

# Effectiveness of Customer Services in Commercial Banks –A Comparative Study of Select Banks

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**Abstract:-** 21<sup>st</sup> century is witness for the major reforms in the banking sector, practices have been changing and procedures have been changing day by day to meet the expectations of customers. Innovative thoughts are rejuvenating to render banking customer services in an effective and efficient manner. Effectiveness is the ability of the banks to perform services according to the expectations of the customers to satisfy their unmet needs. At present commercial banks are considering the quality perspective of rendering customers services in an effective manner to their customers. In this competition every bank has to provide their customer services in a transparent manner without any deficiencies then the banks can retain their customer and retention rate is minimized. Survival of banks is important than the sustenance. Banks are moving towards from cash to cashless banking services this can be considered as good indication for the development of banking system as well as the economy development. Researcher has made an attempt to study level of customer satisfaction towards customer services of SBI and ICICI by effective rendering of modern banking services.

**Keywords:-** Reforms, Quality Perspective, Unmet Needs, Cashless Banking and Effectiveness.

## I. INTRODUCTION

Banking sector is the back bone for the development of the Indian economy and banking sector plays a vital role for for the growth of industry and service sector. Banking sector is also called money market. Money makes many things. Every entity and every person is involved the process of the moving the weels of the banking industry. Banking is the essence service for every human being in the society. Indian government has given scope for the inclusion of the every individual in the banking sector under the program of the Pradhan mantra Jan Dhan yojana. No frill accounts were opened for every individual from all the rural corners of the India.

For the purpose of the inculcating the habit of savings among the underprivileged people and creating awareness about banking services and other investment avenues government also taking steps under the pilot program of financial inclusion. In this technological world not only acquiring customer base but also retention of customers is significant on the part of the bankers.

Retention of customers is possible whenever banks render their customer services in an effective manner. Traditional banking have gone and modern banking has come into existence in India. Liberalisation has give scope for to enter private and foreign banks in India, with this step competition has been mounting day by day. Apart from the traditional banking services modern innovative banking products and services have been introduced and launched by the commercial banks.

Bank is defined as an institution which deals with the accepting deposits and granting loans and banking is the business of protecting money of others by making profits by the way of granting loans to the needy people. Interest is the profit for the commercial banks.

As per the Reserve Bank of India (RBI), India's banking sector is sufficiently capitalised and well-regulated. The financial and economic conditions in the country are far superior to any other country in the world. Credit, market and liquidity risk studies suggest that Indian banks are generally resilient and have withstood the global downturn well.

The Indian banking industry has recently witnessed the rollout of innovative banking models like payments and small finance banks. In recent years India has also focused on increasing its banking sector reach, through various schemes like the Pradhan Mantri Jan Dhan Yojana and Post payment banks. Schemes like these coupled with major banking sector reforms like digital payments, neo-banking, a rise of Indian NBFCs and fintech have significantly enhanced India's financial inclusion and helped fuel the credit cycle in the country.

The digital payments system in India has evolved the most among 25 countries with India's Immediate Payment Service (IMPS) being the only system at level five in the Faster Payments Innovation Index (FPII).<sup>\*</sup> India's Unified Payments Interface (UPI) has also revolutionized real-time payments and strived to increase its global reach in recent years.

The Indian banking system consists of 12 public sector banks, 22 private sector banks, 46 foreign banks, 56 regional rural banks, 1485 urban cooperative banks and 96,000 rural cooperative banks in addition to cooperative credit institutions As of September 2021, the total number of

ATMs in India reached 213,145 out of which 47.5% are in rural and semi urban areas.

In 2020-2022, bank assets across sectors increased. Total assets across the banking sector (including public and private sector banks) increased to US\$ 2.67 trillion in 2022.

In 2022, total assets in the public and private banking sectors were US\$ 1,594.51 billion and US\$ 925.05 billion, respectively.

During FY16-FY22, bank credit increased at a CAGR of 0.62%. As of FY22, total credit extended surged to US\$ 1,532.31 billion. During FY16-FY22, deposits grew at a CAGR of 10.92% and reached US\$ 2.12 trillion by FY22. Bank deposits stood at Rs. 173.70 trillion (US\$ 2.12 trillion) as of November 4, 2022.

According to India Ratings & Research (Ind-Ra), credit growth is expected to hit 10% in 2022-23 which will be a double digit growth in eight years. As of November 4, 2022 bank credit stood at Rs. 129.26 lakh crore (US\$ 1,585.09 billion).

