

A Study on Customer Satisfaction of Old Generation and New Generation Private Sector Banks With Reference To Salem City

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ABSTRACT

Banking system occupies an important place in a nation's economy. A banking institution is indispensable in a modern society. It plays a pivotal role in the economic development of any country and forms the core of the money market. A Bank is an institution that provides financial services particularly taking deposits and extending credit. Currently the term bank is generally understood as an institution that holds a banking license. Under most jurisdictions, a banking license is a prerequisite for a financial institution that wants to provide banking services, such as taking deposits from the general public. Banking sector performs three primary functions in economy, the operation of the payment system, the mobilization of savings and the allocation of saving to investment products. Banking industry has been changed after reforms process. The Government has taken this sector in a basic priority and this service sector has been changed according to the need of present days. Banking sector reforms in India strive to increase efficiency and profitability of the banking institutions as well as to bring the existing banking institutions face to face with global competition in globalization process. Different types of banks differ from each other in terms of operations, efficiency, productivity, profitability and credit efficiency. Indian banking sector is an important constituent of the Indian financial system. The banking sector plays a vital role through promoting business in urban as well as rural area in recent years. Without a sound and effective banking system, India cannot be considered as a healthy economy.

Keywords: ANOVA Analysis of Variances.

INTRODUCTION

In the economy of a nation, the banking system occupies an important place. A banking institution is indispensable in a modern society. It plays a pivotal role in the economic development of any country and forms the core of the money market. A Bank is an institution that provides financial services particularly taking deposits and extending credit. Currently the term bank is generally understood as an institution that holds a banking license. Under most jurisdictions, a banking license is a prerequisite for a financial institution that wants to provide banking services, such as taking deposits from the general public. A non-banking financial company is an institution that provides banking services without meeting the legal definition of a bank such as holding a banking license. Banking licenses are granted by bank regulatory authorities and provide rights to conduct the most fundamental banking services such as accepting deposits and making loans. There are also financial institutions that provide certain banking services without meeting the legal definition of a bank, a so-called non-banking

financial company. Banks have a long history, and have influenced economics and politics for centuries.

STATEMENT OF THE PROBLEM

The public sector banks will bear the brunt of changes and the process won't be pretty. Over the last few years RBI brought more rules and regulations. Some public sector banks are still performing well. In these circumstances, private sector banks also occupy an important role in the nation's economy. Now a day's private sector banks are performing well in technology and other fields wise aggressively than public sector banks. So the good performance of private sector banks will be needed for our country's economy. Here, private sector banks are taken as two, i.e., old and new; Hence, it is very worth full study and how the old and new private sector banks are performing in this situation and also this study is to establish the performance of sectoral analysis and act as key information to the investors and shareholders for their further investment, and make analysis for efficiency of management in utilization of assets for effective functioning of private banks.

SCOPE OF THE STUDY

Functional Scope Functional scope of this study is to analyze financial performance of old and new era private sector banks.

Geographical Scope In this study, researcher selected 10 banks, which are providing services in India. So, whole India is geographical criteria for this research study.

IMPORTANCE OF THE STUDY

- The study focuses on an overall picture of old and new private sector banks in Indian banking scenario. This study analyses the ratios being maintained by other players in the same sector, which would be guidance to the industry. .
- It can be used to fix the bench mark for individual units and can be comparable with other units in the same area and state.
- It gives to plan their long term marketing strategy based on the performance pattern linked to profitability.
- The study would be useful to policy makers and planners in the banking industry.

OBJECTIVES OF THE STUDY

1. To know the origin, growth and historical perspectives of the private sector banks.
2. To determine the major problems faced by the customers of Old and New Generation Private Sector Commercial Banks.
3. To know the level of customer satisfaction towards services of Old and New Generation Private Sector Commercial Banks in Salem City.
- 4 .To provide the appropriate suggestions for getting the improvement in the existing performance

RESEARCH METHODOLOGY

Introduction It is a systematic and scientific method of finding solutions to a problem. "Research is a process of steps used to collect and analyze information to increase our understanding of a topic or issue" -by Creswell.

A) PRIMARY DATA

Primary data have been collected from selected respondents through questionnaire and scheduling method.

