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## CUSTOMER SATISFACTION TOWARDS THE PERSONAL BANKING SERVICES OF STATE BANK OF INDIA: AN EMPIRICAL STUDY IN THENI DISTRICT

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### Abstract

*Banks play an important role in the economic development of the country. It is a financial institution that provides banking and other financial services to its customers. As banking is a customer oriented service industry, the effective and efficient customer service is imperative for the success of banking business. The present research paper makes an attempt to assess the opinion, level of satisfaction of the customers on various personal banking services of State Bank of India and identify the factors that influence the customers to select State Bank of India for their banking transactions in the area selected for the study. With the help of the structured interview schedule for the SBI customers, the analysis is made with suitable statistical tools and techniques to infer the level of satisfaction on the personal banking services of SBI in the study area. It highlights role of five factors, namely, "Technology Centric Factor", "Infrastructure Centric Factor", "Customer Centric Factor", "Welfare Centric Factor", and "Satisfaction Centric Factor" in influencing the level of satisfaction towards Personal Banking Services of the customers. Finally, it makes an attempt to offer few suggestions to enhance the personal banking services of SBI amidst challenges and severe competition.*

**Key words:** *Personal Banking Services, Customer Satisfaction, Opinion, Perception, Factors influencing the level of Satisfaction, JEL Classification Number: G21*

### 1. Introduction

The banking industry is facing unprecedented set of challenges in the market, such as emerging new technologies, economic uncertainties, increased

competition, more demanding customers and the changing consumerist culture. In the present environment, the customers are more techno savvy and empowered than any time in the past. As banking is a customer oriented service industry, the effective and efficient customer service is imperative for the success of banking business. Service is an invisible thing which is inseparable from the person who extends it. It is necessary to identify the key factors in terms of customer satisfaction so as to survive in intense competition and increase the market share. The concept of core banking has made 'Anywhere and Anytime' banking a reality. Along with technology, new banking services have also been evolved and the delivery of various banking products is carried out through the medium of high technology at a fraction of the cost to the customer. Customer service is the important business strategy. The improved customer service will definitely increase profitability. Hence banks have to redefine their marketing strategies to enhance customer satisfaction amidst the intense competition, and the more empowered customers.

## 2. Review of Literature

The literature about customer satisfaction on banking services are numerous and the nature of study vary from one small size bank to different sector-wise, state wise and cross-country-wise banks. The objectives of the study are assessing the opinion of the customers and analyzing their level of satisfaction on personal banking services of the study unit. Hence, this review is limited to only those studies which are under the ambit of the present study. With this framework, review of a few relevant studies is made in the following paragraph to find the research gap that exists at present.

Srivastva (2000) in his study entitled "Computerization in Indian Banks" stressed on accelerating the pace of the process of computerization in bank branches to enhance the profitability, operating efficiency, service quality and to diversify the earning base. Singh and Das (2002) in a study entitled "Reforms in the Banking sector; An Overview", studied the implications reform measures in the banking sector. They found fragile banking system disrupts macro-economic

stability and suggested that human resource development, technology, industrial relations and customer services are to be focused for improvement as they are the main pillars of attaining banks' efficiency.

Bhat Sudhindra (2008) has observed that the Indian Banking Industry is facing newer challenges in terms of narrowing spreads, new banking products, many players, mergers and acquisitions. Technology product innovation, sophisticated risk management systems, generation of new income streams, building business volumes and cost efficiency will be the key to the success of the banks in the new era.

R. Magesh (2010) in his study entitled "A Study on Quality of Services as a Tool from Enhancement of Customer Satisfaction in Banks", assessed the quality of services offered by two banks in Chennai and compared the service performance of these two banks respectively. The study has also focused on identifying the changes to be brought about at these banks in their service quality to enhance customer satisfaction. The study has also concentrated on finding the discrepancy between customer's service experiences and expectations, which acts as essential catalyst to enhance the customer satisfaction so that a better relationship is created between the service provider and the customer. Ashok Kumar (2013) in his study "Opportunities and challenges in the Indian retail banking industry" concludes that for the development of retail banking in India, a paradigm shift is required in bank financing through innovative products and mechanisms involving constant up-gradation of the banks internal systems and processes. Banks require product development and differentiation, innovation and business process reengineering, micro-planning, marketing, prudent pricing, customization, technology up-gradation, electronic or mobile banking, cost reduction and cross-selling for their development through retail lending. He says that retail banking has more scope for generating profit than any other traditional methods.