As of November 4, 2022 credit to non-food industries stood at Rs. 128.87 lakh crore (US\$ 1.58 trillion).

## II. REVIEW OF LITERATURE

The prime objective of this study is to examine the effectiveness of customer services in commercial banks in Warangal and Karimnagar Districts of Telangana state. For this study the methodology adopted by various similar studies and the available literature in the area of “customer services of commercial and customer satisfaction” becomes essential.

A study by **Roth and Van der Velde(1991)** concluded that a branch that is efficient on the operational side but inefficient on profitability can improve its performance by focusing on changes to the client base through marketing strategies. A branch that is operating inefficiently will do well to focus first on the improvement of its services.

According to **Sunoo(1996)** the present banking industry has changed from single transaction to multiple services. When banks establish a performance driven culture by stepping up training and development, improving employee benefits and an accelerated virtual customer service for a uniquely diverse population, then customers expecting sophisticated knowledge on banking transaction would be the outcome.

A study by Evan **Mannakee(1997)** states that the primary challenge for banks today is learning how to become financial advisors for customers rather than simply selling them products. Hence the challenge for the banking industry is to more specifically anticipate customer needs and to actively position the products and services that will meet the growing customer needs.

**Robert Hall (2001)** stated that the work force is the primary factor in influencing customer behaviour. This trend is bound to be welcomed on the one hand by the customers and to improve the efficiency of performances by bank employees on the other. However the “command and control” approach of head quarters, acts as a potent demotivator for the front line work force.

**Tulley(2001)** in his study observed that bank customers wanted a truly integrated relationship with their bankers. He conducted a gap analysis to identify the areas of customer relationship strategy that required greater focus. It was found that customers really wanted a banking relationship in which they were well understood, their needs were anticipated and their business was valued, no matter where or how they interacted with their financial institutions.

### ➤ *Need of the Study*

All the previous studies revealed the importance of the quality customer service and customer relationship among financial institutions. Earlier studies have made use of various parameters to measure service quality. It is to be noted that these studies were carried out on service quality in isolation. It cannot be denied that the levels of satisfaction are strongly influenced by the socio-economic factors of the customers and none of the studies has attempted to establish the relationship of these factors. This study apart from analyzing the effectiveness of the customer services of commercial banks, would examine the significance of the socio-economic factors on the level of satisfaction of the customers. In this regard this is a maiden attempt and exploratory in nature.

### ➤ *Objectives of the Study*

Based on the issues mentioned the following objectives were framed for the present study.

- *To examine the common banking customer services rendered by banks.*
- *To measure the customer's satisfaction and expectations of the services rendered by public and private sector banks.*
- *To find the customer's level of opinion and its relationship with customer's socio-economic factors.*
- *To offer suitable suggestions on the basis of the findings of the study.*

### ➤ *Methodology of the Study*

The methodology proposed in the present study is to analyse the objectives by using a modified version of SERQUAL.

### ➤ *Area of the Study*

The main objective of the present study is to examine the effectiveness of customer services rendered by public and private sector banks. A study of this nature requires the selection of a suitable place. Warangal and Karimnagar districts were selected.

### ➤ *Source of Data*

Primary data were collected from the sample customers of the sample public and private sector banks in Warangal and Karimnagar Districts.

### ➤ *Framework of Analysis*

To analyse the collected primary data various statistical tools and techniques were used. The application of these tools and techniques were identified as relevant to the objectives of the study. The tools and techniques applied are percentage method, standard deviation, chi-square, correlation coefficient and ANOVA.

### ➤ *Basic Customer Services in Commercial Banks*

In modern times there are many services that are offered by the banks. Although there are some basic services which are offered by the banks. Thus, these basic services are common for all banks.

- *Accepting of Deposits*
  - *Loans and Advances*
  - *Cheque Payments*
  - *Discounting on Bills of Exchange*
  - *Collecting and Paying the Credit Instruments*
  - *Guarantee by Banks*
  - *Consultancy Services*
  - *Credit Cards Services*
  - *Funds Remittance*
  - *Debit Cards*
- Commercial banks accept deposits from their customers in the form of savings, fixed and current deposits. Saving deposits allow a customer to credit funds towards their accounts upto a certain limit, these deposits are preferred by the individuals with a fixed income, utilized to create savings over a time.
- Fixed deposits come with a predetermined lock-in period. These are also referred as time deposits for a specific time frame. Current deposits allow account holders to deposit and withdraw whenever necessary. Current accounts also offer overdrafts until a pre-determined limit to individuals and businesses.
- *Advances and Loans*
- Banks run on the profit they make. They are into the business of making profits. To generate the profit commercial banks give loans to the public and private organizations. Thus, in return, they get an interest paid to them which helps them in making a profit. Banks need to keep a minimum cash reserve with them. So, after deducting this cash reserve, banks provide short, medium, and long-term loans to the people who are in need of it.
- *Cheque Payments*
- Cheque is the negotiable instrument which can be transferred from one person to another person. The person who holds an account in the bank is provided with the cheque pads. Thus, the account holders draw cheque upon the bank when they are required to pay the money. So after