B) PILOT STUDY AND PRETESTING

Before collecting primary data from sample customers a pilot study was conducted among 20 respondents with an interview schedule. The suggestions and modifications suggested by the sample respondents were included in the interview schedule.

C) SECONDARY DATA

The secondary data pertaining to the study were collected from the Annual reports, Websites, Journals, Magazines and various libraries of Tamilnadu Universities. The data were also collected from various publications issued by RBI (statistical tables relating to banks and trends and progress reports on banking).

D) PERIOD OF STUDY

The primary data were collected from the respondents which cover a period of six months From January 2016 to June 2016.

E) SAMPLE DESIGN

The researcher has selected 5 old generation private sector banks and 5 new generation private sector banks are listed in Indian stock exchanges. These banks have been selected based on the financial reports for the study period from 1st April 2004 to 31st March 2014.

List of old Generation Private sector banks

The banks which are started before nationalization of commercial banks are known as old generation private sector banks. Among those the researcher selected the following banks for research purpose.

S. No	Name of the bank	Year of Establishment	Origin(State)
1	South Indian Bank Ltd.	1905	Kerala
2	The Karur Vysya Bank Ltd.	1916	Tamilnadu
3	ING Vysya Bank Ltd.	1930	Karnataka
4	Federal Bank Ltd.	1931	Kerala
5	Jammu and Kashmir Bank Ltd.	1983	Jammu and Kashmir

List of New Generation Private Sector banks

The banks which are started after nationalization of commercial banks or after 1991 are known as new generation private sector banks. Among those the researcher selected the following banks for research purpose.

S. No	Name of the bank	Year of Establishment
1	Axis Bank Ltd	1995
2	HDFC Bank Ltd	1994
3	ICICI Bank Ltd	1996
4	Kotak Mahindra Bank Ltd	2003
5	Yes Bank Ltd	2005

The study was analysis has been made with the help of primary data, the number of branches for each selected bank was enumerated. It was found that during the study period 9 selected Old and New Generation Private Sector Commercial Banks were operating in 67 branches in Salem city

(ING Vysya bank was merged with Kotak Mahindra during study period so it was excluded). Since, total number of branches is 67, 10 percent of the total number of branches was selected for the study. The breakup of branches for each bank is given below:

S. No	Selected New Generation Private Sector Commercial Banks	Total No. of Branches in Coimbatore city	10 percent sample (Round off)
1	Federal Bank	11	01
2	J & K Bank	01	01
3	Karur vysya Bank	13	02
4	South Indian Bank	08	01
5	ICICI Bank	10	01
6	HDFC Bank	13	02
7	Axis bank	08	01
8	YES Bank	01	01
9	Kotak Mahindra Bank	02	01
	Total Branches	67	10

F) SAMPLE SIZE

The sample size is determined as 380. The population is unknown so the sample size is determined with the help of 5% confidence interval and confidence level calculation model. Convenient sampling method was adopted to draw sample respondents. Through the aim was to select 380 customers, due to non-availability of respondents and non-response from some of the customers the researcher could not contact 20 respondents. Finally, the size of the sample was reduced to 360, so it was decided to have a sample of 40 customers from each selected bank.

G) STATISTICAL TECHNIQUES

The collected data were codified, classified and then tabulated with the help of computer. Only one Statistical tool used such as Chi-Square Test, Henry Garrett Ranking analysis was used.

HYPOTHESIS OF THE STUDY

In present study a comparative study of financial performance of old and new era private sector banks are taken into account.

Ho. There is no significant difference in the mean scores obtained by the two bank groups, OGPB and NGPB relating to the Special features preferred by the respondents

Ho. There is no significant difference in the mean scores obtained by the two bank groups, OGPB and NGPB relating to the problems faced by the respondents.

