



# Customers' Perception Towards Retail Banking Services On Selected Commercial Banks - A Special Reference To Sivagangai District

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## Abstract:

Banking industry includes a number of businesses such as corporate, investment banking, wealth management, capital market etc. Retail banking is another segment of the banking industry. Retail banking industry includes deposit products, residential mortgage loans, credit cards, auto finance, personal loans, consumer durable loans, loan against equity shares, bill payment services etc. These retail products provide an opportunity for banks to diversify the asset portfolio with high profitability and relatively low Non-performing Assets. The researcher has used both primary and secondary data. The data collected from customers of selected commercial banks. Both probability and Non-probability sampling method have been used for the study. In order to choose the bank, the researcher has used the Multi stage sampling method and to choose the customers, convenience sampling method has been used. Percentage analysis, correspondence analysis & Factor Analysis have been used as the tools for analysis. This paper is mainly focuses on customers' perception towards retail banking in selected commercial banks. The results of the study shows that Easy Access, Access to loan Facility, Easy Access of E-banking services are most influencing factors to the customers while using retail banking services.

## Keywords:

Retail banking, Retail products, Payment services, Loan.

## 1.1 INTRODUCTION:

In India, banking industry plays a pivotal role in the economic development and form the core of the money market in growth of the country. Among all banking sector is the huge service sectors in India and strongest driver to Indian economic growth. In the present scenario, it is running in a dynamic challenge concerning both customer base and performance so as to provide efficient services to its customers. Retail banking activities broadly defined as the range of products and consumers' services provided to consumers and small businesses have grown in importance over the past several years. Retail banking has become a very important component in the business mix of banks. Retail banking offers multiple comfort factors for banks to do business. There are various drivers of retail banking in India which contributes in the growth of retail banking. To meet the changing preferences of the customers and to stay ahead of competitors, retail bankers are bound to provide quality and efficient services. Large and divergent customers' base across income segments offers huge scope for banks to develop and offer multiple products and services. In addition to traditional products and services offered by banks over the years, the retail model has undergone rapid innovation in the past decade with regard to products, processes, people and technology. Technology has become the driver for retail banking explosion and technology products like ATM, Internet banking, Mobile banking, card products like debit cards, credit cards and remittance products like RTGS, NEFT are making the presence felt in the retail space.

## 1.2 STATEMENT OF THE PROBLEM:

Emergence of new private sector banks and opening up of branches of foreign banks in India after banking sector reforms have changed the whole scenario of the banking functions in recent years. Customers are the heart of the banking sector. Indian banks have been compelled to change their objectives from maximizing their profits to developing long term relationship with their customers in order to achieve higher market penetration and also to survive and grow in today's cutthroat competition. Today, Indian banks are trying to innovating new and better products and services and provide new ideas and techniques as well as make tailor made products available to the customers. The significance of the role of retail banking and the involvement of banking services in people's everyday life has been

recognized. In this context, the attempt has been made to study the customers' perception towards retail banking services of the selected commercial banks in Sivagangai District.

## 1.3 REVIEW OF LITERATURE:

**According to PWC Report (2020)<sup>1</sup>**, in their article examined that "Retail Banking 2020 Evolution or Revolution", powerful forces are reshaping the banking industry customers' expectations, technological, capabilities, regulatory requirements, demographics and economics are together creating an imperative to change. Banks need to get ahead of these challenges and retool to win in the next era- banks must not only execute today's imperatives but also radically innovate and transform themselves for the future. The researcher concluded in his report much is changing in the banking landscape with regulation, technology,

demographics, changing customer expectations, greater competition and issues with banks own legacy business and operating models.

**Zaker –UI-Oman (2017)<sup>2</sup>**, in their article observed that “consumer perception on retail banking in India”, the main objective of his study is to analyze the awareness and satisfaction of customers regarding retail services provided by banks. From his article the findings of the study said that out of 50 customers 28 customers are satisfied with the performance of banking. Finally the researcher concluded that most of the banks are offering retail products of similar nature, the customers can easily switchover to the one which offer better service at comparatively lower costs.

