Performance Appraisal Of Select Private And Public Sector Banks In Thanjavur District Through Customer Satisfaction Survey – A Study

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**Abstract**

Today banks have a relationship management approach with their clients. Banks are offering more customized solutions to their clients. The need of the hour is not only to introduce more value added products for which the customers are willing to pay here but also to innovate and enter new segments like small business and periodical finance. Everything revolves around the customer and banks via their innovative and quality products to suit their clients. Today the bottom line for any customer is convenience understanding and evaluating the customers perception on the service and products of a bank has without doubt become a need, which propels the body to structure itself for better performance and service. Thus delivering high quality service to clients is just as important as delivering performance that meets or exceeds their expectations. This paper focused on lending recovery and financial performance and customer perception of selected banks.

**1. Introduction**

The banking system contributes to economic growth by mobilizing financial resources and channeling them to activities with higher expected rates of return for a given level of risk. It provides transaction...
and payment services, which increase the efficiency of economic activities. The Indian financial system consists of different types of financial institutions which are responsible for the development of the country’s economy. Financial institutions can broadly be classified into banking and non-banking institutions. Banking institutions are of three types: Commercial Banks, Industrial or Investment Banks and Rural Banks. The most active sector of the Indian money market is the commercial banking sector. Commercial banks in India can be classified into three groups: public sector, private sector and foreign banks. The majority of commercial banking in India is in the public sector with the State Bank of India and its associated banks. After liberalization, several private sector banks and foreign banks were allowed to open their business in the Indian financial system.

Today banks have a relationship management approach with their clients. Banks are offering more customized solutions to their clients. The need of the hour is not only to introduce more value added products for which the customers are willing to pay here but also to innovate and enter new segments like small business and periodical finance. Everything revolves around the customer and banks via with their innovative and quality products to suit their clients. Today the bottom line for any customer is convenience understanding and evaluating the customers perception on the service and products of a bank has without doubt become a need, which propels the body to structure itself for better performance and service. Thus delivering high quality service to clients is just as important as delivering performance that meets or exceeds their expectations. It is in this context that a study is necessary to know about awareness levels on the services provided by the public and private sector banks namely, Public Sector Banks : Indian Bank and Indian Overseas Bank and Private Sector Banks : CUB and KVB and the customer perception towards the banks.

2. Statement of the Problem

The current credit crunch has affected the performance of many banks globally. Thus institutions that adopt strategies to compete better are more likely to survive in the long run. The credit crunch poses a grave threat to the economies of the developed and developing world. The world has experienced remarkable numbers of banking and financial crises during the last thirty years. Healthy loan portfolios are vital assets for banks in view of their positive impact on the performance of banks. Unfortunately, some of these loans usually do not perform and eventually result in bad debts which affect banks earnings on such loans. Unsecured loans become cost to banks in terms of their implications on the quality of their assets portfolio and profitability. This is because in accordance with banking regulations, banks make provisions for non-performing loans and charge for bad loans which reduce their loan portfolio and income. Banks are unique in issuing demandable debt that participates in the economy’s payments system. This debt confers an informational advantage to banks over other lenders in making loans to informational opaque borrowers. In particular, the information obtained from checking account transactions and other sources, allows banks to assess and manage risk, write contracts, monitor contractual performance, and, when required, resolve nonperformance problems.

Public Sector Banks and Private Sector Banks have had the distinction of being recognized as banking institutions, which provides satisfying services to its customers or account holders. As a result of this the account holders expects the best of services from the banking institution. This study focuses on how far Public Sector Bank Vs. Private Sector Bank is doing their business in a banking industry after liberalization and banking reforms. And what is the impact of functioning of their banking operations due to the competition in banking industry. Evolving from the problem statement
discussed above, the study aims at appraisal the performance of public and private banks in the study area.

3. Objectives of the Study
   I. To evaluate the customers’ perception towards performance of selected banks.
   II. To analyze the customers’ satisfaction towards services provided by selected banks.
   III. To compare the performance of public and private banks of India.
   IV. To give suggestions on the basis of analysis of the study.

4. Methodology
The present study is analytical in nature. This study is based on a survey conducted in Thanjavur District. Primary as well as secondary data were collected. The theoretical foundation of the study is based on various secondary sources such as texts book on service quality, articles, quality magazines, and published papers. For the purpose of the study, a questionnaire was designed on 5 point Likert scale, for perception where '1' represents very poor and '5' represents very good. For satisfaction where '1' represents HDS (Highly dissatisfied) and '5' represents HS (Highly satisfied) and the total 300 respondents were asked to respond to the statements in the SERVQUAL scale. Interview schedule consisted to five dimensions of service quality in which the customers of various banks responded against their expectations and perceptions. Interview schedule were personally delivered by hand at workplaces and homes, which was used as a method for data collection. The respondents (150 of public sector banks and 150 of private sector banks) were required to record their perceptions and expectations of the service of the respective public sector bank and private sector banks in Thanjavur district. Two public sector banks-IB and IOB and two private sector banks –CUB and KVB were selected for the study. The study is based on the assumption that all banks belong to the same category. The detailed sampling method is given below.