Shyamala Gopinath (2005) in her address on "Retail Banking Directions: Opportunities & Challenges" deliberated on how Information technology does pose both opportunities and challenges. Even with ATM machines and Internet Banking, many consumers still prefer the personal touch of their neighbourhood

branch bank. Technology has made it possible to deliver services throughout the branch bank network, providing instant updates to checking accounts and rapid movement of money for stock transfers. Krishnamoorthy and Srinivasan<sup>9</sup> (2014) in his paper on "A study on customer satisfaction and its impact on customer relationship management in banking sector - Theni District" identified nine dimensions of customer satisfaction, namely tangibility, employee behaviour, information technology, perceived price and fairness, decision convenience, access convenience, post benefits convenience, customer satisfaction, transaction convenience.

The review of research studies on customer satisfaction in banking sector, particularly in Theni district and other related studies revealed that no specific research has been done on customer satisfaction on personal banking services in Theni District. So it was identified that there exists a research gap in this area. The above study was intended to assess and analyze the level of customer satisfaction on personal banking services of the study unit among selected sample with regard to five important factors, namely, "Technology Centric Factor", "Infrastructure Centric Factor", "Customer Centric Factor", "Welfare Centric Factor", and "Satisfaction Centric Factor".

### 3. Need for the Study

In the era of reform in finance sector, banks play dominant role in economic development of the country. The broad categories of services under personal banking division are, namely, various deposit schemes, personal finance schemes, services, special salary account and gold banking. In the absence of effective personal banking services, the savings would sit idle in our homes, the entrepreneurs would not be in a position to raise money, innovation of new products or business models will get affected. Ordinary people having dreams of new car or house will not be able to purchase and it will affect automobile and real estate business.

The personal banking services promote capital formation and they act as the reservoirs of capital providing loans to the individuals and business. This

capital is utilized by entrepreneurs and it contributes to the economic development of the country. This facilitates the successful implementation of the monetary policy of the country and stimulates economic activities and eventually increases the GDP growth rate. In the present scenario the customers are techno savvy, well informed, empowered and spending spree. Hence the well-designed personal banking services of banks have huge impact on the growth and profitability of the banks. This study helps to find out the customer opinion and their level of satisfaction on the various personal banking services of state bank of the India to make suggestions to the banking industry to enhance their strategies of personal banking.

#### **4. Objectives of the Study**

- To assess the opinion of the customers on various personal banking services of State Bank of India
- To analyze the level of satisfaction of the customers towards the personal banking services of State Bank of India
- To identify the factors that influence the customers to select State Bank of India for their banking transactions
- To offer suggestions to enhance personal banking services

#### **5. Scope and Methodology of the Study**

There are variety of bank services like retail banking, corporate banking, investment banking, commercial banking, personal banking, wholesale banking and internet banking. The present study is mainly confined to the level of customer satisfaction towards the personal banking services of State Bank of India in Theni district. The study focuses on the opinion of the customers on various types of personal banking services of State Bank of India, namely, deposit schemes, personal finance schemes, mobile banking services, ATM services, cash deposit machine, safe custody services, foreign remittance services, internet banking services, security measures adopted, western union money transfer, retail sale of gold coins, green remit cards, plastic cards, gift cards and special salary packages. Further, the factors that influence the customers in

selecting State bank of India for their banking operations are also analyzed in this study. The study covers only the customers of SBI in study area. The customers belonging to various professions, various places of both genders, with varied income group and varied age groups are selected as sample respondents.

### **5.1. Construction of Interview Schedule**

The study involves collection of data from both primary and secondary sources. The primary data have been collected from the sample respondents. For this purpose a comprehensive interview schedule was prepared. The schedule was designed to seek data on the customer's socio-economic background, their opinion and satisfaction on personal banking services of SBI in study area. They were revised and reframed in the light of the experiences and insights gained after the conduct of pre-testing.

### **5.2. Collection of Secondary Data**

The secondary data required for the study on the origin and development of State bank of India and its various types of services are collected from the SBI web site, annual reports of SBI, RBI bulletin, and branch offices of State bank of India in the study area. Further various journal articles have been referred for understanding the background of the study.