**Dr.Supreet Singh at.al (2015)<sup>3</sup>**, in their article examined that “customer preferences and expectation for retail banking services”, the main objectives of his study is to analyze the customers preferences of retail banking services. The researcher concluded based on the findings that location of the bank, opening hours, security of deposits, security of customer information and customer waiting period to be key reason for choosing a particular retail bank. Similarly, the survey found that the second most common reason for customers to leave retail banks was due to staff attitude and the poor service associated with it.

#### **1.4 OBJECTIVES OF THE STUDY:**

- To know the conceptual framework of retail banking services offered by commercial banks.
- To identify the customers’ perception towards retail banking services in commercial banks.
- To offer suitable suggestions to improve the effectiveness of the retail banking services of the commercial banks based on the findings of the study.

#### **1.5 RESEARCH METHODOLOGY:**

In order to collect primary data, Multi stage sampling technique has been adopted. The researcher has selected only one taluk for the study i.e Karaikudi taluk which has more number of bank branches. At the first stage, the researcher has selected only Four public sector banks such as IOB, Canara Bank, SBI & Indian Bank and one private sector banks namely HDFC bank. At the second stage, the researcher has selected 20 customers from each bank. Therefore the sample size consists of 100. The present study is empirical in character, based on the survey method. As an essential part of the study, the primary data were collected from 100 customers. The secondary data have been collected mainly from journals, magazines, RBI reports, and books. In order to study the perception of the customers, Percentage Analysis, Correspondence Analysis, and Factor analysis.

Table 1.1

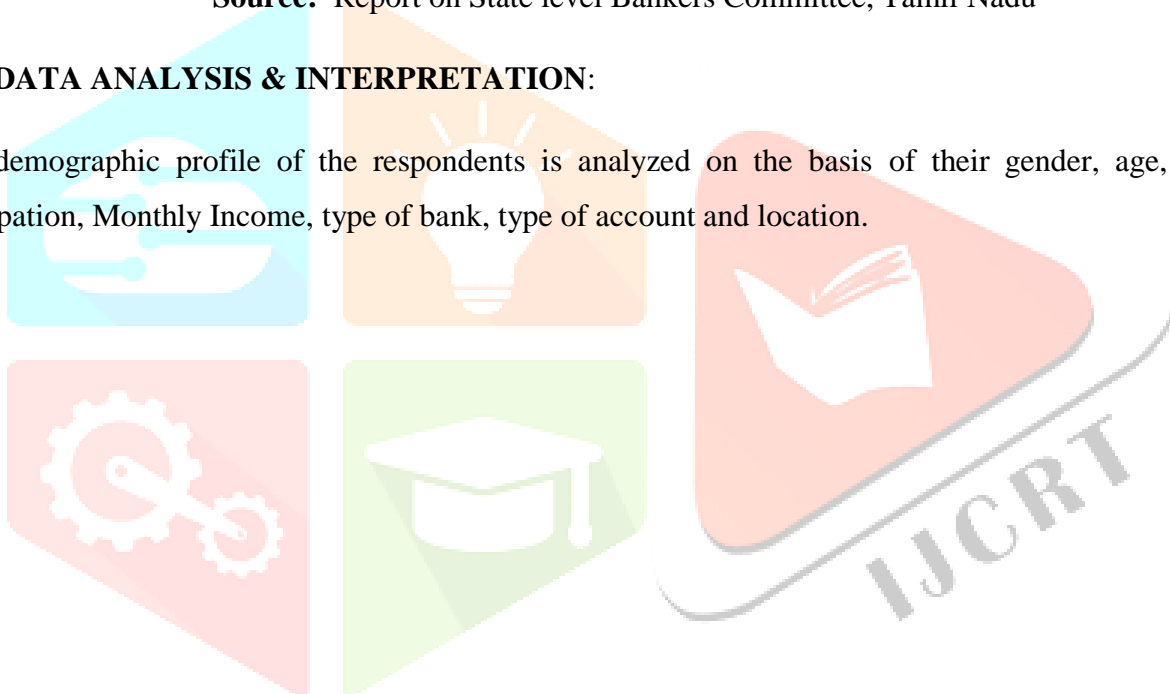
## Sample bank branches drawn from Selected Commercial Banks in Karaikudi Taluk