5. Sample Size
There are 29 public sector and private sector commercial banks (other than branches) operating in Thanjavur District as on 31st March 2012. In order to collect primary data for the present study multi stage sampling technique was adopted. At the first stage four commercial banks IOB, IB, CUB and KVB were selected for the research ie, two from public and two private in Thanjavur district. Out of these ninety five branches in this region the researcher has chosen ten percent of samples in each bank having three hundred respondents in total for this study.

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<tr>
<th>Sl. No.</th>
<th>Name of the Bank</th>
<th>No. of Branches</th>
<th>No. of sample branches</th>
<th>No. of Respondents</th>
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<td>Public Sector</td>
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<tr>
<td>1.</td>
<td>IOB</td>
<td>41</td>
<td>4</td>
<td>120</td>
</tr>
<tr>
<td>2.</td>
<td>IB</td>
<td>31</td>
<td>3</td>
<td>90</td>
</tr>
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<td>Private Sector</td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>3.</td>
<td>CUB</td>
<td>12</td>
<td>2</td>
<td>60</td>
</tr>
<tr>
<td>4.</td>
<td>KVB</td>
<td>11</td>
<td>1</td>
<td>30</td>
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<tr>
<td>Total</td>
<td>95</td>
<td>10</td>
<td>300</td>
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6. Period of Study
The total period of ten years from 2002-03 to 2011-12 was considered for the purpose of comparing the performance of different bank branches for the study.

7. Scheme of the Report
i. The first chapter entitled “Performance Appraisal of Banking Sector in India - An Overview”.
ii. In the second chapter entitled “Review of Literature”.
iii. The third chapter “Research Methodology” deals with the introduction, statement of the problem, scope and significance, objectives, hypotheses, methodology, limitations and layout of the report.
iv. The fourth chapter “evaluates the lending, recovery performances, and financial performance of public and private sector banks.
v. The fifth chapter entitled “Customers’ perception and level of satisfaction”.
vii. The final chapter consists of ‘Summary of findings, suggestion and conclusion’.

8. Findings related to Lending and Recovery

- The overall average recovery rate during the ten year was only 87.13%. The loan demand shows a various trend for period to period. Loan demand was increasing throughout the period. Overdue amount for the period shows a fluctuation trend. This study implies that the recovery performance of public sector banks towards the agricultural sector loan is satisfactory. When compared with the private banks public sector banks were good in recovery of agricultural loans.

- The overall average recovery rate of personal loan during the ten years was 78.69 and 77.82 per cent in public and private banks respectively. When compared CAGR of loan demand of private sector banks is higher and recovery rate of public sector banks are 8.88 per cent and in private sector banks which is 12.35 per cent.

- The ratio of advances to assets, the ratio ranges from 38 per cent to 63 per cent in IB, 40 per cent to 62 per cent in IOB, 45 per cent to 64 per cent in CUB and 35 per cent to 60 per cent in KVB. There is an increasing trend in the ratio of advances to assets in individual and overall both public and private sector banks.

- The relatively slow progress of advances to the priority sectors was due to the fact that the bank officials from top to bottom were not imbued with the new objectives of banking. At the same time banks were also worried at the poor and unsatisfactory recovery performance of the agricultural and small sectors, also attempted to study the percentage of achievement from 2002-03 to 2011-12. In all the years in the study period the achievement percentage was more than 100 per cent.

- Total credit planed by the commercial banks to non-farm sectors went up from Rs.3999.92 crores in Mar. 2003 to Rs.12,567.51 crores in march 2012. As a result, advances to non-farm sectors increased year by year. At the same time banks achievement were also went up from Rs.4099.7 crores in 2002-03 to Rs.12,564.83 crore in 2011-12. During the study period the achievement were exceed 100 per cent only in two years viz., 2002-03 and 2007-08. It shows
the performance of commercial banks towards achievement of non-farm sector loans in many of the years during the study period is less than 100 per cent.

- 19.33 per cent of the public sector banks and 29.33 per cent of the private sector banks respondents rated the location of the bank branches as very good and 20.67 per cent of the public sector banks and 26 per cent of the private sector banks respondents rated as good. In comparison the mean score private sector bank (3.40) is higher than public sector banks. Hence, in comparison with public sector banks the private bank branches are located in customer suitable places.

