



Customer Satisfaction towards Banking Services - A Study with Special Reference to Private Sector Banks in Erode District

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ABSTRACT

Banks are part of the world of financial institutions, standing along investment banks, insurance companies, finance companies, investment managers and other companies that profit from the creation and flow of money. In current scenario the banking sector is an important financial institution. This study is much more helpful to banking industry for extent of their customer satisfaction by following various strategies which satisfying the need of the customers.

The respondents taken for this study is 220 and to measure the level of satisfaction garrets ranking tool has been used. This research has been conducted in order to critically evaluate and examine the customer satisfaction towards private sector banking service. This study leads to perform better in future.

Keywords: Bank, Customer, Customer Satisfaction, Private Sector Banks, Loans & Advance, ATM

INTRODUCTION TO THE STUDY

Accounting for trillion in assets worldwide, the banking system is a crucial component of the global economy. While money-changing and money-lending may be as old as money, banking dates back to 15th century medieval Italy and played a major role in the rise of the Italian city-states as world economic powers. Ever since, the health of an economy and the health of its banks have been interrelated; the global credit crisis precipitated by the collapse of the subprime-fueled U.S. housing bubble is only the most recent example.

Banks are part of the world of financial institutions, standing along investment banks, insurance companies, finance companies, investment managers and other companies that profit from the creation and flow of money. As financial mediators, banks stand between depositors who supply capital and borrowers who demand capital. Given how much commerce and individual wealth rests on healthy banks, banks are also among the most heavily regulated businesses in the world.

Meaning of Bank:

The term bank has originated from the term 'Banchi'. In olden days, the traders of Italy who performed the job of exchanging money were known as Banchi or Bancheri because the table which they used for making payment was called as Banchi.

According to some people, the term bank is derived from the Greek word 'Banque.'

A bank deals in money in the same way as a businessman deals in goods. Banks are business enterprises which deal in money, financial instruments and provide financial services for a price called interest, discount, commission etc.

Definitions of bank:

"Banking is the business of accepting for the purpose of lending or investment, of deposits of money from the public repayable on demand or otherwise and

withdraw-able by cheque, draft, and order or otherwise” - Indian Banking Regulation Act, 1949.

Banking Worldwide

Our history dates back to 1832 - the year when The Bank of Nova Scotia was founded. For the duration of the 19th century, and throughout the next, bank branches expanded across Canada, into the U.S. and overseas. In addition to its growing retail services, The Bank of Nova Scotia began providing corporate banking services from its New York offices in the early 80's. By 1983, in response to increasing client demand, corporate banking services were offered in other U.S. cities and Canada.

In 1988, The Bank of Nova Scotia acquired McLeod Young Weir (later renamed Scotia McLeod Inc.) - a leading Toronto brokerage firm, founded in 1921. In November 1995, the wholesale arm of Scotia McLeod was formally integrated with the capital markets businesses of The Bank of Nova Scotia under the marketing banner Scotia Capital Markets. Complementing its combined capabilities, The Bank of Nova Scotia successfully acquired the long-standing leading dealer in bullion, The Mocatta Group, formed what is now known as ScotiaMocatta - the precious and base metals businesses of The Bank of Nova Scotia.

On November 1st, 1999, The Bank of Nova Scotia's Corporate Banking business and Scotia Capital Markets were integrated to form Scotia Capital - a marketing banner for the wholesale division of the bank and some of its subsidiaries.

In January 2012, to better reflect the growing international reach of the Corporate and Investment Banking and Capital Markets businesses, and to better align with the Bank's other business lines, the Scotia Capital brand name was discontinued, and the wholesale businesses are now branded as the Global Banking and Markets division of Scotia bank.

Indian Banking System

A healthy economy is achievable with a sound and effective banking system in India. The banking system of India should not only be hassle free but it should be able to meet new challenges posed by the technology and any other external and internal factors.

For the past three decades India's banking system has several outstanding achievements to its credit. The most striking is its extensive reach; it is no longer confined to

only metropolitans or cosmopolitans in India. In fact, Indian banking system has reached even the remote comers of the country. This is one of the main reasons of India's growth process.

The government's regular policy for Indian bank since 1969 has paid rich dividends with the nationalization of 14 major private banks of India. Not long ago, an account holder had to wait for hours at the bank counters for getting a draft or for withdrawing his own money. Today, he has a choice, Gone are days when the most efficient bank transferred money from one branch to other in two days. Now it is simple as instant messaging or dials a pizza. Money has become the order of the day.

The first bank in India, though conservative, was established in 1786. From 1786 till today, the journey of Indian Banking System can be segregated into three distinct phases.