### **5.3. Sampling Design**

The stratified sampling method is used in this study. There are five talukas in the study area. A sample of 40 respondents was chosen from each of the taluk on the basis of the diverse social and economic profile of the customers. The total number of sample selected was 200.

### **5.4. Period of the Study**

The study covered a period of 2012-15

### **5.5. Statistical Tools and Techniques**

The present study used various statistical tools and techniques for the analysis and interpretation of data, namely, factor analysis, chi-square test and Garrett's Ranking Technique.



## 6. Data Analysis and Discussion

### 6.1. Factor Analysis

To identify the factors influencing the level of satisfaction towards personal banking services, an analysis with the help of factor analysis is attempted. Further to test the Factorability and the Reliability of variables used, KMO and Barlett's Test along with Cronback Alpha model were used.

#### Test of Factorability

The appropriateness of factor analysis is tested with the help of KMO and Barlett's Test. The result of the analysis is presented in Table 3.

**Table 1**  
**Result of Factorability Test**

KMO and Bartlett's Test		
Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		0.706
Bartlett's Test of Sphericity	Approx. Chi-Square	443.114
	Df	91
	Significant	0.000

Source: Computed data

It is seen from table 4.1 that the sample taken for the study seemed to be adequate as Kaiser- Meyer - Olkin Measure of sampling Adequacy is 0.7048 i.e., It is more than 0.7. Further the chi-square value is more than the table value. As the 'P' value is less than 0.001 Barlett's Test of sphericity indicated the appropriateness of using Factor Analysis.

#### Test of Reliability

Reliability refers to the consistency of measure of a concept (Bryman 2004). It indicates how free a scale is from random (Pallant 2001). The reliability attitude scale was tested and resulted in Cronbach and Alpha 0.931. According to Bryman (2004), "The figure 0.931 is typically employed as rule of thumb to denote acceptable level interval reliability". The result of test is presented in table 4.

**Table 2**  
**Results of Reliability Test**

Number of item Scale	Cronbach's Alpha
14	0.931

Source: Primary data

It is known from Table 4 that Cronbach Alpha Coefficient is 0.931 suggesting that the 14 variables used in Factor analysis have relatively high internal consistency. As it is greater than 0.7 it is assumed that the variables used in factor analysis are reliable.

**Factor Analysis**

The rotated factor matrix for the variables relating to the factors influencing level of satisfaction towards personal banking services of the customers are presented in Table 4 shows the loading received by the factors under F<sub>1</sub>, F<sub>2</sub>, F<sub>3</sub>, F<sub>4</sub> and F<sub>5</sub>.

**Table 3**  
**Rotated Factor Matrix for Customer Satisfaction**

S. No.	Variables	Rotated Components				
		Factor-1	Factor-2	Factor-3	Factor-4	Factor-5
1	On line Services are Uninterrupted	<b>0.881</b>	0.154	0.082	0.115	-0.051
2	Advanced Mobile Banking Services	<b>0.763</b>	-0.051	0.224	0.252	0.025
3	Advanced Internet Banking Services	<b>0.632</b>	0.466	0.093	0.149	-0.178
4	Branches are located in Convenient Locations	-0.038	<b>0.792</b>	0.008	0.121	-0.121
5	Adequate Infrastructural facilities are available	0.268	<b>0.666</b>	-0.035	0.353	0.062
6	It is innovative and eco-friendly	0.189	<b>0.553</b>	0.481	-0.0189	-0.002
7	The Bank provides prompt SMS Services	0.048	0.008	<b>0.726</b>	0.039	-0.021
8	Bank resolves customer grievances as early as possible	0.219	0.212	<b>0.531</b>	0.081	0.352
9	Bank uses modern technology	0.284	-0.275	<b>0.516</b>	0.142	-0.225
10	Security measures are efficient	0.234	0.163	-0.157	<b>0.772</b>	-0.070
11	Its services stand at par with international standards	-0.044	0.188	0.473	<b>0.649</b>	-0.165
12	Services charges collected by the Banks are reasonable	0.365	0.002	0.193	<b>0.627</b>	0.184
13	Employees provided information & Explanation regarding all new products and services offered	0.009	0.031	-0.145	-0.021	<b>0.900</b>
14	Its Banking products satisfied all types of customers	-0.254	-0.465	0.200	-0.014	<b>0.743</b>
	Percentage of variation explained	27.505	13.318	9.766	8.804	7.445
	Cumulative % of Variation	27.51	40.82	50.59	59.39	66.84
	Eigen Value	3.851	1.865	1.367	1.233	1.042

**Extraction Method:** Principal Component Analysis,  
**Rotation Method:** Varimax with Kaiser Normalization.  
A Rotation Converged in 5 Iteration

Source: Computed primary data.