verifying formally, banks pay for the cheques and proceed with the official procedures. Crossed cheques are secure than the bearer cheques.

- *Discounting on Bills of Exchange*

This is another popular service of banks for lending the money. In this method, the person who holds the bill of exchange gets it discounted by the bank in exchange for a bill. The creditor gives the payment to the debtor who accepts it and agrees that the amount shall be paid upon maturity. Once the marginal deductions are made the bank pays the value to the holder of the bill. After that, when the bill is matured the banks get their payment from the person who has accepted the bill.

- *Collecting and Paying the Credit Instruments*

For modern purposes, there are a variety of instruments that are used as credit instruments. This includes promissory notes, bill of exchange, cheques, etc. These instruments are dealt with by the banks. The banks are responsible for collecting and paying the different types of credit instruments. These credit instruments are the representative of the customers.

- *Guarantee by Banks*

In modern banking, customers are provided with the guarantee by the banks. This happens mostly when the customers have to deposit a large fund in courts or government offices for various reasons. The bank itself acts as a guarantee for that person.

- *Consultancy Services*

Modern banks expand their businesses and also provide consultancy services to its customers. For this, commercial banks hire legal, financial, and market leaders and experts who can provide advice to customers regarding industry, income, trade, investment, etc.

- *Credit Card Services*

It is a service that allows the holders to make the purchase of the goods and services in exchange for a credit card. It immediately pays off for the services and goods while the cardholder is required to pay back the amount over a period of time with a certain percentage of interest.

- *Funds Remittance*

In this facility, banks provide the customers to transfer their funds from one account to another using cheque, drafts, etc. Remittance of Funds Commercial banks provide the facility of fund transfer from one place to another, on account of the interconnectivity of branches.

- *Debit cards*

Debit cards withdraw the funds electronically from the cardholder accounts. To verify the transaction and keep it safe all the debit cards require personal identification number (PIN). A Debit Card is a plastic currency or plastic money. Customers can use it to buy things when they don't have cash. Typically, the banks issue a Debit Card to Savings Account holders, and it is linked to their account.

All transactions made through Debit Card are reflected in bank account statement.

### III. ANALYSIS AND FINDINGS

With the help of the SPSS analysis can be made descriptive analysis includes percentages, mean and standard deviation.