NEW PRIVATE-SECTOR BANKS

The banks, which came in operation after 1991, with the introduction of economic reforms and financial sector reforms are called "new private-sector banks". Banking regulation act was then amended in 1993, which permitted the entry of new private-sector banks in the Indian banking s sector. However, there were certain criteria set for the establishment of the new private-sector banks, some of those criteria being. The bank should have a minimum net worth of Rs. 200crores. The promoters holding should be a minimum of 25% of the paid-up capital. Reliance Capital, India Post, Larsen & Toubro, Shriram Transport Finance are companies pending in banking license with the RBI under the new policy, while IDFC & Bandhan were given a go ahead to start banking services from 2015. Within 3 years of the starting of the operations, the bank should offer shares to public and their net worth must increased to 300crores.

CUSTOMER SATISFACTION

Customer satisfaction is defined as the number of customers whose reported experience with its services (ratings) exceeds precise satisfaction goals. In an aggressive market place where businesses compete for customers, customer satisfaction is seen as a key differentiator and increasingly has become a key aspect of business strategy. At present gaining high levels of customer satisfaction is very important to a service provider institution like banking sectors.

OBJECTIVE

- To find out the level of satisfaction of customers towards the banking service offered by bank.
- To find out the satisfaction level about the technology available in the bank.

STATEMENT OF THE PROBLEM

Today bank plays essential role for the customer services. Banking sector is an important ingredient of the country's economic liberalization; it has become urgent and pertinent for the banking industries in India to prepare itself to stand competition from the giant foreign banks. In order to retain and gain the existing Nowadays customers are more dynamic in their thinking. Their taste, needs and preferences keep changing as per the present situations. Therefore customer satisfaction is an important factor for capturing the market and also for retaining the existing ones. With this as the backdrop, the present study analyzes the level of satisfaction of the customers towards banking service and factors that influence the customers

Below questions contains a general problem written in the form of statement followed by the specific questions:

- How does the demographic profile influence the customer satisfaction and banking service?
- What is the relationship among customer perception and bankers attitude?

RESEARCH METHODOLOGY

This is an analytical study based mainly on the primary data collected through scientifically developed questionnaire method. The questionnaire was personally administered on a sample size of 220, chosen on a simple random basis among four private sector bank customers in the city of Erode. The sample size of 220 is divided equally from five private sector banks. Thirty customers represent each bank. ICICI bank, Karurvyasa bank, Lakshmi Vilas bank and HDFC bank represent the private sector banks. In order to study the customers satisfaction towards the services provided by private banks, a pre tested questionnaire was administered and their opinion regarding various attributes contributing satisfaction to customers were collected.

In order to measure the level of satisfaction 3 statements were administered to the respondents. The statements were so designed to assess their satisfaction

on various aspects, namely Accessibility, Sufficient space, Grievance redresses, Opening an account, withdrawal, depositing money, convenient working hours, Modern Banking Services, Availability / Working of ATMs, Speed of Processing and distribution of loans, Collection charges for cheque / Overdraft Draft, Interest rate.

Population: Private Banks in Erode city.

Sample: Sample covers the respondents of 4 private banks alone.

Sample Size: The sample size of 220 respondents.

DATA COLLECTION METHOD

Questionnaire

The primary data has been collected through a well-structured questionnaire.

In our study the main emphasis was on the questionnaire method. Question, which was asked, were of multiple choices in nature and were of, closed end.

Personal Interview

Personal interview were also conducted. There was face to face conversation between researcher and the respondents. All the answers were recorded while interview was in progress. Through interviewing, additional information was received regarding our study.

LIMITATIONS OF THE STUDY

- Banks are selected only from erode district.
- The survey was carried through questionnaire and the questions were based on banking service.
- Some of the respondents of the survey were unwilling to share information's like income.
- Private sector banks only selected.

REVIEW OF LITRATURE

Mesay Sata Shanka (2012) in his article "Bank Service Quality, Customer Satisfaction and Loyalty in Ethiopian Banking Sector". He measures the service quality offered by private banks in Ethiopian. The relationship between the service quality and customer satisfaction and loyalty.

The research finding indicates offering high quality service increase customer satisfaction, which leads to high level of customer commitment and loyalty. Although this research provides some significant

insights into service quality in Ethiopian banking industry.

R.Arumugarajan (2016) in his article “A Comparative Study on the Customers’ Satisfaction in Select Private Sector and Public Sector Banks in Tirunelveli District”. Studied due to privatization, many of the private party also enter in to banking sector. Thus, the customers have different kinds of banks. So the satisfaction level of customers has very vital role among the banks. Hence he concludes that private and foreign sector banks are quite successful in providing their customers with what they want, when they want and where they want. But public sector banks are still lagging behind their counterparts in these aspects.

