



## Factors Determination About Level of Satisfaction Towards Retail Banking Services in Salem District

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### ABSTRACT

*The banking and finance sector is performing extremely well and is expected to rise exponentially in the near future. Banks are embracing technology to improve customer service and to design flexible and customized products. Modern information technology appears to be a boom to banks to increase the range of their products and market them more effectively and efficiently. Objectives of the study, 1. To study the level of satisfaction of customers on retail banking services. Methodology of the study, The present study is empirical in nature based on survey method. The study is based on both primary and secondary data. The respondents were selected based on the important aspects of occupation, education, age and other demographic variables from the study area of Salem district. Factor Analysis has been used in this study. Important findings of the study, These components have been grouped and named as Component 1 – 'Services relating to Cheque and Demand Draft', Component 2 – 'Services relating to Loans and Advances' Component 3 – 'Services relating to Deposits and Withdrawals' Component 4 – 'Services relating to Operational Simplicity' Component 5 – 'Services relating to Grievances Redressing' Component 6 – 'Services relating to 'Managerial Support' and Component 7 – 'Services relating to 'Technological Support'. Suggested this study, It is necessary for banks to increase the motivational powers of the customers by satisfying them through well organized efforts, especially by providing confidence that the working and products of retail banking are highly useful for the customers.*

**KEYWORDS :Satisfaction, factor, services, etc.,**

Retail banking has been regarded as one of the major drivers of the Indian banking sector. The retail banking segment of banks is experiencing many changes by adopting innovative strategies like cross-selling, packaged selling of retail products, acquisitions and alliances, leveraging their branch network, etc., "Public sector banks (PSB) are also adopting new strategies to retain their customers. PSBs are the base for the Indian banking system which accumulates more than 78% of total banking business"<sup>1</sup>.

Retail lending has become the hallmark of innovation in the commercial banking industry all over the world. Developing countries like China and India have emerged as potential markets with immense investment opportunities. The high growing segment is also dominated by foreign banks. Foreign banks are doing well and are expected to win the race in India.

Though the face of the retail banking has changed the trends of the Indian banking industry as a whole, it has to improve a lot. The banking and finance sector is performing extremely well and is expected to rise exponentially in the near future. The growth of retail banking, new finance products, emergence of private sector players in finance and overall economic growth of the country depend on the good quality of skilled and trained workplace for each level of operations for all corporate banks, financial or non-financial institutions.

### REVIEW OF LITERATURE

In the recent study by Nair (2011)<sup>2</sup> in his study "Banking on technology to meet 21st century challenges", discussed about the growth taking place in the Indian banking structure is in the middle of an IT revolution, it is focusing on the expansion of retail and rural banking as it takes important role in Indian banking structure, players of banking are increasing with customer centric in their approach, which has resulted in launching of several innovative methods of offering new banking products and services. In this regard banks are realizing the significance of banking products and being a big player focusing attention on several strategies that are to be applied to attract customers, Mergers and acquisitions are also taking place in the light of improvement taken place in Indian Banking System as per the Basel II regulation "Indian banking industry assets are expected to reach US\$1 trillion by 2010 and are poised to receive a greater infusion of foreign capital," says Prathima Rajan, analyst in Celent's banking group and author of report stated that banking industry should focus on the importance of reforms and strategic plans to compete globally. As per the analyst, State Bank of India in the banking industry is largest bank

in India, measured in terms of office employees. It is also stated that State Bank of India is the second largest bank in the world.

In the view of Sanjaykumar Joshi (2008)<sup>3</sup>, in his paper has attempted to study the emergence of retail banking in India. He observed that a new era in retail banking emerged during mid 1990. India provides a very high-level growth potential in retail banking segment for banks. He analyzed the opportunities and challenges for retail banking in a growing country like India. He observed that the two important factors in retail banking sector are customers and information. In the paper, the author concluded that retail banking is the need of the hour and has bright future beyond any doubt. However, bankers should be careful while lending to customers with unsatisfactory record and should not be swayed by competition.

### STATEMENT OF THE PROBLEM

Banks are embracing technology to improve customer service and to design flexible and customized products. Modern information technology appears to be a boom to banks to increase the range of their products and market them more effectively and efficiently. The intense competitive retail environment is compelling banks to increasingly become customer – centric. In many ways, technology has become a blessing. However, the success of banking industry depends largely on the quality of service that they provide to customers.

The business of retail banking continues as long as the customers persist with their decision to patronize the banks. Retail banking is a secured business and its functions wholly depend on the customers.

Even though the banking industry renders many services to the public and customers, these services are not reached to the customers in a proper manner because of some practical difficulties. The number of customer's complaints has zoomed at an alarming pace to make the bankers wary of containing the tide of mounting dissatisfaction with the quality of banking service.

