

The quality of the services and awareness level Among the customers of Public and Private Sector Banks in Kerala

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Abstract

The study focused on the quality of services offered by the different banks as well as the level of awareness among the customers. For the purpose of the study, three districts from the state of Kerala was selected at random. 850 customers representing the three categories of banks; Public sector, Old Private sector and New Private sector banks respectively were selected for the study. The customers prefer to operate accounts with the banks that are closer to them. the customers were not aware about all the services offered by them. Therefore, the customers need to be educated regarding the services that were not commonly used.

Key Words

Service Quality, Public sector banks, Old Private sector banks, New Private sector banks, Awareness level.

Introduction

Delivery of quality services is necessary for every type of organisation. Service quality is recognised as the most competitive weapon especially in the banking sector. The post liberalisation era and the implementation though partially of the Narasimham Committee report, the nationalised and scheduled banks have to compete with the new generation banks and international banking standards. Moreover, the digitalisation and technological advancement in rendering services enables the customers to choose from different service providers which compel banks to deliver quality services. The quality of services rendered by banks is evaluated by customers based on their experience while interacting with the bank. Customer perception of service quality is strengthened by the positive experiences while the negative experiences bring dissatisfaction to the customers (Rachmad Hidayat, Sabarudin Ak, 2010). The customer satisfaction is influenced exclusively by the quality of services delivered (Olaleke 2010).

Review of Literature

The service is unique than product because of its salient features of intangibility, heterogeneity and inseparability. As such the measurement of service quality is also quite difficult. In 1988 Parasuraman, Zeithaml and Berry developed a new measurement scale namely SERVQUAL with five different dimensions - tangibility, reliability, responsiveness, assurance and empathy (Parasuraman et al.1988). Service quality is the result of the comparison of customer expectation with that of actual service performance (Gronroos,1982, lewis and Booms, 1983). An expanded study by Parasuraman et al. (1985) states the gap model of service quality. Three qualities were found by Lehtinen (1982) such as the physical quality (associated with physical aspects like equipment and building), corporate quality (associated with firm's image and reputation) and interactive quality (associated

with the interaction between staff and customers). The four essential aspects of service quality suggested by Berry et.al. (1997) are transaction surveys, customer complaint comments & inquiry, total market survey and employee survey (Augustine Addo, Kofi Kwarteng, 2012).

The competitive power and survival of a bank lies in the degree of customer satisfaction Titko and Lace (2010). Banks should pay attention to customer satisfaction (Kattack and Rehman, 2010). The ability of banks to offer customers access to several markets and superior services for different classes of financial instruments has become a valuable competitive edge (Fornell 1992). To survive in the market, the only tool with banks is the quality of their service as the banking products are undifferentiated (Stafford, 1996). The competitive edge of large market share, increased profits and customer retention will be there for the banks offering high quality services (Bowen and Hedges, 1993).

Research Problem

The needs of customers are dynamic and for the banker, the survival in the market depends largely on their ability to respond positively to the changing requirements. By activating existing services and developing new ones will help the bankers to counter the external changes effectively. The quality perception of customers is on the basis of their awareness level about various services provided by the bankers. Therefore, the study of awareness level of customers about the banking products and services will enable them to have a better perception about banking service quality. There is significant relation between the customer satisfaction and service quality and this causal relation can be used to study and compare the public and private sector banks in Kerala. Hence the problem is stated as **“The quality of the services and awareness level Among the customers of Public and Private Sector banks in Kerala”**.

Research Objectives:

- To identify the reasons behind selection of banks by customers
- To study the awareness level of customers about the various services provided by public sector and private sector banks in Kerala

Methodology:

The study attempts to identify the reasons behind selection of bank by customers and to compare the awareness level regarding the services rendered by Public Sector Banks and Private Sector Banks in Kerala. Well-structured questionnaire is used for collecting data. Multi stage random sampling method is used for data collection. In the first stage the state of Kerala is divided in to three zones North, Central and South. One district each from these three zones is then selected at random. From each district required number of customers were selected from the branches of two banks each representing Public sector banks, old private sector banks and new private sector banks. The banks so selected are SBI and Canara bank from the public sector, Federal bank & South Indian bank from old private sector and HDFC & ICICI from the new private sector banks.