S.No	Bank Name	Sample customers
<b>Public sector Banks</b>		
1	IOB	20
2	Canara Bank	20
3	SBI	20
4	Indian Bank	20
<b>Private sector Banks</b>		
5	HDFC	20
<b>Total</b>		<b>100</b>

**Source:** Report on State level Bankers Committee, Tamil Nadu

### 1.6 DATA ANALYSIS & INTERPRETATION:

The demographic profile of the respondents is analyzed on the basis of their gender, age, Education, Occupation, Monthly Income, type of bank, type of account and location.



## 1.7.1 Profile of the customers:

Table 1.2 Demographic Profile of the respondents

S.NO	Variable	Classification of Variable	Frequency	Percentage
			N=100	
1	Gender	Male	63	63%
		Female	37	37%
2	Age	20-30 years	28	28%
		31 to 40 years	47	47%
		41 to 50 years	15	15%
		Above 51 years	10	10%
3	Educational Qualification	Not Formally Educated	17	17%
		School	5	5%
		Diploma	12	12%
		Graduate	56	56%
		Post Graduate	10	10%
4	Occupation	Business man	25	25%
		Self employee	21	21%
		Govt.employee	54	54%
5	Monthly Income	Up to 20,000	12	12%
		20,000-30,000	26	26%
		30000-40,000	8	8%
		40000- 50,000	44	44%
		Above 50000	10	10%
6	Monthly savings	Less than 10,000	12	12%
		10000-15000	26	26%
		15000-20000	8	8%
		20000-25000	44	44%
		Above 25000	10	10%
7	Type of bank	Public sector Bank	54	54%
		Private Sector Bank	46	46%
8	Type of Account	Saving Account	46	46%
		Current Account	54	54%
9	Residence	Rural	32	32%
		Semi-urban	78	78%

**Source:** Primary data (Software used: SPSS 23.0)

### Interpretation:

#### Gender of the respondents:

From the above 1.2 analysis table shows that 63% of the male customers are using retail banking services and 37% of the female respondents are using retail banking services. It is inferred that majority of the male respondents are using retail banking services.

#### Age of the respondents:

From the above 1.2 analysis table shows that 47% of the respondents are belong to the age between 31-40 years, 28% of the respondents are belong to the age between 20-30 years, 15% of the respondents belongs to the age between 41-50 years and 10% of them are belong to age group of above 51 years. Majority of the

respondents belong to the age between 31-40 years. Therefore, middle age people are mostly using the retail banking services.

### **Educational Qualification:**

It is clear from the above 1.2 analysis table shows that 56% of sample respondents have qualified for degree. Another 17% of sample respondents have not formally educated. Another 12% are educated to diploma, and 5% of the respondents are educated up to school and 10% of them are qualified post graduate. Hence a higher proportion of respondents are qualified for various degrees. Therefore, educated customers had enough awareness and using the retail banking services.

### **Occupation:**

From the above 1.2 analysis table shows that 25% of the respondents are business men, 21% of the respondents are self employed, and 54% of the respondents are Govt.employees. Majority of the govt employee are using retail banking services because the government employee are working more in Karaikudi taluk.

### **Monthly Income**

From the above 1.2 analysis table shows that 44% of the customers are get income between 40,000-50000, 26% of the customers get income between 20000-30000, 12% of the customers get income between less than 20000, 8% of the customers get income between 30000-40000 and 10% of them income between above 50000. Therefore majority of the customers are get income between 40000-50000.