The human perceptions changes from time to time and from individual to individual. It is therefore necessary for bankers to continuously assess and reassess how customers perceive the various services. Banks nowadays plan to lay greater stress in consumer banking in the coming years to achieve higher market penetration and profitability. What are the new and emerging customer expectations and how best they can be satisfied on ongoing basis? This requires continuous and consistent analysis and the present study attempts to analyze the cus-

tomers perception, awareness and satisfaction in retail banking services in the study area.

In the competitive environments of the past liberalization era, financial sector reforms have significantly deregulated the markets. It has become imperative to harness the best customer – oriented practices and perceptions and to internalize them for providing added satisfaction to the customer through the employees. “In the early days, the customers were no given due attention because they were at the mercy of the bankers and bankers were quite choosy. In a service industry like banking, the quality of customer service holds primary significance, particularly in the context of sustained business growth. Unlike the other industries engaged in the production of tangible goods, banks instantaneously are at the service delivery point i.e., at the branches. This has an overwhelming impact on customer’s behavior which causes the customer to be hypersensitive to the quality of service.”<sup>4</sup> In a deregulated environment, customer’s expectations keep rising, as they look for more convenient rates from many players operating in the field. This has made the acquisition of customer patronage a formidable task, customer is now a new watchword in the Indian retail banking scene.

Higher penetration of technology and increase in global literacy levels has set up the expectations of the customer higher than never before. The retail banking environment today is changing fast, the changing customer demographics demands to create a differentiated application based on scalable technology, improved service and banking convenience. Increasing use of modern technology has further enhanced reach and accessibility.

There are studies, which have examined the level of customer satisfaction in public and private sector banks. However, these studies have ignored the customer awareness about retail banking services. Similarly, the studies carried out in the Indian context which attempted to identify the customer’s awareness, opinion and satisfaction failed to consider the socio – economic background of customer which play a major role in determining customer level of satisfaction.

Keeping the above developments in retail banking services, the researcher raised the following question:-

Which of the factors influence the customer’s level of satisfaction in retail banking services?

In order to find out the answers for the above questions, the researcher has undertaken the study with specific objectives. It is hoped that the present study will contribute towards a better understanding of the retail banking services rendered by commercial banks in Salem district. This will also bring out customer’s satisfaction in retail banking services in the study.

**OBJECTIVES OF THE STUDY**

- 1.To study the level of satisfaction of customers on retail banking services and
- 2.To offer suggestions for improving the quality of retail banking services.

**METHODOLOGY OF THE STUDY**

The present study is empirical in nature based on survey method. The study is based on both primary and secondary data. The respondents were selected based on the important aspects of occupation, education, age and other demographic variables from the study area of Salem district.Primary data has been collected from respondents having their accounts in different banks (including Public and Private sector banks in Salem District) by filling up well – structured interview schedule through personal meeting with respondents. The secondary data was collected from the institutions like Indian Financial and Management Research, Institute of Bankers, Staff Training College of RBI and SBI. The secondary data was also collected from the leading Journals such as Indian Bankers Association Bulletin, Indian Journal of Marketing, Reserve Bank of India Bulletins, Southern Economists, Journal of Indian Management, Finance India, Business world, State bank of India Bulletins, Business India, Journal of Bank Marketing and Professional Banker. In order to study the customers’ perception, awareness and satisfaction towards retail banking services, the

sample of 500 respondents were collected. This study was based on proportionate and convenience sampling methods. For the selection of sample banks for the study, proportionate sampling was adopted. For the selection of respondents from these banks, convenience sampling method was used. Moreover, the sampling design consisted of three steps. The framework of analysis includes simple statistical tools namely Percentage Analysis, Chi Square Test, t’-Test, ANOVA, Garrett Ranking, Factor Analysis and Weighted Score Analysis were used for analysis and interpretation of data. Therequired Primary data for the study were collected by using Interview Scheduled for a period of one year (2011 - 2012).

**LIMITATIONS OF THE STUDY**

The study is subjected to the following limitations:-

This study focuses only on retail banking services in the study area.

The sample size of the study is restricted to a sample of 500 respondents. Besides, the study was confined to Salem district only.

The findings of the study are confined to the period of stud only, because, customer expectations of the service as well as type of service provided by banks change from time to time. Therefore, the findings of the study indicate only contemporary views of the customers and may not hold good for all times to come.

**FACTOR ANALYSIS**

Factor analysis is a method used to transform a set of variables into a small number of linear composite, which have maximum correlation with original values. Factor analysis is used to study complex sources of satisfaction in order to identify the major characteristics (or factors) considered important by the respondents. The purpose of factor analysis is to determine the response to the several numbers of statements which are significantly correlated. If the responses to a number of statements are significantly correlated, it is believed that the statement measures some factors common to all of them.