Aseem Mathur (2014) in his article “Customer’s Trends towards Public and Private Sector Banks”. Now 'Anywhere Banking' and 'Anytime Banking' has turn into a reality. Banking activities have increased enormously with a clear change in way of life and techniques especially in the field of lending, from wholesale to retail character. Now, customer is the input component of banking industry. Banking Industry can neither function without customers nor is just acquiring a definite number of customers adequate for their business. Finally he conclude that 10 most important factors influencing the selection of a bank they are safety of funds, secured ATMs, ATMs availability, reputation of the bank etc., On the other hand, “Advertisements” was not ranked important. Banks do not need to spend much amount on the part of advertisements.

Dwayne D.Gremler and Stephen W. Brown (1996) in their article “Service Loyalty: Its Nature, Importance, and Implications”. Service organizations are frequently looking for ways to boost customer loyalty. He examines service loyalty and factors affecting its development. Satisfaction, switching costs, and interpersonal bonds are proposed as model of service loyalty. The “bonding” that frequently occurs in customer-service provider employee relationships are conceptualized as the construct interpersonal bonds.

Dr Manasa Nagabhushanam in his study “A Study on Customer Service Quality of Bank in India”. In her research banking industry facing certain challenges (i.e.) challenges of quality service, customer satisfaction, customer retention, customer loyalty, quality service plays a major role in achieving customer satisfaction. Each bank is having their way of services. Service is intangible in nature which could not be

compared due to this differentiation. At last she concludes that banking sector today has a compelling demand for improvement to sustain their customer. It is advisable that the public sector bank associate with technology and good infrastructure. Foreign bank try to concentrate on net worth individuals.

Ramya T J (2016) in her study “A Study on Customer Satisfaction towards Private Banks with special reference to Mysuru City” The banking industry has an incredible growth in Indian market. The doorway of new technology has made lot of changes in Indian banking sector. Newly the Indian economy has seen the emergency of many banks in the private sector. The growth of private bank is not possible without achieving customer satisfaction. Customer satisfaction is a present-day come within reach of to survive in the market .Gauging of customer satisfaction is currently very central to gain self-assurance to build the market. The study indicates service and employee commitment is very important for customer satisfaction.

ANALYSIS AND DISCUSSION

GATTER’S RANKING

Garrets Ranking Technique has been used to investigate the facilities provided by the bank the respondents. Garrett’s ranking technique was used to rank the preference indicated by the respondents on different factors. As per this method, respondents have been asked to assign the rank for all factors and the outcomes of such ranking have been converted into score value with the help of the following formula:

$$\text{Percentage position} = \frac{100(\text{Rij}-0.5)}{N_j}$$

Where Rij = Rank given for
i th variable by the jth respondent.
Nj= Number of variables ranked by the

OPINION OF THE RESPONDENTS ABOUT BANKING FACILITIES

The respondents were asked to rank the six facilities that identified for the purpose of this study as 1, 2, 3, 4,5and, 6 in order to know their preferences. The calculated percentage positions for the ranks 1, 2,3,4,5, and, 6 and their corresponding Garrett’s table values.

Percentage position and their corresponding Garrett's table values

Rank	Percentage Position	Percentage	Garrett's table value
1	$100(1-0.5)/6$	8.33	77
2	$100(2-0.5)/6$	25	63
3	$100(3-0.5)/6$	41.67	54
4	$100(4-0.5)/6$	58.33	46
5	$100(5-0.5)/6$	75	37
6	$100(6-0.5)/6$	91.67	23

From the above table it shows that the percentage positions for the ranks 1, 2,3,4,5, and 6 and their corresponding Garrets table values.

For Rank 1, the calculated percentage position is 8.33 the table value is 77. This value is given in the Garrets ranking table for the percentage of 8.33. For Rank 2, the calculated percentage position is 25 the table value is 48. This value is given in the Garrets ranking table for the percentage of 25.48, which is very near to 25. For Rank 3, the calculated percentage position is 41.97 the table value is 54. This value is given in the Garrets ranking table for the percentage of 41.67. For Rank 4, the calculated percentage position is 58.33 the table value is 46. This value is given in the Garrets ranking table for the percentage of 58.03, which is very near to 58.33. For Rank 5, the calculated percentage position is 75 the table value is 37. This value is given in the Garrets ranking table for the percentage of 74.52, which is very near to 75. For Rank 6, the calculated percentage position is 91.67 the table value is 23. This value is given in the Garrets ranking table for the percentage of 91

TABLE-I
OPINION OF THE RESPONDENTS ABOUT BANKING FACILITIES

S. No.	Service	Rank						Total no. of respondents	Total score	Mean score	Rank
		1	2	3	4	5	6				
1	Loans & advance	22	34	45	51	33	35	220	10876	49.44	VI
2	Credit card	44	33	44	43	44	12	220	11956	54.35	II
3	Debit card	36	10	55	65	43	11	220	11276	51.25	IV
4	Internet banking	10	73	50	21	44	22	220	11680	53.09	III
5	Mobile banking	62	46	12	32	35	33	220	12168	55.31	I
6	NEFT	52	22	39	28	32	47	220	11203	50.92	V

Source: Primary Data

From the above table it shows that the number of respondents ranking the banking facilities as 1, 2,3,4,5 and 6. This table also shows the total score and the mean score.