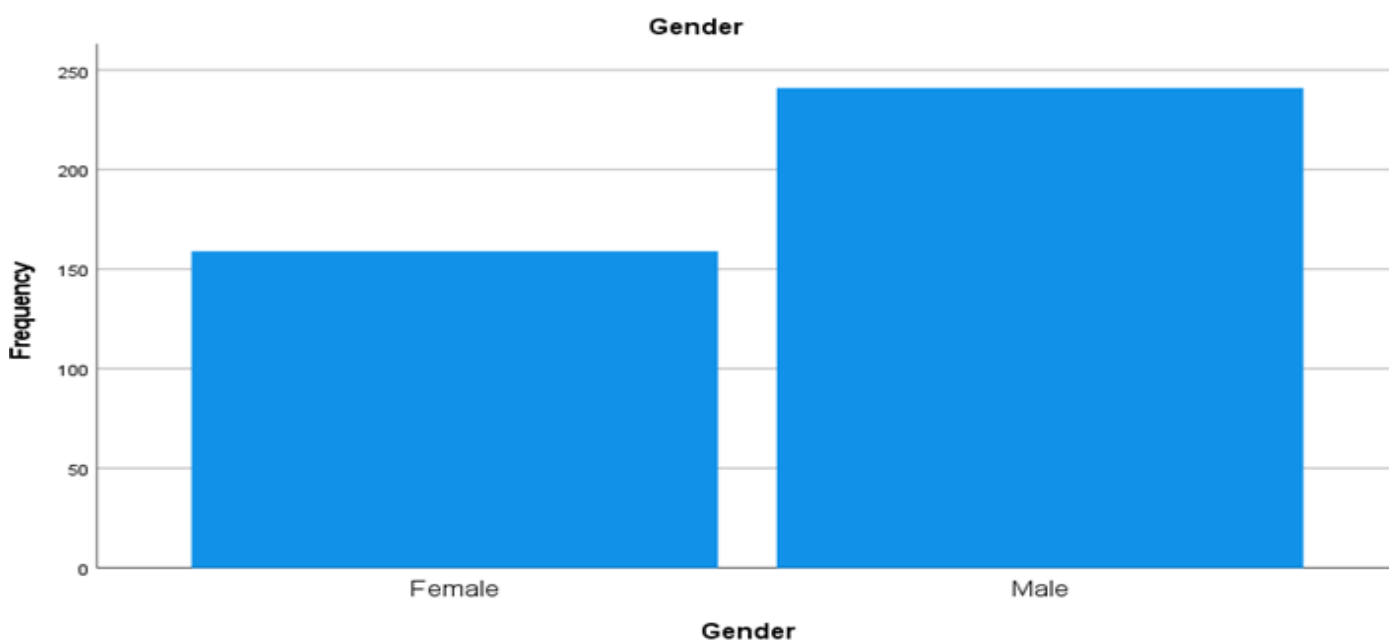
#### A. Descriptive Analysis

##### ➤ Gender Classification of Respondents

Table 1 Gender Classification of Customers

Gender	Number of Respondents	Percent	Cumulative percentage
Female	157	39.7	39.7
Male	243	60.3	100.0
Total	400	100	

Source: Primary Data.



Graph 1

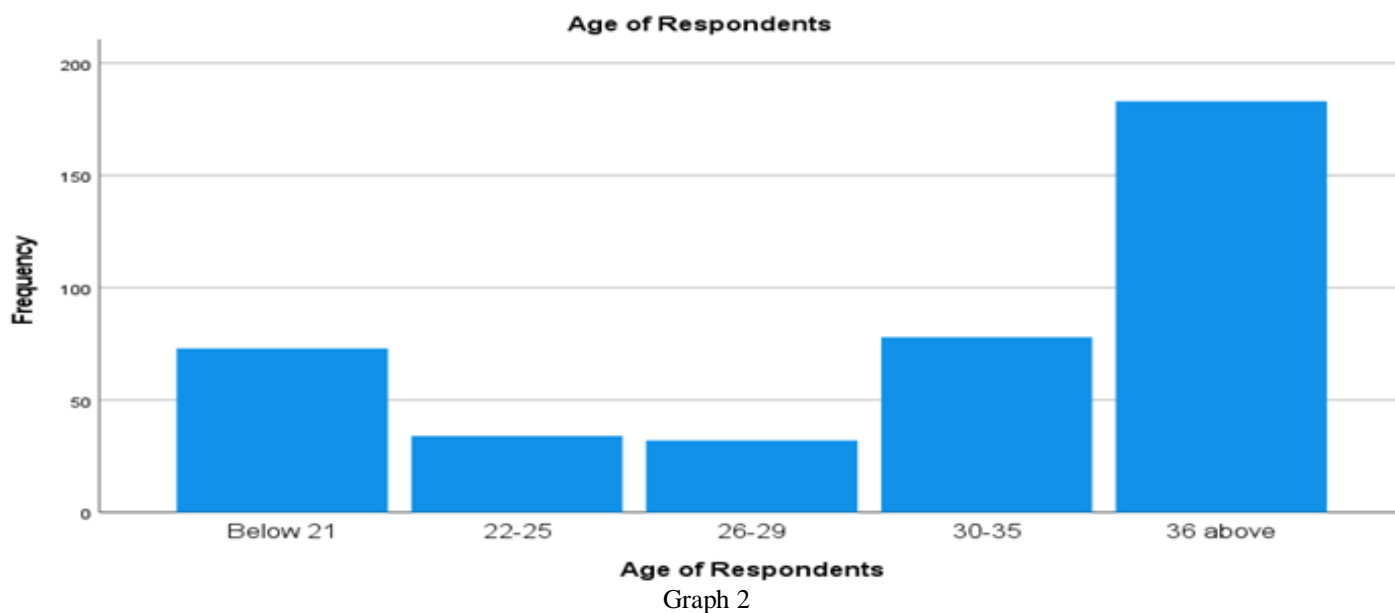
From the table 1 it is found that out of 400 customers 39.7% of the customers are females and the remaining 60.3% of the customers are male. It is found that most of the customers (60.3%) belong to male customers category and it is inferred that the male customers are availed banking services higher than the female customers.