### **Monthly savings:**

From the above 1.2 analysis table shows that 44% of the customers are earned savings between 30,000-40000, 26% of the customers earned savings between 10000-20000, 12% of the customers earned savings between less than 10000, 8% of the customers earned savings between 20000-30000 and 10% of them savings between 40000 - 50000. Therefore majority of the customers are earned savings between 30000-40000.

### **Type of Bank:**

From the above 1.2 analysis table shows that 54% of the customers are using retail banking services in public sector banks and 46% of the customers are using retail banking services in private sector banks. Therefore majority of the customers are using public sector banks.

### **Type of Account**

From the above 1.2 analysis table shows that 54% of the customers are using current account for their banking transactions and 46% of the customers are using savings account. Therefore majority of the customers are using current account. Because the government employees are using high retail banking services.

## Residence

From the above 1.2 analysis table shows that 78% of them are semi urban area and 32% of the people are rural areas. Therefore majority of the semi urban people are using the retail banking services.

### 1.6.2 RELATIONSHIP BETWEEN INCOME AND SAVINGS -CORRESPONDANCE ANALYSIS:

Correspondence analysis is a statistical technique that factors the categorical variable and shows the dimensions or association of the categorical variable to each other. The Monthly Income and savings is the main source of doing any business. The correspondence analysis is used to club the group of variables.

**Table 1.3**

#### Relationship between Income and Savings

**Hypothesis Ho:** There is no significant relationship between Annual Income of the respondents and their savings.

Correspondence Table						
Monthly Income	Level of Savings					
	Less than 10000	10000-15000	15000-20000	20000-25000	Above Rs.50000	Active Margin
Less than 20000	12	0	0	0	0	12
Rs.20000 to 30000	0	26	0	0	0	26
Rs. 30000 to 40000	0	0	8	0	0	8
Rs.40000 to Rs.50000	0	0	0	44	0	44
Above Rs.50000	0	0	0	0	10	10
Active Margin	12	26	8	44	10	100