ANALYSIS AND INTERPRETATION

Respondents having banking activities with public banks other than their favorite bank

Table No: 1

Types of banks	Banking activities with public banks		Total
	Yes	No	

Federal Bank	Count	36	4	40
	Percentage	10%	1.1%	11.1%
J and K Bank	Count	32	8	40
	Percentage	8.9%	2.2%	11.1%
KVB	Count	20	20	40
	Percentage	5.5%	5.6%	11.1%
SIB	Count	28	12	40
	Percentage	7.8%	3.3%	11.1%
OGPB Total		116 (72.5%)	44 (27.5%)	160 (100%)
ICICI Bank	Count	32	8	40
	Percentage	8.9%	2.2%	11.1%
HDFC Bank	Count	30	10	40
	Percentage	8.3%	2.8%	11.1%
AXIS Bank	Count	25	15	40
	Percentage	6.9%	4.2%	11.1%
YES Bank	Count	27	13	40
	Percentage	7.5%	3.6%	11.1%
KM Bank	Count	33	7	40
	Percentage	9.2%	1.9%	11.1%
NGPB Total		147 (73.5%)	53 (26.5%)	200 (100%)
Total		263	97	360
		73.1%	26.9%	100.0%

Source: Primary data

It is observed that the majority of the respondents i.e., 263 (73.1%) maintains accounts with banks other than their favourite banks. 97 respondents constituting 26.9% maintain accounts with their favourite banks only.

Chi-Square Tests- Type of bank and Type of Account of the respondents

	Value	Df	Asymp. Sig. (2-sided)
Pearson Chi-Square	7.310 ^a	8	.504

Source: Data Analysis

The Pearson chi-square value 7.310 with df 8 and P value 0.504 it shows that the P value is greater than 0.05. There is no association between type of bank and Type of Account of the respondents

Types of bank and Length of relationship with favorite banks of the respondents

Table No: 2

Types of banks		Length of relationship with banks				Total
		Less than 6 months	6 months to 1 Year	1 year to 5 Years	More than 5 years	
Federal Bank	Count	2	6	18	14	40
	Percentage	0.6%	1.7%	5.0%	3.9%	11.1%
J and K	Count	2	4	16	18	40

Bank	Percentage	0.6%	1.1%	4.4%	5.0%	11.1%
KVB	Count	0	10	15	15	40
	Percentage	0.0%	2.8%	4.2%	4.2%	11.1%
SIB	Count	2	12	12	14	40
	Percentage	0.6%	3.3%	3.3%	3.9%	11.1%
OGPB TOTAL		6 (3.7%)	32 (20%)	61(38.2%)	61 (38.1%)	160 (100%)
ICICI Bank	Count	0	4	15	21	40
	Percentage	0.0%	1.1%	4.2%	5.8%	11.1%
HDFC Bank	Count	2	8	14	16	40
	Percentage	0.6%	2.2%	3.9%	4.4%	11.1%
AXIS Bank	Count	1	10	13	16	40
	Percentage	0.3%	2.8%	3.6%	4.4%	11.1%
YES Bank	Count	2	7	15	16	40
	Percentage	0.6%	1.9%	4.2%	4.4%	11.1%
KM Bank	Count	3	6	14	17	40
	Percentage	0.8%	1.7%	3.9%	4.7%	11.1%
NGPB Total		8 (4%)	35 (17.5%)	71 (35.5%)	86(43%)	200 (100%)
Total		14 3.9%	67 18.6%	132 36.7%	147 40.8%	360 100.0%

Source: Primary data

It is seen from Table 5.17 that 147 respondents constituting (40.8%) are having relationship with the bank for more than five years and 132 respondents (36.7%) have length of relationship with the bank for 1-5 years; in this table it is clear both group of banks are trying to retain their customers for long years.

Chi-Square Tests- Type of bank and Length of relationship with favorite banks of the respondents

	Value	Df	Asymp. Sig. (2-sided)
Pearson Chi-Square	17.607 ^a	24	.822

Source: Data Analysis

The Pearson chi-square value 17.60 with df 24 and P value 0.822 it shows that the P value is greater than 0.05. There is no association between type of bank and length of relationship of the respondents

Types of bank and Reasons for selecting the bank of the respondents

Table No :3

Types of banks		Reasons for selecting the bank of the respondents						Total
		Near to home	Near to Office	Job necessity	Better service	High interest rate	Any other reason	
Federal Bank	Count	13	5	12	10	0	0	40
	%	3.6%	1.4%	3.3%	2.8%	0.0%	0.0%	11.1%