##### ➤ Age Classification of the Customers

Table 2 Age Classification of Customers

Age of Customers	Number of Customers	Percentage	Cumulative Percentage
Below 21	73	18.25	18.25
22-25	34	8.5	26.8
26-29	32	8.0	34.8
30-35	78	19.5	54.3
36 Above	183	45.9	100.0
Total	400	100	

Source : Primary Data



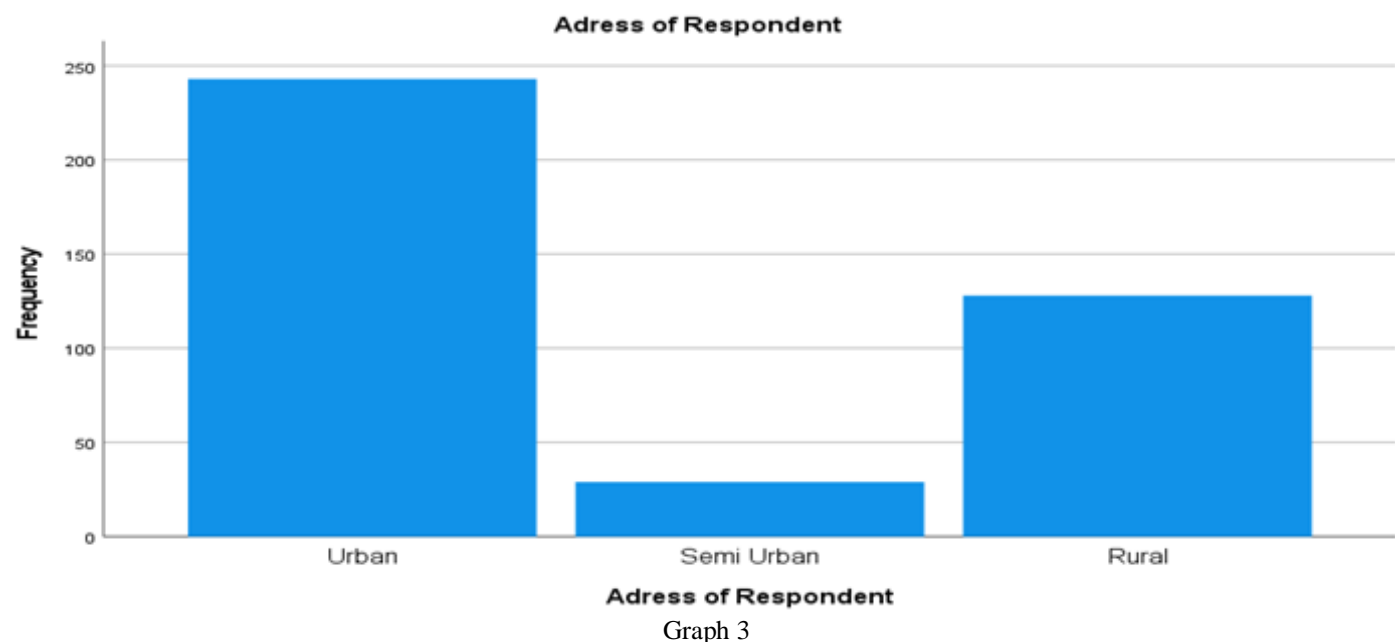
From the table 2 it is found that age classification is done on the basis of age category namely below 21 age in years,22-25 age in years,26-28 age in years,30-35 age in years and 36 and above in years. It is observed that out of 400 customers 45.9% are in the are category of 36 and above age group,19.5% are in the age group of in between 30-35 years of age group,18.25% are in the age group of below 21 years,8.5% of customers are in the age group of 22-25 and 8% of customers are age group of 26-29.It is found that most of the customers are in the age group of 36 and above years.

