent level. It implies that the null hypothesis is rejected. Hence it could be inferred that **there exists relationship between monthly income and level of satisfaction.**

VII. CONCLUSION

Despite the banks are providing more services, with the continuous increase of services, unfortunately there is a total neglect in the quality of services. Today the customers have become smart and demand quality services. It is very hard to please the customers irrespective of age. Hence banks aim at TCS – Total Customer Satisfaction i.e., making serious efforts to match the delivery and performance of product and services. Positive business sentiments and improved consumer satisfaction help to boost the economic growth. Higher spending on infrastructure, speedy implementation of projects and continuation of reforms will provide further impetus to the growth of Indian economy.

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