J and K Bank	Count	12	3	14	11	0	0	40
	%	3.3%	0.8%	3.9%	3.1%	0.0%	0.0%	11.1%
KVB	Count	11	4	16	7	2	0	40
	%	3.1%	1.1%	4.4%	1.9%	0.6%	0.0%	11.1%
SIB	Count	10	7	12	11	0	0	40
	%	2.8%	1.9%	3.3%	3.1%	0.0%	0.0%	11.1%
OGPB Total %		12.8	3.3	14.9	10.9	0.6	0	
ICICI Bank	Count	15	1	12	12	0	0	40
	%	4.2%	0.3%	3.3%	3.3%	0.0%	0.0%	11.1%
HDFC Bank	Count	13	2	15	8	2	0	40
	%	3.6%	0.6%	4.2%	2.2%	0.6%	0.0%	11.1%
AXIS Bank	Count	10	5	17	8	0	0	40
	%	2.8%	1.4%	4.7%	2.2%	0.0%	0.0%	11.1%
YES Bank	Count	9	7	16	7	0	1	40
	%	2.5%	1.9%	4.4%	1.9%	0.0%	0.3%	11.1%
KM Bank	Count	10	0	19	11	0	0	40
	%	2.8%	0.0%	5.3%	3.1%	0.0%	0.0%	11.1%
NGPB Total %		15.9	6.1	21.9	12.7	0.6	0.3	200
Total		103	34	133	85	4	1	360
		28.6%	9.4%	36.9%	23.6%	1.1%	0.3%	100.0%

Source: Primary data

From the responses of 360 customers, it is observed that they give prime importance for maintaining Account is job necessity while selecting their favourite bank, followed by better service, it constituting 85 (23.6%) of the respondents.

From the above table, it is clear that the majority of the respondents opening Account for the purpose of withdraw their salary (job necessity).

Chi-Square Tests- Type of bank and Reasons for selecting the bank of the respondents

	Value	Df	Asymp. Sig. (2-sided)
Pearson Chi-Square	44.312 ^a	40	.295

Source: Data Analysis

The Pearson chi-square value 44.312 with df 40 and P value 0.295 it shows that the P value is greater than 0.05. There is no association between type of bank and reason for selecting their favourite bank of respondents.

HENRY GARRETT RANKING

This method is used to find out the most important factor from the given factors based on their ranks. As per this method, respondents have been asked to assign the rank for all the factors and out of such ranking have been converted into score value with the help of the following

Formula:

$$\text{Percent position} = 100(R_{ij} - 0.05)/N_j$$

R_{ij} – Rank given for the i^{th} factor by the j^{th} respondents.

N_j – Number of factors ranked by the j^{th} respondents.

The percentage position of each rank thus obtained is converted into scores by referring to the table given by Hendry Garret. Then for each factor the scores of individual respondents are added together and divided by the total number of respondents for whom the scores were added. Ranks are given on the basis of the mean score values and most important factors are identified

Respondents' opinion about their banks' Special features

Table No: 4

S.NO	Special features	OGPB			NGPB		
		Score	Mean	Rank	Score	Mean	Rank
1	Locker facility	7051	19.59	IX	9662	26.84	X
2	ATM facility	7771	21.59	VII	12217	33.90	V
3	Cash deposit machine	7633	21.20	VIII	13204	36.71	II
4	Agency services	7008	19.47	X	11260	31.28	VII
5	Debit / Credit card facility	8617	23.94	IV	11985	33.29	VI
6	Internet banking	8987	24.96	II	13344	37.07	I
7	Loan processing	9064	25.18	I	13183	36.62	III
8	Customer care	8129	22.58	VI	9986	27.74	IX
9	High interest	8475	23.54	V	10549	29.30	VIII
10	Location advantage	8977	24.94	III	12402	34.45	IV

Source: Data Analysis

The above table disclosed the special features relating to the bank group, in that "Loan processing" was ranked first in OGPB with the score of 9064, it was followed by "Internet banking" with the score of 8987. The third rank was obtained by "Location advantage" with the score of 8977. Where as in NGPB the first rank obtained by "Internet banking" with score of 13344, it is followed by "Cash deposit procedure" with score of 13204, the third rank obtained by "loan processing" with score of 13183.

From the above analysis it is found that "Loan processing" is the special feature of OGPB and Internet banking is the special feature of NGPB.

