

# PERCEPTION OF CUSTOMERS ON RETAIL BANKING SERVICES OF PUBLIC SECTOR BANKS

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## ABSTRACT

*The banking industry faces intense competition and increased customer expectations. They develop customer-oriented strategies to compete successfully in the competitive environment. Customers evaluate the quality of service with their experience in service delivery. The research paper evaluates the degree of customer perception in banking services relating to speed, accuracy, and transparency in Public sector banks, Old private sector bank, and New private sector bank. The respondents in this study are customers of bank branches. The research paper revealed that customer perception of banking services is better in New private sector banks and also in urban branches. The aim of the current research paper is to assess the factors of customer perceived value in the retail banking sector during the period of economic recession.*

**Keywords:** *Perception, Private Sector Banks, Public Sector Banks, Liberalization, and Globalization.*

## INTRODUCTION

The banking industry is the largest industry in the service sector. They play an important role in the process of economic growth by mobilizing savings and channelizing funds for productive purposes. Liberalization and globalization brought about drastic changes to the economy. So banks face competition and increased customer expectations. Banks develop customer-oriented strategies to compete successfully in the competitive environment. The products and services offered by the banks are similar. The difference arises in the level of service quality and the perception of the customers. Quality in a service organization is a measure of the extent to which the service delivered meets the customers' expectations. Customers have a wide choice of service providers and they adopt the best service provider in terms of quality, reliability, and profitability. Quality of service plays a dominant role in ensuring the survival of service providers in the global market. The focus is now concentrated on providing services to customers beyond his/her expectation. Customer perception is a measure of customer satisfaction with the quality received. Customers evaluate the quality of service with their experience in service delivery. If customers' perceptions of the service match their expectations, they should be satisfied. If their perception of service exceeds their expectation, they will be more satisfied. If their perceptions of the services do not meet their expectations, they may be dissatisfied. Customer satisfaction is the result of the customer's overall assessment of their perceptions of service compared to their prior expectations

## LITERATURE REVIEW:

Manivannan P (2012) points out the satisfaction level of customers towards various banking services. Most of the customers are in the middle-income group and they use bank accounts only

for cash withdrawals. He also recommended that the majority of the customers are satisfied with the banking services. Pushpalatha S, and Hima Jagathi P (2013) reveal the initiation and best practices of six sigmas in the banking sector. Six Sigma help to improve the quality of services offered by financial companies. The application of six sigmas in banks has the benefits of reduced cycle times, better cash management, reduction in complaints, and overall customer satisfaction. Customers get a variety of defect-free services from banks by adopting six sigma. Abhijith M, and Remya Vivek Menon (2018) states that the Indian customer satisfaction index is used for cross-industry benchmarking of organisation across the banking sector. This study analyses customer perception levels on the quality of services offered by nine leading banks. In their opinion factors influencing customer satisfaction are credibility, customer services, and easiness of operation. According to Ahmed K. and Choudhury T. A. (2012) in his study found that nationalized commercial banks and private commercial banks are almost equally reliable but the services of private commercial banks give more assurance to the customers. The study revealed that the performance of nationalized commercial banks suffers in terms of empathy and tangibles.

## **OBJECTIVES OF STUDY**

1. To study the perception of customers on banking services (speed, accuracy, and transparency)
2. To analyze the customer perception in Public sector banks, Old private sector banks, and New private sector banks.

## **RESEARCH METHODOLOGY :**

The data required for the research paper are collected from primary and secondary sources. The study relies more on Primary data which is collected by means of a structured questionnaire. The respondents are customers of Public sector banks (State Bank of India and Canara Bank), Old private sector banks (Federal Bank and South Indian Bank), and New private sector banks (ICICI and HDFC). Secondary data is collected from various sources

## **SAMPLING DESIGN:**

The data has been collected from 650 customers of three sectors of banks, of which 300 customers are from Public sector banks, 199 customers are from Old private sector banks and 151 customers are from New private sector banks. Suitable mathematical and statistical tools are applied for analyzing the data. The data collected are tabulated, analyzed and interpreted with the help of appropriate statistical tools.

In the present context, the questions asked depended on the responses given by the respondents. Nevertheless, some of the sample questions asked to the respondents are mentioned below:

1. Can you describe an incident when you were highly satisfied with the services of any bank? 2. Why did you feel satisfied with the services provided by the bank?
3. Can you describe an incident when you were highly dissatisfied with the services of any bank?

4. Why did you feel dissatisfied with the services provided by the bank?
5. How do you think the bank should have handled the situation?
6. Do you still visit the bank after the incident?
7. How did the bank behave after the incident?

## **RESULTS AND DISCUSSION:**

The first part of the results of the analysis simply depicts the profile of customers with regard to their age and gender characteristics. In addition to this, the distribution of bank branches in rural, semi-urban, and urban areas, by different sectors of banks was also assessed. The core analysis and its results were presented in the second section. This section deals with analyzing the customer perception of banking services offered by different sectors of banks – public sector, old private sector, and new private sector banks with regard to speed of service, accuracy of service, and transparency of service.