➤ Address of the Respondents

Table 3 Address of the Customers

Address of Customers	Number of Customers	Percentage	Cumulative Percentage
Urban	243	60.8	60.8
Semi Urban	29	7.2	68.0
Rural	128	32.0	100.0
Total	400	100	

Source: Primary Data



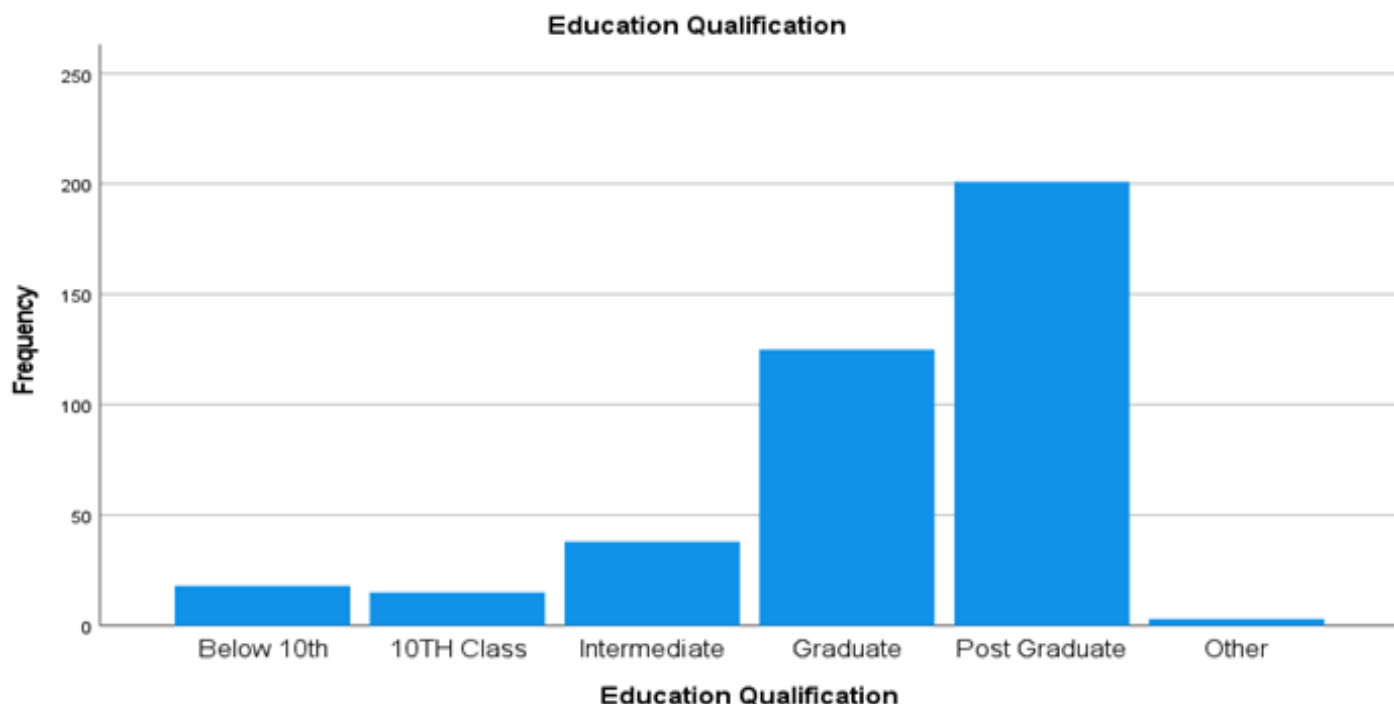
From the table 1.3 it is observed that out of 400 customers 60.8 % Percentage of customers are from the urban area,32% percentage of customers are located form rural area and 7.2% of customers are the native of semi-urban area.it reveals that most of the customers are form urban area.

➤ Education Qualification Wise Classification

Table 4 Education Qualification

Education Level	Number of Respondents	Percentage	Cumulative Percentage
10 <sup>th</sup> class	5	1.0	4.5
Intermediate	37	9.3	8.3
Graduation	127	31.9	17.8
Post Graduation	226	56.8	49.0
Others	5	1.0	99.3
Total	400	100	100.0