Table 5 represents the matrix of common factor co-efficient or factor loadings. The number of factors extracted was five. The ratios which have the highest loadings in each Factor are grouped, that is the ratios which are more closely related to a particular group are boxed. The last column in the table is communality ( $h^2$ ) that is the variance explained by the factor. The group wise analysis is shown in the individual Tables. The rotated factor loadings for fourteen statements have been extracted into five factors.

Table 5 gives the loading received by the factors  $F_1, F_2, F_3, F_4$  and  $F_5$  for extracted reasons. It is observed from the table that the numbers of factors are five. The ratios which have the higher and significantly loading in each factor is grouped that is the ratios which are moved closely related to particular factor are boxed. The last column of the table is communality ( $h^2$ ), which is obtained by the sum of the squares of the factors loadings of each ratio.

### Extraction of factors

The Rotated Matrix of the factors co-efficient or factor loading (Table 5) summarizes the results of factor analysis on the variables influencing the level of satisfaction towards the personal banking services of the customers. The analysis has given five factor solutions. The result shows that all the factors together explain 66.84 percent of total variations. Further, the results are reliable as the communality values are high.

### Factor I ( $F_1$ )

The first factor explains 27.505 percent of the variation and has the following variable:

1. On line services are uninterrupted.
2. Advanced Mobile Banking Services.
3. Advanced Internet Banking Services.

All the above three variables are positively loaded and have a high positive correlation with the factor. It implies that all the variables in the factor influence the level of satisfaction towards personal banking services of the customer. This factor is termed as "*Technology Centric Services Factor*".

**Factor II (F<sub>2</sub>)**

The second Factor explains 13.318 percent of the total variation and has the following variables.

1. Branches are located in convenient locations.
2. Adequate infrastructural Facilities are available.
3. It is innovative and eco-friendly.

All the above three variables are positively loaded and have a high positive correlation with the factor. It implies that all the variables in the factor influence the level of satisfaction towards personal banking services of the customers. This factor is termed as "*Infrastructural Centric Services Factor*".

**Factor III (F<sub>3</sub>)**

The third factor explains 9.766 percent of the total variation and has the following variables:-

1. The Bank provides prompt SMS Services.
2. Bank Resolves customer grievances as early as possible.
3. Bank uses Modern Technology.

All the above three variables are positively loaded and have a high positive correlation with the factor. It implies that all the variables in the factor influence the level of satisfaction towards personal banking services of the customers. This factor is termed as "*Customer Centric Services Factor*".

**Factor IV (F<sub>4</sub>)**

The fourth factor explains 8.804 percent of the total variation and has the following variables.

1. Security Measures are efficient.
2. Its services stand at par with international standards.
3. Service charges collected by the banks are reasonable.

All the above three variables are positively loaded and have a high positive correlation with the factor. It implies that all the variables in the factor influence the level of satisfaction towards the personal banking services of the customers. This factor is termed as "*Welfare Centric Services Factor*".

**Factor V (F<sub>5</sub>)**

The fifth factor explains 7.445 percent of the total variation and the following variables.

1. Employees provide information & explanation regarding all new products and services.
2. It's banking products satisfy all types of customers.

All the above two variables are positively loaded and has a high positive correlation with the factor. This factor is termed as "*Satisfaction Centric Services Factor*".

**6.2. Garrett's Ranking Technique**

The customers select the bank for their banking transactions for various reasons. An attempt is made to identify seven reasons for assessing the perceptions of the customers for selecting State Bank of India. The seven reasons are namely, nearest to house or office, well trained bank employees, availability of various banking services, standard infrastructural facilities, quick and better service, techno savvy in services, and reasonable service charges. The respondents were presented with seven reasons to rank them according to their preference. The ranks so assigned by the respondents were analyzed by using Garrett's Ranking Technique. The result of the analysis is presented in Table 6.