Hypothesis

H₀: There is no significant difference in the mean scores obtained by the two bank groups, OGPB and NGPB relating to the Special features preferred by the respondents
Table 5.23 Special features- ANOVA showing difference between bank groups

Special features	Source of Variation	SS	Df	MS	F	P-value	F crit
	Between Groups	272.91	1.00	272.91	39.31	0.00	4.41
	Within Groups	124.97	18.00	6.94			
	Total	397.88	19.00				

Source: Data Analysis

From the above table, the F value is greater than F critical value. So the Null Hypothesis is rejected, which means there is significance of mean value of two groups.

Respondents' opinion about the problems faced towards their banks

Table No: 5

S.NO	Problems faced by the Respondents	OGPB			NGPB		
		Score	Mean	Rank	Score	Mean	Rank
1	Delay in processing loan	8226	22.85	VIII	9666	26.85	X
2	More formalities	9206	25.57	I	12023	33.40	III
3	Short period of repayment	6921	19.23	X	10334	28.71	VIII
4	Hidden cost	7764	21.57	IX	9684	26.90	IX
5	More processing charges	8347	23.19	VI	10969	30.47	V
6	Low rate of interest on deposit	8296	23.04	VII	12657	35.16	I
7	High rate of interest on loan	8637	23.99	IV	12642	35.12	II
8	Difficulty to fill the application	9188	25.52	II	10414	28.93	VII
9	Buren of pre payment penalty	8440	23.44	V	10522	29.23	VI
10	Frequent failure of ATM	9147	25.41	III	11850	32.92	IV

Source: Data Analysis

The above table disclosed the problems faced by the respondents while transaction with their banks, in that "More formalities" was ranked first in OGPB with the score of 9206, it was followed by "Difficulty to fill the application" with the score of 9188. The third rank was obtained by "Frequent failure of ATM" with the score of 9147. Where as in NGPB the first rank obtained by "Low rate of interest on deposit" with score of 12657, it is followed by "High rate of interest on loan" with score of 12642, the third rank obtained by "More formalities" with score of 12023.

From the above analysis it is found that "More formalities" & Difficulty in fill the application are main problems of OGPB where as Interest is the main problem of NGPB.

Hypothesis

H₀: There is no significant difference in the mean scores obtained by the two bank groups, OGPB and NGPB relating to the problems faced by the respondents.

Problems faced- ANOVA showing difference between bank groups

Problems faced by the respondents	Source of Variation	SS	Df	MS	F	P-value	F crit
	Between Groups	272.75	1.00	272.75	39.28	0.00	4.41
	Within Groups	125.00	18.00	6.94			
	Total	397.75	19.00				

Source: Data Analysis

From the above table, the F value is greater than F critical value. So the Null Hypothesis is rejected, which means there is significance of mean value of two groups.

CONCLUSION

The research was aimed at studying the performance level and satisfaction of old vs. new generation private sector commercial banks in India. Private sector banks play an important role in the development of Indian economy. After introduction of New Generation private sector commercial banks, the banking industry underwent major changes. The Indian banking industry was dominated by public sector banks. But now the situation has changed private sector banks with use of technology and professional management has gained a reasonable position in the banking industry. Banking constitutes an important link in several socio-economic activities. Therefore, the banking industry must be on a sound financial position. While in India, there is stress on the social responsibility of banks, the significance of liquidity and profitability is not to be neglected. The financial viability of the banking system is certainly essential; not only to instill public confidence but also to make banks capable of discharging their social responsibilities. Further, the rate of profit is taken as an indicator of the operational efficiency of banks. From the performance analysis, it is clearly seen that in selected private sector banks, the new generation private sector banks in India provide large number of services to their customers and the general public for several years. These banks update their services and adopt the modern technology in providing services to their customers. Private sector banks today are well able to modernize the services to the new generation private sector bank customer. But when it comes to serving rural customers, they need to have different approach in conducting & persuading the rural customers. It may be for the reasons such as educational & social backwardness and their living style that play prominent role in their choice and preference. The behavior of rural customers need to be studied in detail and may be compared with the behavior of urban customers. In order to short out the appropriate strategy for meeting the needs and satisfying the rural customers. The service quality aspect of private sector banks for serving rural customers need to be viewed separately and focused their attention with greater interest. Thus, the success of public sector banks mainly depend on how will they understand the rural customers and how will they adopt strategies to serve them better.

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