For factor banking facility the total score is calculated by multiplying the number of respondents ranking that factor as 1, 2,3,4,5 and 6 by their respective table values given in Table I. Mean score is calculated by dividing the total score by the number of respondents. It is seen from Table II that according to the Garrett ranking, the mean score of 49.44, 54.35, 51.25, 53.09, 55.31 and 50.92 is allotted to loans and advances, Credit Card, debit card, internet banking, mobile banking and NEFT respectively. To conclude, the

banking facilities which satisfy to the respondents are in this order namely Mobile banking, Credit card, Internet banking, Debit card, NEFT and Loans & advance.

OPINION OF THE RESPONDENTS ABOUT AVAILABILITY OF SERVICES DURING DEMONETIZATION

The respondents were asked to rank the six factors identified for the purpose of this study as 1, 2,3,4,5 and 6 in order to know their opinion about availability of services during demonetization. The calculated percentage positions for the ranks 1,2,3,4 and 5 their corresponding Garrett's table values are given in following table.

Percentage position and their corresponding garret's table values

Rank	Percentage Position	Percentage	Garrett's table value
1	$100(1-0.5)/5$	10	75
2	$100(2-0.5)/5$	30	61
3	$100(3-0.5)/5$	50	50
4	$100(4-0.5)/5$	70	40
5	$100(5-0.5)/5$	90	25

The above table shows the percentage positions for the ranks 1, 2, 3, 4, and 5 and their corresponding Garrets table values.

For Rank 1, the calculated percentage position is 10 the table value is 75. This value is given in the Garrets ranking table for the percentage 10.16, which is very near to 10. For Rank 2, the calculated percentage position is 30 the table value is 61. This value is given in the Garrets ranking table for the percentage 28.86, which is very near to 30. For Rank 3, the calculated percentage position is 50 the table value is 50. This value is given in the Garrets ranking table for the percentage 50. For Rank 4, the calculated percentage position is 70 the table value is 40. This value is given in the Garrets ranking table for the percentage 69.39, which is very near to 70. For Rank 5, the calculated percentage position is 90 the table value is 25. This value is given in the Garrets ranking table for the percentage 89.94, which is very near to 90.

TABLE-II
OPINION OF THE RESPONDENTS ABOUT AVAILABILITY OF SERVICES DURING DEMONETIZATION

S.No.	Availability of Service	Rank					Total no. of respondents	Total score	Mean score	Rank
		1	2	3	4	5				
1	Refilling ATM	74	37	36	36	37	220	11972	54.42	I
2	Availability of cash in bank	18	20	80	68	34	220	10140	46.09	V
3	Working time	35	40	61	45	39	220	10890	49.50	IV
4	Time duration for transaction	60	60	24	25	51	220	11635	52.89	II
5	Electronic transfers	47	60	13	40	60	220	10935	49.71	III

Source: Primary Data

Table II shows the number of respondents ranking the factors banking facilities as 1, 2, 3, 4, and 5. This table also shows the total score and the mean score.

For factor service provided by bank the total score is calculated by multiplying the number of respondents ranking that factor as 1,2,3,4 and 5 by their respective table values given in Table II. Mean score is calculated by dividing the total score by the number of respondents. It is seen from Table II that according to the Garrett ranking, the factors which induces the respondents to show availability of service are in this order namely Refilling ATM, Availability of cash in bank, Working time, Time duration for transaction, Electronic transfers. It is seen from Table II that according to the Garrett ranking, the mean score of 54.42, 46.09, 49.50, 52.89 and 49.71 is allotted to

Refilling ATM, Availability of cash in bank, working time, time duration for transaction and Electronic transfers respectively.

CONCLUSION

In a country like India, there is demand for providing better service to their customer. Banks must be able to satisfy their customer by their service in order to retain the customers from vary area. The present study shows that customers are more enthusiastic to join new technologies or methods that might contain little risk. Banks should ensure that the modern banking service is safe and secure for financial transaction compare with traditional banking. So, it is concluded that overall service provided by the bank satisfies the customers. And it helps to retain their customers.

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