Soruce : Primary Data



Graph 4

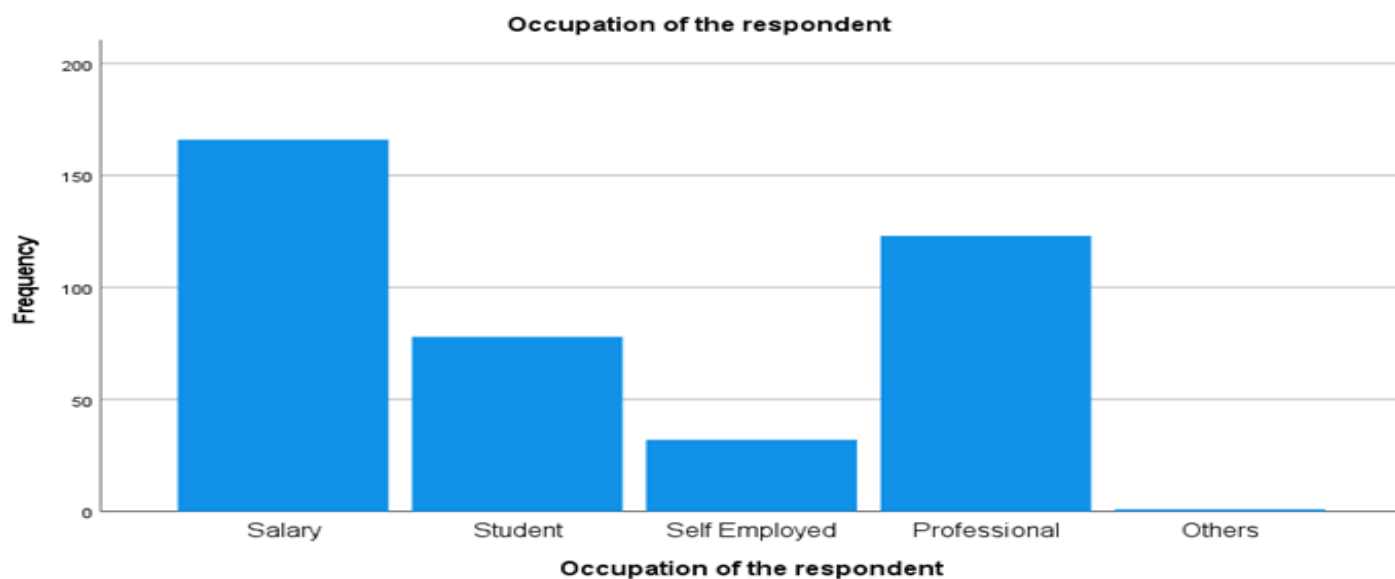
Table number 4 reveals that education wise analysis sample respondents shows that 56.8% percentage of customers possess education qualification of post graduation,31.9% percentage of respondents have qualification of graduation,9.3% percentage of respondents have studied intermediate standard,1% percentage is from 10<sup>th</sup> equalent standard and others are quoted 1% percentage.

➤ Occupation Wise Classification of Respondents

Table 5 Occupation Wise Classification of Customers

Occupation	Number of Respondents	Percentage	Cumulative Percentage
Salary	164	41.0	41.5
Student	78	19.5	61.0
Self Employed	32	8.0	69.0
Professional	122	30.5	99.8
Others	4	1.0	100.0
	400	100	

Source : Primary Data



Graph 5

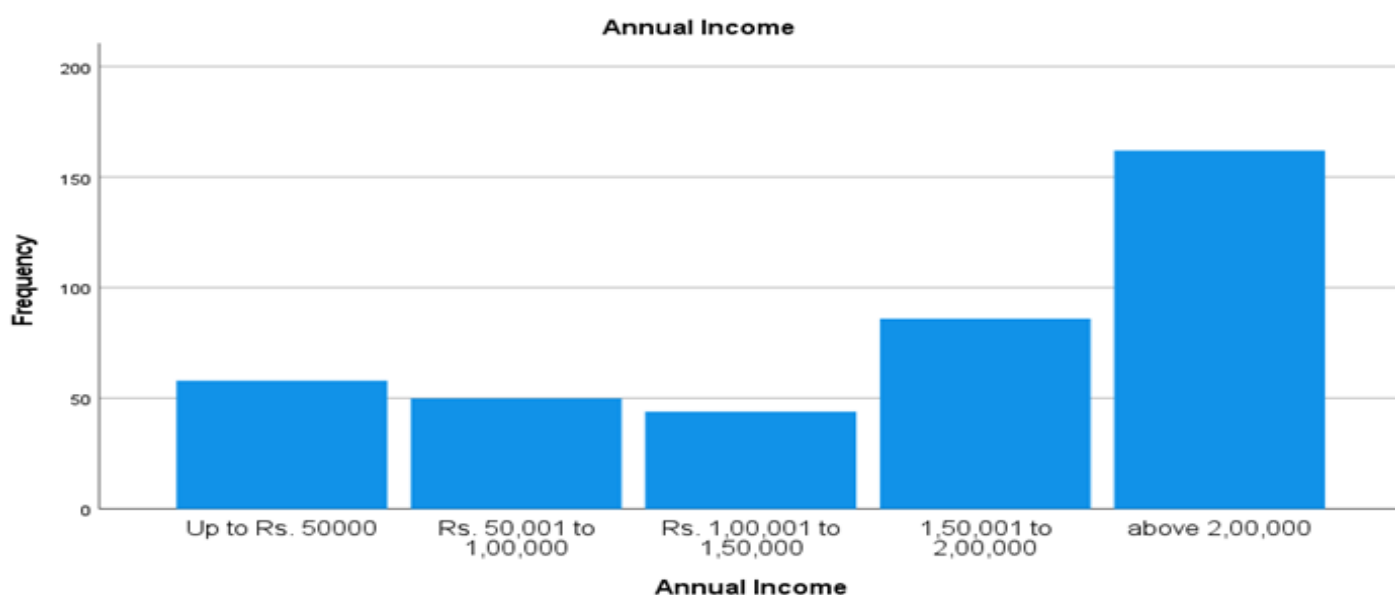
From the table 1.5 It can be seen from the table 4.5 out of 400 customers 41% percentage customers are salaried,30.5% percentage are professional customers,19.5% percentage are students,8% customers are self-employed and 1% is other customers. It shows most of the customers are from salaried.