Source: Primary data

**Table 1.4**

#### Correspondence Analysis

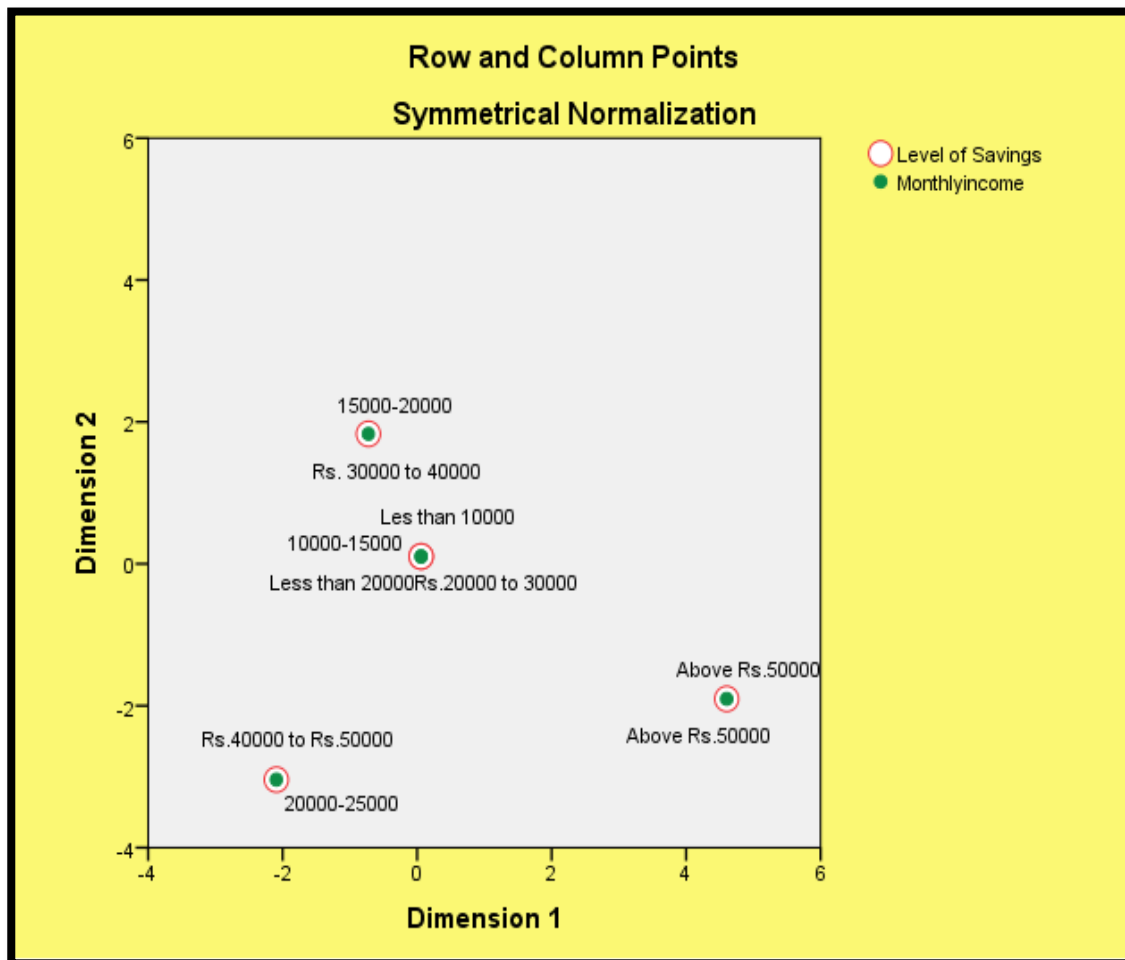
Dimension	Singular Value	Inertia	Chi Square	Sig.	Proportion of Inertia		Confidence Singular Value	
					Accounted for	Cumulative	Standard Deviation	Correlation
1	.381	.145			.694	.694	.092	.296
2	.253	.064			.306	1.000	.112	
Total		.209	27.186	.001	1.000	1.000		

a. 8 degrees of freedom

Source: Primary data

Figure 1.1

## Correspondence Analysis



The correspondence diagram illustrates that, people who have high level income is having high level of savings. People who have low level of income group and their respective saving is low. The significant level is less than .05 i.e. sig values is 0.01 therefore null hypothesis rejected and alternative hypothesis is accepted. So therefore, there is no significant relationship between income and savings.

### 1.6.3 RETAIL BANKING SERVICES USED BY THE RESPONDENTS:

Service offerings in retail banking are dependent on the type of bank and the country where it operates or originated from. Retail banking services encompass a variety of account types that are given in below table