### **Demographic Profile of Customers:**

The female population is very good in Delhi, mainly because of the commendable operation of many NHGs working for the financial inclusion of women.

The cross-tabulation of bank branches with their location shows that the public sector and old private sector banks concentrate their banking business in rural areas. But the new private sector banks concentrate their banking business more in the semi-urban area. In Kerala, the old private sector banks are in a dominant position with regard to their operation in rural areas. The Public sector banks are also opening more bank branches in rural areas, but the new private sector banks are concentrating more on semi-urban and urban areas rather than rural areas. In total, the rural penetration of banking services in Kerala is also appreciable. The customer perception of the banking services is analyzed with respect to speed, Accuracy, and Transparency, the results of the same are displayed in the below tables. 1. Speed The variation in the speed of services is analyzed in two dimensions, the variation of speed between different sectors of banks and the variation of speed in banking services between rural, semi-urban, and urban branches.

The following functions of the bank explain the need of the bank and its importance:

Banks provide security to the customers for their savings and transactions.

Banking sector has to control the money supply and credit.

Banking sector has avoided the focus of financial powers of a few individuals and institutions.

Banking sector has set equal conditions (i.e. rate of interest, period of lending, etc) for all types of customers.

## HYPOTHESIS OF RESEARCH

H01. There is no significant difference in speed in banking services across sectors of banks H02. There is no significant difference in speed in banking services across a place of location of bank branch Sector of bank-wise estimated marginal means of speed in banking services

The results of the same are presented in

H03. There is no significant difference in accuracy in banking services across sectors of Banks.

H04. There is no significant difference in accuracy in banking services across places

### COMPARISON CHART:

Basis Of Comparison	Public Sector Bank	Private Sector Bank
Meaning	Public Sector Banks are the banks whose complete or maximum ownership lies with the government.	Private Sector Banks refer to the banks whose majority of stake is held by individuals and corporations.
No. of banks	27	22
Share in the banking industry	72.9%	19.7%
Customer Base	Large	Relatively small
The interest rate on deposits	High	Marginally lower
Promotion	Based on seniority	Based on merit
Growth opportunities	Low	Comparatively high
Job security	Always present	Purely based on performance.
Pension	Yes	No

Therefore, the null hypothesis is rejected. There is a significant difference in speed in banking services across different sectors of banks and across banks located in different places too. It can be inferred that the speed of banking services is very high in urban branches and also in new private-sector banks. This may be because of the fact that the urban bank branches are utilizing IT-enabled services to a great extent to serve the customers rather than the rural bank branches. Likewise, the New Private Sector banks also succeeded in utilizing such advanced technology to serve their customers when compared to other sectors of banks.

The researchers performed the analysis and collection of data through interviews and focus groups simultaneously. Findings During the research the respondents have talked about the various

characteristics of core products and services. Here, core products and services are the categories. In one particular case, the subcategories were fast processing, proper security checks, minimal documentation, and interest rates.

The above are the subcategories under core products and services because they are directly related to core products and services and they define core products and services. Fast processing, proper security checks, and minimal documentation may be considered as processes and actions or interactions of the respondents with banks. Fast processing will also come under the category, of service delivery. So, the two categories, core products/services, and service delivery get linked with each other. The better and faster the processing of services better is the perception of the service delivery

The variation in the accuracy of services rendered by banks is analyzed in two dimensions, the variation of accuracy between different sectors of banks and the variation of accuracy in banking services between rural, semi-urban, and urban branches.

location of the bank branch depicts the mean score of the responses of selected customers towards the transparency of services experienced by the urban, semi-urban, and rural branch customers of public, old private, and new private sector banks in Kerala shows that the highest mean score belongs to the new private sector banks shows that the highest mean score belongs to urban branches The mean variation is statistically significant at 5 percent level of significance. Therefore, the null hypothesis is rejected. Customers of different sectors of banks experience differences in the transparency of banking services offered to them by banks. The mean score variation of transparency of services offered by banks according to the location of the branch is also found statistically significant at a 5 percent level of significance.

## CONCLUSION

In the modern world, the banking industry is customer-centric. A highly satisfied customer is an asset for the bank. The study makes a comparative analysis of the customer perception of banking services with selected variables - speed, accuracy, and transparency, among the customers of Public sector banks, Old private sector banks, and New private sector banks. The New private sector bank customers are more satisfied with banking services than Old private sector and Public sector bank customers with regard to all the three selected variables. The banking services of the urban branches are better in the opinion of customers than semi-urban and rural branches. It paves more light on the fact that the public sector banks and old private sector banks should pay more attention to customer-related activities and enhance their customer services with all available and commonly used technological devices. The banks should enhance the facilities of their rural and semi-urban branches on par with facilities arranged in urban branches. The banks by establishing a good linkage with academic institutions, especially engineering colleges and management institutes can arrange awareness campaigns for rural customers in the area of the use of modern technology. The findings of the study also demand a more in-depth analysis of the quality of all services offered by different sectors of banks to their customers.

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