Sample Size: 850 customers representing both the Public sector and Private Sector banks in the state of Kerala were selected as samples.

Tools used: Freidman test, MDS ALSCAL, MDS plot were used for analysis.

Analysis and Discussion

The following is details of the analysis and the discussion of results

Table 1 The Demographic Profile of the Respondents

Categories	Frequency	Percentage	
District	Kannur	220	25.9
	Ernakulam	315	37.1
	Thiruvananthapuram	315	37.1
	Total	850	100

Gender	Male	429	50.5
	Female	421	49.5
	Total	850	100
Marital Status	Married	598	70.4
	Unmarried	230	27.1
	Widower	18	2.1
	Divorcee	4	0.5
	Total	850	100
Educational Qualification	SSLC	69	8.1
	Diploma	151	17.8
	Graduation	284	33.4
	Post- Graduation	332	39.1
	Others	14	1.6
	Total	850	100
Occupation	Self Employed	110	12.9
	Govt. Employee	172	20.2
	Pvt. Employee	246	28.9
	Professionals	76	8.9
	Workers	43	5.1
	Businessman	59	6.9
	Unemployed	100	11.8
	Others	44	5.2
	Total	850	100
Annual Income	Less than 1,00,000	260	30.6
	1,00,000 to 2,00,000	226	26.6
	2,00,000 to 5,00,000	214	25.2
	5,00,000 to 10,00,000	124	14.6
	Above 10,00,000	26	3.1
	Total	850	100

Source: Survey Data

The demographic profile of the respondents is depicted by the following table. The respondents for the study were from the districts Kannur, Ernakulam and Thiruvananthapuram representing the North, Central and South region of Kerala. 25.9 percent of the respondents were from Kannur district while the districts of Ernakulam and Thiruvananthapuram represented by 37.1 percent respondents each. The male and female representation was 50.5 and 49.5 percent respectively. The marital status of the respondents reveals that majority of the respondents (70.4 percent) were married. 27.1 percent were unmarried. The classification based on educational qualification shows that the qualification for 8.1 percent was SSLC. 17.8 percent were Diploma holders. 33.4 percent were graduates and 39.1 percent were post graduates. 1.6 percent belongs to the category of others. The occupation wise classification of employees discloses that private employees (28.9 percent), Govt. employees (20.2 percent) self employed (12.9 percent), unemployed (11.8 percent), Professionals (8.9 percent), Businessmen (6.9 percent), Others (5.2 percent), Workers (5.1 percent) constitute the total sample of 850. The majority of the respondents have less than Rs 1,00,000 as annual income. Only 3.1 percent have annual income above Rs 10,00,000.

Profile of the use of Banking Services

Table 2 Banking Profile

Categories		Frequency	Percentage
Name of Bank	SBI	350	41.2
	Canara	125	14.7
	Federal	160	18.8
	SIB	125	14.7
	ICICI	45	5.3
	HDFC	45	5.3

	Total	850	100
Location of Bank	Rural	417	49.1
	Urban	433	50.9
	Total	850	100
Frequency of Operating Accounts	Daily	41	4.8
	2-3 Days	165	19.4
	Once in a Week	114	13.4
	Once in 2 Weeks	58	6.8
	Once in a Month	54	6.4
	When Required	418	49.2
	Total	850	100
Issue of Subsequent Cheque	Immediately	100	17.1
	1-2 Days	170	29.1
	2-5 Days	155	26.5
	More than 5 Days	159	27.2
	Total	584	100
Mode of Operation	Personal Visit	185	21.8
	Through ATM	412	48.5
	Mobile Banking	153	18
	Net Banking	100	11.8
	Total	850	100
Time taken to Deposit	Below 5 minutes	181	21.3
	5-10 minutes	358	42.1
	10-15 Minutes	149	17.5
	Above 15 minutes	162	19.1
	Total	850	100
Time to Credit Cheque Proceeds	Within a Day	325	38.2
	1-2 Days	269	31.6
	2-5 Days	189	22.2
	More than 5 Days	67	7.9
	Total	850	100
Maturity Remind	Yes	339	40.2
	No	505	59.8
	Total	844	100
Passbook Update	Yes	555	65.3
	No	295	34.7
	Total	850	100

Source: Survey Data

The above table reveals the profile of using banking services by the customers. The customers representing urban area were 49.1 and rural area were 50.9 per cent respectively. 49.2 percent customers operate their accounts as when required. Subsequent cheque books were issued within 5 days. Majority of transactions were conducted through ATMs. Five to ten minutes were taken to deposit and cheque proceeds were credited within 2 days for the majority of customers. Only 40.2 percent customers get a remind about the maturity of their term deposits. 65.3 per cent of customers get their pass book updated promptly.