Table 1.5

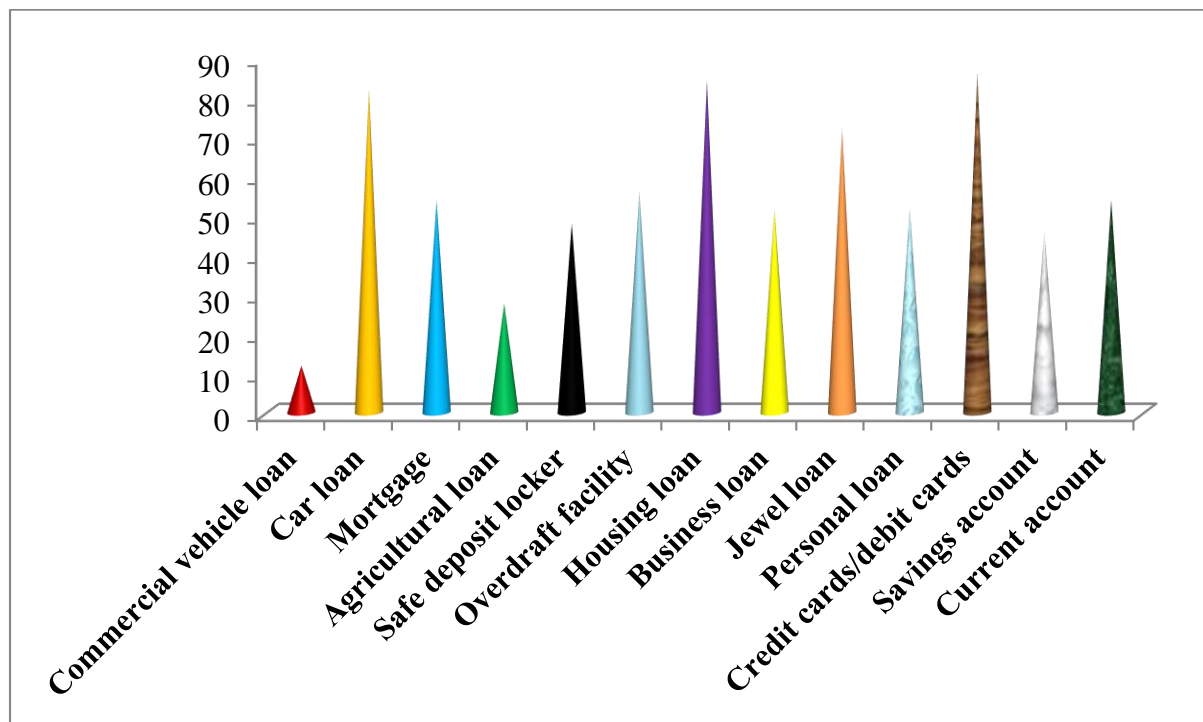
## Retail Banking Services used by the Respondents

Retail Banking services	No of Respondents	Percentage
Commercial vehicle loan	12	12%
Car loan	82	82%
Mortgage	54	54%
Agricultural loan	28	28%
Safe deposit locker	48	48%
Overdraft facility	56	56%
Housing loan	84	84%
Business loan	52	52%
Jewel loan	72	72%
Personal loan	52	52%
Credit cards/debit cards	86	86%
Savings account	46	46%
Term deposit	-	-
Current account	54	54%

**Source: Primary Data**

From the above table 1.5, 86% of the customers are using debit cards and credit cards. 84% of the customers borrow home loan. 82% of the customers are borrowing car loan. 72% of them are using jewel loan. 54% of them are using current account. 52% of the customers are using the personal and business loan. 56% of the customers are using overdraft facilities. 48% of the customers were using safety deposit locker. Therefore majority of the customers are using car loan, home loan and debit/ credit cards.

Figure 1.2



#### 1.6.4 CUSTOMERS PERCEPTION TOWARDS RETAIL BANKING SERVICES – FACTOR ANALYSIS:

Factor analysis is a technique that is used to reduce a large number of variables into fewer numbers of factors. Factor analysis extracts maximum common variance from all variables and puts them into a common score. Table 1.6 explains two test they are Kaiser – Mayer – Olkin (KMO) measures of sampling adequacy and Bartlett's Test of Sphericity. It gives the statistics of KMO, Bartlett's Test of sphericity and Chi-Square analysis of Association, Degrees of freedom and the probability value.

Table 1.6

Customers Perception Factors Kaiser – Mayer – Olkin (KMO) Bartlett's Test

KMO and Bartlett's Test		
Kaiser-Meyer-Olkin Measure of Sampling Adequacy.	.621	
Bartlett's Test of Sphericity	Approx. Chi-Square	741.821
	Df	230
	Sig.	.000

Source: Primary Data

Table 1.6 Shows that the KMO Value of 0.741, which indicates that the degree of common variance among the variables is quite high, therefore factor analysis can be conducted.