➤ Annual Income Wise Classification of Respondents

Table 6 Annual Income Wise Classification of Customers

Annual Income	Number of Respondents	Percentage	Cumulative Percentage
Upto Rs.50,000	54	13.6	13.6
Rs.50,001 to 1,00,000	52	12.6	27.0
Rs.1,00,001 to 1,50,000	46	11.1	38.0
Rs.1,50,001 to 2,00,000	86	21.7	59.5
Above Rs.2,00,001	162	40.9	100.0
Total	400	100	

Source : Primary Data



Graph 6

From the table 1.6 it is depicted that the out of 400 customers 40.9% percentage of customers are having income level of Rs. above 2,00,001, 21.7% of customers are having income level of Rs.1,50,001 to 2,00,000,13.6% percent customers are having income level in between Rs.50,001 to 1,00,000 and 11.1% percent of customers are having income level in between Rs.1,00,001 to 1,50,000.

It is inferred that 40.9% percent income level of customers are availed more services compared to other income group level customers.

➤ *T-test*

T-test is conducted for the independent variables and dependent variables such as the age and process and performance measures such as the transaction accuracy, handling customer complaints, response time, friendliness, confidentiality, faithfulness, safety and security, prompt service, customization and corporate image.

Table 7 T-test

S. no.	Process and Performance Variables	N	Mean score		Sig	‘t’
			Female	Male		
1	Transaction accuracy	400	3.96	3.88	.318	1.192
2	Handling customer complaints	400	3.75	3.85	.015	-1.593
3	Response time	400	3.73	3.87	.015	-1.937
4	Friendliness	400	3.67	3.85	.001	-2.699
5	Confidentiality	400	3.77	3.86	.001	-1.220
6	Faithfulness	400	3.72	3.83	.001	-1.446
7	Safety and security	400	3.80	3.86	.021	-.767
8	Prompt service	400	3.58	3.88	.001	-3.965
9	Customization	400	3.82	3.88	.003	-808
10	Corporate image	400	3.67	3.87	.001	-2.600

Source : Primary Data

➤ *Interpretation*

From the above table it is indicated that the mean values of the variables are ranges from 3.70 to 3.90. It shows that that banks are efficient in rendering financial services and good at process and performance measures of effectiveness. It is found that the except transaction accuracy are the variables significance level is less than 0.005 hence null hypothesis rejected and alternative hypothesis accepted. There is a significant difference between all the variables.

➤ *Findings*

- It is found that 60.30 percent male respondents were participated in the research study
- It is observed that the 40.5 percent of respondents are 36 and above age group respondents.
- It is found that the 60.80 percent respondents are belong to urban area, this proportionate percentage is more than the rural and semi urban area respondents.
- It is found that the post graduate qualification respondents are 56.80 percent and it is more than the other qualification respondents.
- It is observed that the salaried respondents are 41.00 percent this proportion is more than the other occupation respondents.
- It is found that the above Rs. 2,00,001 (40.90 percent) income level is more than the other category income level respondents.

banks and process of availing such kind of services also informed to the customers. Cash less transactions era have been continuing at present bankers should move towards making such path in a better manner.

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**IV. CONCLUSIONS AND SUGGESTIONS**

This study is conducted to find out level of satisfaction upon the select customer services of the select banks with the process and performance measures. Respondents are given positive response towards rendering of the customer services of the select banks of SBI and ICICI banks but banks have to create awareness regarding innovative customer services which were launched by the commercial