9. Findings related to Customers satisfaction

- Majority of the respondents were satisfied with convenient furniture provided by IB (72.2 per cent), IOB (70.8 per cent), CUB (77 per cent) and KVB (74.8 per cent). Among the selected sample banks CUB bank (77 per cent) is the best in providing in convenient furniture to its customers followed by KVB (74.8 per cent). In total private banks are better in providing convenient furniture to the customers.

- Public sector banks stand better in providing adequate number of cashier and teller counters for quick cash transaction. The mean score percent for public sector banks is 77.8 per cent the same for private sector banks is 71.4 per cent, the mean core percentage IB (80.2 per cent), IOB (77.6 per cent), CUB (72.2 per cent) and KVB (71.6 per cent). Among the selected banks, IB is better in providing adequate number of cashier and teller counters.

- Mean core percentage of IB is 80.8 per cent; IOB is 80.4 per cent, in CUB 84.2 per cent and KVB 87.6 per cent. Among the selected banks, KVB is best in providing adequate number of fans, air circulation and installing fire safety system.

10. Respondents’ Satisfaction

- Respondents’ Satisfaction on Loan Processing

It is found that there is a significant variation between private and public sectors bank in time take for Loan processing, percentage of loan sanction on applied, arrange of special cell for speedy clearance of loan, role of intermediaries in loan processing, loan availability and promptness in loan disbursement. There is no significant variation in providing easy installments and extension of repayment period. It is concluded that private sector bankers are highly differ from public sector bank in loan processing.

- Respondents’ Satisfaction on Deposit Schemes

It is found that there is a significant variation between private and public sector bank in offers need based deposit schemes, offers adequate and attractive deposit schemes carry good interest on deposits and deposit schemes for senior citizen.

- Respondents’ Satisfaction on Bank working Time

It is found that there is a significant variation between private and public sector bank in providing uninterrupted service during working hours but no significant variation can be seen in time suitability for customers.
Respondents’ Satisfaction on Security and Legal Formalities

It is found that there is a significant variation between private and public sector bank in securities required, legal formalities and providing information about new services and products but guarantee given by public banks are significantly differ from private sector banks.

Respondents’ Satisfaction on Rate of Interest on Loan

It is found that there is a significant variation between public and private sectors bank in rate of interest on loan, method of calculation of interest, type of interest and charging interest for delay payment of interest.

11. Suggestions

On the basis of the research findings, the following suggestions are offered to improve the performance of public and private sector banks in Thanjavur district of Tamil Nadu.

- For improving operational efficiency, new technology should be introduced. Automation will help in reducing unproductive and costly operations.

- The banks should take necessary steps to increase the non-interest income like collection of cheques and bills, giving guarantees, locker facilities, acting as agent providing merchant banking services and so on.

- The banks should conduct awareness programmes among the rural poor about the repayment of loans and saving habits.

- Performing banks should take every effort to improve their quality of assets, capital adequacy, profitability, and customer service. Steps should be taken to improve their Health Performance, Priority Performance and Efficiency Performance. The operational efficiency of the banks is to be ensured, maintained and improved through modern technology, systems and better staff management on an on-going basis.

- The banks should make every endeavor to enhance customer satisfaction. They should try to improve quality service through effective staff training, service monitoring, orientation and recognition programmes. Banks should offer the customer what he wants rather than offering what they have in stock, for, every customer has a different need.

- The use of technology in banking enhances the service offering to the customers. The banks must increase their efficiency so as to provide more efficient services to the customers. Banks need to pay more attention in promoting the e-banking service among the customers and the general public.

- The banks must get customers’ feedback to handle the complaints. This not only provides a service to the customers but also provide the bank with valuable information for future development on various services. Banks must take a lot of effort in creating awareness among existing and prospective customers about the benefits of the different banking services as the success of banking depends on customers’ satisfaction. The banks should organize public exhibitions and talk shows and make the services accessible to all customers.
12. Conclusion

Economic development of any country is affected by the amount of banking industry growth in that country. This study was conducted with the aim of evaluating the performance of public and private banks. The comprehensive literature review and study of research background show better performance of private banks in comparison with public banks. Also the result of most domestic and international research confirm that the privatization as a good process to improve the performance and efficiency of the banks. Especially private banks should revise their operating costs. So they should find its reason and reduce it in order to increase the efficiency and profitability. However, in most developing countries which inflation is more than 20 per cent. On the earnings performance dimension, although the performance of private banks is better than public banks but the profit margin was against and this situation is worse in public banks. This represents the poor performance of banks in this ratio. Banks especially public banks should try hard to increase their profit margins. A higher profit margin requires better quality or reducing costs to increase revenue, banks can invest in lucrative sectors. But the banks cannot do anything about interest expense because of fixed rate of interest. But in other financial expenses they can use the competitive advantage of productivity and technology in order to decreasing their costs.

References