#### 1.6.5 CUSTOMERS PERCEPTION TOWARDS RETAIL BANKING SERVICES - PRINCIPLE COMPONENT ANALYSIS:

The principle component analysis has been administered for grouping the factor of various factors of Customers perception towards retail banking services. It is a method of data reduction. The proportion of the variance of a particular item due to common factor is called as communality. The initial value of the

communality in a principle component analysis is 1. The factors of Customers' Perception towards retail banking services involved in the component column. The extraction communalities estimate the variance in each variable accounted for the factors in the factor solution. The value is less than .5 which indicates the variables that do not fit well with the factor solution and should possibly be dropped from the analysis. Table 1.7 shows that extraction value of the respondents' customers' perception towards retail banking services in selected commercial banks.

**Table 1.7**

**Customers Perception Towards Retail Banking Services - Communalities**

Communalities		
Components	Initial	Extraction
Customer service	1.000	.724
Easy access	1.000	.841
Service charges	1.000	.711
Security transactions	1.000	.642
Branch Network	1.000	.861
Access to e-banking	1.000	.731
Fast & Efficient	1.000	.741
Access to loan Facility	1.000	.841
Terms of Payment	1.000	.647
<b>Source:</b> Primary Data		

Table 1.7 explicit the variance of the nine variables ranging from .600 to 0.800. It shows that, the nine variables exhibit the considerable variance from 60 percent to 80 percent. Hence it could be concluded that all these variables are capable of segmenting themselves with respect to the factors Customers' perception towards retail banking services in Sivagangai District.

**Table 1.8**

**Customers Perception Towards Retail Banking Services – Total Variance**

Component	Initial Eigen values			Rotation Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1						
2	3.012	20.081	20.081	2.472	9.476	12.176
3	1.990	13.268	33.350	2.871	12.473	10.849
4	1.657	11.047	44.397	1.554	11.877	11.716
5	1.358	9.056	53.453			
6	1.297	8.643	62.096			
7	1.022	18.086	29.081			
8	1.790	12.267	42.341			
9	1.457	17.031	44.364			

**Source:** Primary Data

As could be seen from the Table 1.8 Eigen values are greater than one for four factors. From this one, it is confirmed that, the nine factors are grouped into three predominant factors. The rotated sum of squared loading should be greater than 50 percent. The nine variables are reduced in to three predominant factors with the individual variances of 12.176, 10.849 and 11.716. It is also found that the total variance of 9

variables is found to be 64.569 percent which is greater than the benchmark of 60 percent. Moreover it confirms that the factor segment is the meaningful one.

### 1.7.6 Customer's Perception Towards Retail Banking Services – Rotated Component Matrix:

The rotated sum of square value indicates the cumulative percentage of variances is 64.569. Hence the factorization is more suitable for the factors Customer's perception towards retail banking services table 1.9 explains the value of rotated component matrix for the Customer's perception towards retail banking services.

**Table 1.9**

**Customer's Perception Towards Retail Banking Services - Rotated Component Matrix**

Factors	Component		
	1	2	3
Customer service	.724		
Easy access	.841		
Fast & Efficient	.642		
Security transactions		.647	
Terms of Payment		.711	
Access to loan Facility		.841	
Access to E-banking			.861
Service charges			.731
Branch Network			.741
<b>Rotation Method:</b> Varimax with Kaiser Normalization.			

**Source: Primary Data**

#### 1. Easy processing

First factor consist of three variables namely customers service (.724), Easy access (.841), Fast & Efficient (.642) and all these factors are considered as “**Easy Processing**”. Among these three factors the customers are satisfied with easy access:

#### 2. Timely service:

Second factor consist of three variables namely security transactions (.641), Terms of Payment (.711), Access to loan facility (.841) and all these factors are considered as “**Timely service**”. Among these three factors the customers are satisfied with access to loan facility.