For the purpose of examining the satisfaction of customers towards retail banking services, thirty variables have been identified. The following are the variables identified to be contributing to the satisfaction of customers towards retail banking services.

VAR NO.	VARIABLES		
1	Number of counters	16	Quick receipt / payment of cash
2	Provision of different forms	17	Entries in the pass book
3	Provision of ATM facility	18	Reply from staff for enquiry
4	Maintenance of suggestion box	19	Reply from managers for enquiry
5	Seating facility	20	Welfare facilities
6	Credit card facility	21	Quick collection of cheque
7	Provision of Internet banking	22	Quick payment of cheque
8	Display of interest rate and other norms	23	Easy to get demand draft
9	Response of services when approached	24	Safe custody services
10	Sunday banking facility	25	Provision of writing pads
11	Response of staff in the event of grievance	26	Quick loan process
12	E-fund transfer	27	Low rate of interest for loan
13	Time taken to process grievances	28	Easy loan transactions
14	Flexible account operation	29	Safety measures
15	Branch location / parking facility	30	Easy to open account

**TABLE 1**  
**KMO AND BARTLETT'S TEST**

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		0.909
Bartlett's Test of Sphericity	Approx. Chi-Square	6871.712
	DF	435
	Sig.	0.000

For the KMO statistic Kaizer (1974) recommends a bare minimum of 0.5 and that values between 0.5 and 0.7 are mediocre, values between .7 and .8 are good, values between 0.8 and 0.9 are great and values above 0.9 are superb (Hutcheson & Sofroniou, 1999). For these data, the value is 0.909, which falls into the range of being superb, so it is confident that the sample size is adequate for analysis.

**TABLE 2**

**TOTAL VARIANCE EXPLAINED**

Component	Initial Eigen values			Extraction Sums of Squared Loadings			Rotation Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	10.08	33.61	33.61	10.08	33.61	33.61	3.61	12.05	12.05
2	1.80	6.01	39.62	1.80	6.01	39.62	3.17	10.57	22.62
3	1.76	5.87	45.49	1.76	5.87	45.49	3.08	10.27	32.89
4	1.47	4.89	50.38	1.47	4.89	50.38	2.63	8.78	41.67
5	1.27	4.23	54.60	1.27	4.23	54.60	2.19	7.30	48.96
6	1.22	4.07	58.68	1.22	4.07	58.68	2.08	6.92	55.88
7	1.08	3.59	62.26	1.08	3.59	62.26	1.91	6.38	62.26
8	0.94	3.15	65.41						
9	0.86	2.86	68.27						
10	0.80	2.67	70.94						
11	0.75	2.51	73.44						
12	0.69	2.31	75.76						
13	0.63	2.11	77.87						
14	0.62	2.05	79.92						
15	0.57	1.90	81.82						
16	0.56	1.86	83.68						
17	0.51	1.72	85.40						
18	0.47	1.58	86.98						
19	0.46	1.55	88.52						
20	0.42	1.41	89.94						
21	0.40	1.32	91.26						
22	0.37	1.23	92.49						
23	0.36	1.19	93.68						
24	0.33	1.11	94.79						
25	0.31	1.04	95.83						
26	0.31	1.02	96.86						
27	0.28	0.94	97.80						
28	0.26	0.88	98.68						
29	0.21	0.71	99.38						
30	0.19	0.62	100.00						

Extraction Method: Principal Component Analysis.

Table 2 shows the Eigen values of factors contributing to the satisfaction of customers towards retail banking services. The initial Eigen values have been furnished for all the factors considered for the study. Principal Component Analysis has been used for extraction of the factors which has excluded the variables having Eigen values less than 1. The Eigen value for a factor indicates the total variance attributed to that factor. Factor 1 accounts for a variance of 10.08, which is 33.61 per cent of total variance, factor 2 accounts for a variance of 1.80 which is 6.01 per cent of total variance and factor 3 accounts for a variance of 1.76 which is 5.87 per cent of total variance. The Factor 4 accounts for a variance of 1.47 which is 4.89 per cent of total variance while the factor 5 accounts for a variance of 1.27 which is 4.23 per cent of the total variance. The factor 6 accounts for a variance of 1.22 which is 4.07 per cent of total variance whereas the factor 7 accounts for a variance of 1.08 which is 3.59 per cent of total variance.

However, after rotation of factor loadings, factor 1 accounts for 12.05 per cent of total variance, factor 2 accounts for 10.57 per cent of total variance and factor 3 accounts for 10.27 per cent of total variance. Factor 4 accounts for 8.78 per cent of total variance after rotation of factor loadings while factor 5 accounts for 7.30 per cent of total variance. Factor 6 accounts for 6.92 per cent of total variance whereas the factor 7 accounts for 6.38 per cent of total variance after rotation of factor loadings.