Reason for selecting the Banks

Table 3 MEAN RANKS

	Mean Ranks
Proximity	3.00
Reliability	3.13
Workplace Compulsion	4.98

Familiarity	3.92
Cheap & Quick service	4.42
Schemes of loan	5.73
Computerised environment	4.91
Locker facility	6.72

Source: Primary Data

Table 4 Test Statistics

N	850
Chi-Square	2568.822
df	8
Asymp. Sig.	.000

The reasons were ranked by the customers and Friedman test was used to find out the variation in the customers preference while selecting a bank. It is inferred that Proximity (*Mean rank 3.00*) is the main reason for selecting the bank as it is having lowest mean as per mean matrix. this mean rank variation is found significant at 5 per cent level of significance (*Friedman Chi-Square 2568.822 with P value 0.000, P<0.05*).

Table 5 MEAN RANKS

	Type of Bank Account	N	Mean Rank
Proximity	Public Sector	475	399.35
	Old Private Sector	285	454.71
	New Private Sector	90	471.04
	Total	850	

Source: Primary Data

Table 6 TEST STATISTIC

	Proximity
Chi-Square	13.064
df	2
Asymp. Sig.	.001

From the output of Kruskal Wallis H test, the customers of Public sector banks prefer proximity for selecting a bank branch as it is having the lowest mean rank. Further mean rank variation is also significant at 5 per cent level of significance (*Chi-Square value 13.064 with P= .001, P< 0.05*).

Awareness Level of Customers

In order to measure the awareness level, the respondents were asked to mark their level of awareness about particular services on a five-point Likert Scale and for its evaluation **MDS - ALSCAL** model was used.

Table 7 Stress

Iteration	S-stress	Improvement
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1	.37260	
2	.30640	.06619
3	.30365	.00275
4	.30374	-.00009

Source: Primary Data

Table 8 Stimulus coordinates

Stimulus Number	Stimulus Name	Dimension 1	Dimension 2
1	Loan facility	1.6754	.4309
2	Credit card facility	1.4457	.4556
3	Locker facility	1.3135	.5793
4	Multicity cheque book facility	-.1090	1.0461
5	Utility bill payment service	-.0800	1.0012
6	Demand draft facility	-.1680	.8522
7	Cheque deposit/clearing facility	.0778	.7266
8	Stay connected form facility	-1.0572	.9129
9	Account transfer from one city to other	.1490	.9087
10	Electronic statement facility	-.2047	-1.0017
11	Claim money form facility	-1.5658	.7154
12	Overdraft facility	-.7748	.9103
13	Closure of account facility	-.5337	.8258
14	Deposit (Term/RD/FD) facility	1.2770	-.4923
15	Internet/ mobile banking	1.7719	-.4188
16	ATM cum Debit card	1.9171	-.4360
17	SMS alert	1.6585	-.7000
18	National Savings Scheme (under Form 15(g))	-1.5371	-.5260
19	National Savings Scheme (under Form 15(h))	-1.6256	-.3780
20	Demat A/c	-1.5812	-.4611
21	KYC	-.0694	-1.3584
22	Provident Fund facility	-.7187	-1.1090
23	Electronic fund transfer (RTGS)	-.3763	-1.2907
24	Electronic Clearing services (ECS)	-.8845	-1.1930

Source: Primary Data

Stress = **.27424** RSQ = **.74249**

Awareness about the various services which were listed as 24 items namely: Loan facility, Credit Card facility, Locker facility, Multicity cheque book facility, Utility bill payment service, Demand draft facility, Cheque deposit/clearing facility, Stay connected form facility, Account transfer from one city to other, Electronic

statement facility, Claim money form facility, Overdraft facility, Closure of account facility, Deposit (Term/RD/FD) facility, Internet/ mobile banking, ATM cum Debit card, SMS alert, National Savings Scheme (under Form 15(g)), National Savings Scheme (under Form 15(h)), Demat A/c, KYC, Provident Fund facility, Electronic fund transfer (RTGS) and Electronic Clearing services (ECS).