#### 3. Convenience:

Third factor consist of three variables namely Access to E-banking (.861), service charges (.731), Banking Network (.741) and all these factors are considered as “**Convenience**”. Among these three factors the customers are satisfied with easy access of e-banking service

## 1.7 FINDINGS OF THE STUDY:

### Results from Percentage Analysis:

- It is found that, 63% of the male customers are using retail banking services and 37% of the female respondents are using retail banking services. It is inferred that majority of the male respondents are using retail banking services.
- It is observed that, 47% of the respondents are belong to the age group of 31- 40 years, 28% of the respondents are belong to the age group of 20-30 years, 15% of the respondents belong to the age group 41-50 years and 10% of them are belong to age group of above 51 years. Majority of the respondents belong to the age group 31-40 years. Therefore, middle age people are mostly using the retail banking services.
- The results indicates that, 56% of sample respondents are qualified with a degree. Another 17% of sample respondents have not formally educated. Another 12% are educated till diploma, and 5% of the respondents are educated up to school and 10% of them were qualified post graduate. Hence a higher proportion of respondents are qualified for various degrees. Therefore, educated customers had enough awareness and using the retail banking services.
- The results show that, 25% of the respondents are business men, 21% of the respondents are self employed, and 54% of the respondents are Govt.employees. Majority of the govt employee are using retail banking services because the government employee are working more in Karaikudi taluk.
- It is observed that, 54% of the customers are using retail banking services in public sector banks and 46% of the customers are using retail banking services in private sector banks. Therefore majority of the customers are using public sector banks.
- It is found that, 54% of the customers are using current account for their banking transactions and 46% of the customers are using savings account. Therefore majority of the customers are using current account. Because the government employees are using high retail banking services.
- It is observed that, 78% of them are living in semi urban area and 32% of the people are living in rural areas. Therefore majority of the semi urban people are using the retail banking services.
- It is found that, 86% of the customers are using debit cards and credit cards.84% of the customers borrow home loan. 82% of the customers are borrowing car loan. 72% of them are using jewel loan. 54% of them are using current account. 52% of the customers are using personal and business loans. 56% of the customers are using overdraft facility. 48% of the customers are using safety deposit locker. Therefore, majority of the customers are using car loan, home loan and debit/ credit cards.

### Results from Correspondence Analysis:

The result indicates, that people who have high level income is having high level of savings. People who have low level of income and their respective saving is low. The significant level is less than .05 i.e. sig values is 0.01 therefore null hypothesis is rejected and alternative hypothesis is accepted. There is no significant relationship between income and savings.

## Results from Factor Analysis:

From the Factor analysis it is inferred that, the variables are grouped under three categories namely (1) Easy processing (2) Timely service (3) Convenience. The results of the factor analysis shows that Easy access, Access to loan Facility, Easy access of e-banking services are most influencing factors to the customers while using retail banking services. Fast & Efficient, security Transactions and service charges are the least factors influencing while using retail banking services.

## 1.8 SUGGESTIONS:

Based on the findings the Suggestions are given below:

- Retail banking is untapped in rural areas still now. It is due to Lack of Awareness about the use of modern technology, fear of frauds and security, Lack of Infrastructural facilities and Illiteracy. Therefore lot of concentration is needed to people who are living in rural area to improve their banking transactions.
- Bankers may concentrate more to provide agriculture loan because only least customers' are borrowing agricultural loan.
- Bankers may follow the strict control of safety and security of transactions.

## 1.9 CONCLUSION:

The retail banking has been introduced in the Indian banking sector in recent years. Customers of Indian commercial banks are responding to a great extent to this new banking strategy. This paper examines the customers' perception towards retail banking services. In Today's technology, many of the customers are using retail banking banking services but most of the customers are borrow more housing loan and car loan. The researcher concluded through the results of the factor analysis that Easy Access, Access to Loan Facility, Easy access of e-banking services are most influencing factors in retail banking services. Fast and Efficient, Security Transactions and Service charges are the least factors influencing the use of retail banking services.

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