**Table 4**  
**Reasons Influenced Customers in Selecting SBI**

S. No.	Reasons	Garrett Mean Score	Rank
1	Nearest to House or Office	44.28	VI
2	Well - trained bank Employees	49.50	IV
3	Availability of various banking services	56.38	I
4	Standard infrastructural Facilities	55.06	II
5	Quick and better Service	49.02	V
6	Techno savvy in Providing Services	52.60	III
7	Reasonable Service Charges	42.44	VII

Source: Primary data

It is inferred from Table 6 that "Availability of various banking services" has obtained first rank (56.38) and it is followed by "Standard infrastructural Facilities" as second rank (55.06). The reason "Techno savvy in providing services" was ranked third (52.60) and it is followed by "Well-trained bank employees" as fourth rank (49.50). The fifth rank (49.02) was obtained by the reason "Quick and better service". The last two ranks were given to "Nearest to house or office" (44.28) and "Reasonable Service Charges" (42.44).

### 7. Findings and Suggestions

The overall conclusions that emerge from the analysis confirm the fact that the most important factor contributing to customer satisfaction on personal banking services of the study unit was the "Technology Centric Services" factor and it is followed by other factors, namely, infrastructure centric factor, customer centric factor, welfare centric and satisfaction centric factor.

#### Major Findings of the Study

- The deposit schemes and personal finance schemes of SBI are rated excellent by 52 and 66 per cent of the sample respondents respectively, while they are rated as good by 34 and 24 per cent of customers respectively
- The mobile, ATM and internet banking services are rated excellent by 64, 60 and 66 per cent of the customers respectively.
- 70 per cent of the sample customers opined that security measures are excellent, while 78 per cent opined that retail sale of gold coin services are excellent.
- The different types of SBI cards issued to suit to the diverse needs of customers are rated excellent by 64 per cent of the customers, while 66 per cent opined that gift cards issued by the study unit are excellent,
- The factor analysis has provided five factor solutions in respect of factor influencing the level of satisfaction towards personal banking services of the customers. It was found that all the factors together explain 66.84 percent of total variations The first factor, namely, *Technology Centric Factor* explains 27.505 percent of the total variation, the second factor, namely, *Infrastructure*

*Centric Factor* explains 13.318 percent, the third factor, namely, *Customer Centric Factor* explains 9.766 percent, the fourth factor, namely, *Welfare Centric Factor*, explains 8.804 percent and the fifth factor, namely, *Satisfaction Centric Factor* explains 7.445 percent of the total variation.

- The first three important reasons for selecting SBI by its customers for their banking services are availability of various banking services, standard infrastructural facilities” and techno savvy in providing services.

## 8. Suggestions

The following are some of the major suggestions:

- Since mobile and net banking are widely attracting the customers, the bank can take initiatives to take this service to all customers by creating awareness on it with bank correspondents to reduce the transaction cost. They can innovate ways of creating awareness on mobile and net banking among the rural customers.
- The services other than deposit schemes, personal finance schemes, ATM services, mobile net banking, and cards, the other types of services like foreign remittance services, sale of gold coins and gift cards are not popular in the study area. The bank can take steps to identify the reasons for its unpopularity and extend such services to all customers.
- The banks can introduce new cost effective banking products which suit the customers of semi-urban area. The banks can take initiatives to increase its number of customers to increase the financial inclusion ratio in the study area. Thus it will pave way for economic development of the Theni District
- The three factors namely, service charges charged by the bank for its services, location and quick and better services are ranked lastly by the sample respondents. The banks can take steps to reduce the service charges and make its services quick and better.

## 9. Conclusion

The banking sector provides a key backbone towards sustainable development, investment and finance. Hence a well-drafted consumer protection

policy to address the problems in providing customer friendly services in all stages is the need of hour. The banks have to expand their role in contributing in the literacy of electronic banking to the customers and include majority of customers under e-banking division to achieve low transaction cost and to deliver economic banking products. It will improve the customer satisfaction and enhance customer relationship with banks. Hence it is suggested that further research could be undertaken in the following areas: 1) Human resource development and skill building in banks to improve its services 2) The strategies to cut transaction cost 3) Spearheading Banking Technology to improve its functioning 4) Strengthening the campaign to promote e-banking literacy.

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