The awareness level of customers regarding all these services provided by banks is important to evaluate the reach of banking services among public. For this purpose, the statistical tool MDS-ALSCAL is used. Each object or event is represented by the multidimensional points. The two disjoint points represent dissimilar objects and closer points represent similarity of objects or events. Positioning decisions are taken based on the perception and evaluation of identified dimensions.

This accuracy is measured by two quantities.

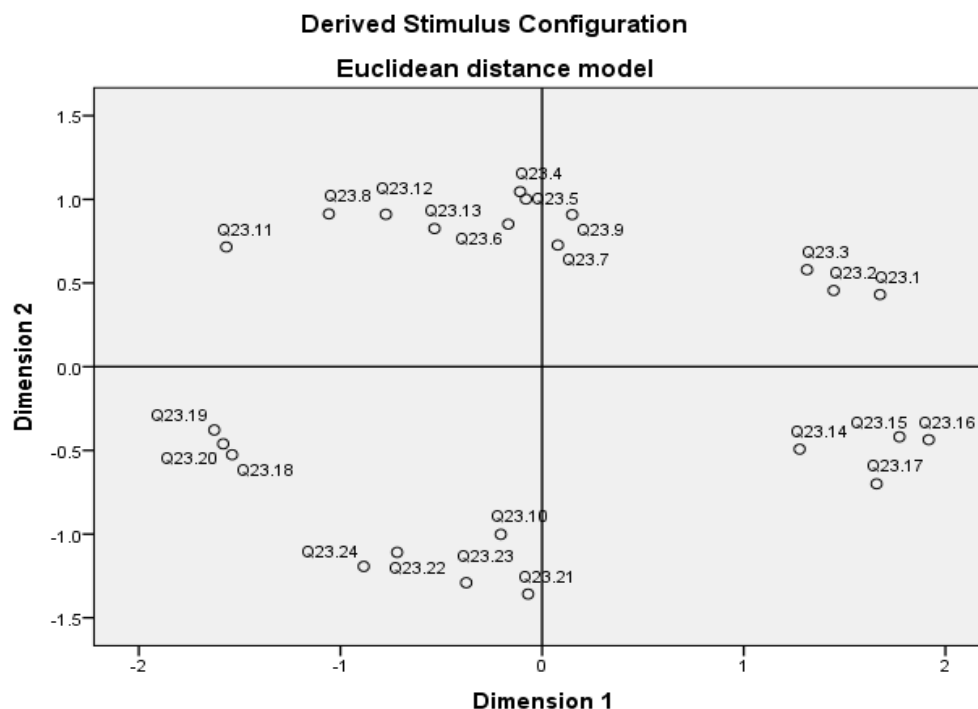
- 1) Stress (Kruskal function) – the distance among points on MDS map and the matrix input by the user is measured by a Stress function. (there is better representation if the stress is smaller)

Rule of Thumb: ≤ 0.1 is excellent; ≥ 0.15 not tolerable.

- 2) R2 (RSQ) – the proportionate variance of disparities on account of multidimensional model is measured. **R2 ≥ 0.6** is the acceptable fit.

Here the model explains more than 74 percent of variability as the **RSQ is 0.74249**. Stress is measured at **0.27424** which indicates a lower level of awareness. The items Multicity cheque book facility, utility bill payment, Demand draft, Cheque deposit/ clearing, stay connected form facility, claim money form facility, overdraft facility, closure of account has more acceptable fit as the RSQ is less than 0.6.

Figure 1



Source: Primary Data

The above graph shows how common the customers are using the various banking products and services. The customers are more aware about the products like loan, credit card and locker facility. Deposit, internet/ mobile banking, ATM cum Debit card and SMS facility are also known to the customers. Stay connected form facility,

claim money form facility, overdraft facility, closure of account facility are the services which are not much known for the customers.

Conclusion

The results of the study indicate that the customers prefer Proximity as the reason to have accounts with the banks. The proximity factor is concerned more important by the customers of public sector banks. The customers are not fully aware about the services offered by the banks. Only a few services like deposit, loan, credit/ debit cards, SMS facility, locker facility, etc are commonly used. The banks should educate their customers regarding the various services offered by them.

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