**DETERMINATION OF FACTORS BASED ON EIGEN VALUES**

In this approach, only factors with Eigen values greater than 1.0 are included. The other factors are not included in the mode. Since there are seven components possessing Eigen values which are greater than 1.0 these seven factors have been extracted from the total of thirty factors. Varimax method of rotation with Kaiser Normalization has been used to identify the factor grouped under each of these seven components.

**TABLE 3**  
**ROTATED COMPONENT MATRIX(a)**

Factors	Component						
	1	2	3	4	5	6	7
Quick collection of cheque	0.827						
Quick payment of cheque	0.790						
Easy to get demand draft	0.690						
Welfare facilities	0.625						
Safe custody services	0.609						
Easy loan transactions		0.816					
Low rate of interest for loan		0.775					
Quick loan process		0.770					
Safety measures		0.526					
Provision of writing pads		0.487					
Quick receipt / payment of cash			0.732				
Entries in the pass book			0.686				
Easy to open account			0.658				
Branch location / parking facility			0.569				
Reply from staff for enquiry			0.530				
Number of counters				0.701			

Provision of ATM facility				0.654			
Provision of different forms				0.520			
Maintenance of suggestion box				0.515			
Flexible account operation				0.424			
Sunday banking facility					0.786		
Staff Response in the event of grievance					0.675		
Time taken to process grievances					0.548		
E-fund transfer					0.432		
Display of interest rate and other norms						0.754	
Response of services when approached						0.639	
Reply from managers for enquiry						0.494	
Provision of Internet banking							0.662
Credit card facility							0.648
Seating facility							0.502

Extraction Method: Principal Component Analysis.  
 Rotation Method: Varimax with Kaiser Normalization.  
 Rotation converged in 14 iterations.

According to Table 3, component 1 consists of five factors – quick collection of cheque, quick payment of cheque, easy to get demand draft, welfare facilities and safe custody services. The component 2 comprises five factors – easy loan transactions, low rate of interest for loan, quick loan process, safety measures and provision of writing pads while the component 3 consists of five factors which include quick receipt / payment of cash, entries in the pass book, easy to open account, branch location / parking facility and reply from staff for enquiry. There are five factors included in component 4, namely, number of counters, provision of ATM facility, provision of different forms, maintenance of suggestion box and flexible account operation whereas the component 5 consists of four factors, viz., Sunday banking facility, response of staff in the event of grievance, time taken to process grievances and e-fund transfer.

There are three factors included in component 6 which have been found to be display of interest rate and other norms, response of services when approached, reply of managers for enquiry while component 7 comprises three factors including provision of internet banking, credit card facility and seating facility.

These components have been grouped and named as Component 1 – ‘Services relating to Cheque and Demand Draft’, Component 2 – ‘Services relating to Loans and Advances’ Component 3 – ‘Services relating to Deposits and Withdrawals’ Component 4 – ‘Services relating to Operational Simplicity’ Component 5 – ‘Services relating to Grievances Redressing’ Component 6 – ‘Services relating to ‘Managerial Support’ and Component 7 – ‘Services relating to ‘Technological Support’

Thus, it is concluded that services relating to cheque and demand draft, services relating to loans and advances and the services relating to deposit and withdrawals contribute more towards the satisfaction of customers on retail banking services.

#### SUGGESTIONS OF THE STUDY

1. It is suggested that Banks should open ATMs in Rural Area to increase the favorable banking attitude of customers.
2. Banks should allow the earlier facilities to sink into the culture of the customers before any new facilities are launched. Also, the earlier facilities should be embedded with services so that customers not only appreciate new technology, but are also in a position to operate.
3. The banks required hiring right kind of people, with adequate knowledge of Retail banking services especially at banks call centers.
4. Training programmes should be devised for all staff including call centre and Staff of Direct Sales Associates or Associates of these banks. More importance should be given to upgrade retail product knowledge and communication skills in such training programmes.
5. The marketing personnel selected by direct sales associates of banks should be more qualified, in terms of education, retail product knowledge, communication skills etc.
6. It is necessary for banks to increase the motivational powers of the customers by satisfying them through well organized efforts, especially by providing confidence that the working and products of retail banking are highly useful for the customers.

#### CONCLUSION

Retail banks for their customer provides, includes deposit products, residential mortgage loans, credit cards, auto finance, personal loans, consumer durable loans, loans against equity shares, loans for subscribing to initial public offers (POs), debit cards, bill payment services, mutual funds and investment advisory services. These retail products provide an opportunity for banks to diversify the asset portfolio with high profitability and relatively low Non-Performing Assets. The growth in retail banking has been facilitated by the growth in banking technology and automation of banking processes that enable extension of reach and rationalization of costs. ATMs have emerged as an alternative banking channel, which facilitate low-cost transactions vis-à-vis traditional branches. Day by day banks has provide different services according to their needs.

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