A STUDY ON CUSTOMER PREFERENCE AND LEVEL OF SATISFACTION IN SME BANKING SERVICES WITH SPECIAL REFERENCE TO COIMBATORE CITY

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ABSTRACT

The Small and Medium enterprises (SMEs) have been accepted as the engine of Economic growth and for promoting equitable development in all over the world. Let there be any category of countries (Developed, Developing and Under Developed), the existence of SME is inevitable. The major advantage of the sector is its pivotal role through its contribution in Industrial output, Exports, and majorly in Employment generation at low capital cost. The labour intensity of the SME sector is much higher than that of the large enterprises.

INTRODUCTION

The SMEs constitute over 90% of total enterprises in most of the economies and are credited with generating the highest rates of employment growth and account for a major share of industrial production and exports. In India, the SMEs contribution is highly remarkable in the overall industrial economy of the country. In recent years the SME sector has consistently registered higher growth rate compared to the overall industrial sector. With its agility and dynamism, the sector has shown admirable innovativeness and adaptability to survive the recent economic downturn and recession. In Indian market, SMEs rapid growth could be seen as Indian entrepreneurs are making remarkable progress in various Industries like Manufacturing, Precision Engineering Design, Food Processing, Pharmaceutical, Textile & Garments, Retail, IT and ITES, Agro and Service sector. The sector not only serves for urban market but also helps in industrialization of rural and backward areas, reducing

regional Imbalances and assuring more equitable distribution of national income and wealth. MSMEs complement large industries as ancillary units and contribute enormously to the socioeconomic development of the country. SMEs account for 45% of India's manufacturing output, about 40% of India's total exports; employ about 73 people in more than 31 units spread across the country, manufacture more than 6,000 products ranging from traditional to high tech items (SME report 2011). The report also projects the total production coming from the SME sector at 10,957.6 in FY11, an increase of more than 11% over the previous year contribution. Though, SMEs contribution is phenomenal in the growth of Indian economy, Simultaneously, SMEs are facing intense pressure and constraints to sustain their competitiveness in globalized world. Some other issues such as recession, low demand, finance, heavy competition from MNCs etc. are becoming conspicuous dilemma to SMEs in India. In this competitive world, SMEs need to be able to confront the increasing competition from developed and emerging economies and to plug into the new market opportunities, provided by these countries. There is a direct link between internationalization and increased SMEs performance. International activities reinforce growth, enhance competitiveness and support the long term sustainability of companies. Yet Indian SMEs still depend largely on their domestic markets despite the opportunities brought by the enlarged single market and by globalization at large. De-reservation of items which were earlier reserved for SMEs, increasing competition by liberalizing the policies and allowing foreign companies to operate in Indian market are some of the emerging challenges before SMEs. Internationalization strategy is studied in this research as one of the important strategies for countering global challenges for SMEs. This term basically is not new; it has been studied by various authors in different-different ways. Internationalization does not only mean exporting but it compasses trade across the border, cross-border collaboration, alliances, cross-cultural diversity and the different business environment beyond the home country environment. So to counter the global competition and to access the global market, internationalization strategy is become the need of the hour for SMEs to use all the opportunities created due to globalization. A natural way of internationalization would be to first get involved in inward and outward activities which are nothing but imports and exports. Relationships and knowledge gathered from import activities could thus be used when the firm engages in export activities (Welch and Luostarinen, 1993; Korhonen, Luostarinen and Welch, 1996). Recent research (Fletcher, R.,2001) into internationalization has found that a majority of firms engage in both outward (e.g.sales/export) and inward (e.g. import or access to knowledge) activities in the international arena and try to understand the different business environments in this early

phase to become international firm. There are also many enterprises which are inclined to born global concept, however this emerging concept requires more capital investment at the initial phase of the enterprises. Wherein the internationalization strategy goes through the steps and the SMEs could make their presence globally at low capital cost.

This research study is specifically done to the actual process of internationalization and for SMEs right from preliminary work, market research, and market entry to actually operating along with the challenges in the process. On the completion of this study the best Strategies and suggestions will be provided to SMEs for expanding their business internationally. For the purpose of this study the primary and secondary both kind of data is been used so that the proper analysis could be done to justify the problem statement of the study.

STATEMENT OF THE PROBLEM

SME is an industrial undertaking with fixed investment up to 20 million excluding the cost of land. Statement of the problem with micro (tiny) businesses traditionally known as village and cottage industries as their counter to make a statement of the problem in investigatory projects, come up with a detailed paragraph outlining the essential issue.

OBJECTIVES OF THE STUDY

1. To study the socio economic profile of the respondents
2. To study the preference of banking service by SME respondents
3. To study the level of satisfaction among the SME respondents in banking service

METHODOLOGY

The Present study is descriptive research study. In this study the researcher used convenient sampling method for selecting the sample from the total population. Sample size for the present study is 500. The researcher used primary and secondary data in this study. The study area is restricted to Coimbatore city.

LIMITATIONS OF THE STUDY

- The study is restricted with Coimbatore alone.
- The time constrains had restricted the researcher from an in-depth study.
- Elements of the sample may not represent the whole population.

REVIEW OF LITERATURE

Sarosh Bana (2000)[1] states that, Small Industries Development Bank of India (SIDBI) SSI accounts for as much as 96 per cent of India's industrial units, 40 per cent of the output in the manufacturing sector and 35 per cent of the exporters apart from employing over 17 million people. Importantly, this sector has also spurred a new generation of entrepreneurs and opened up new lines of production besides providing vital ancillary inputs for the organized sector. He also points out that SIDBI believes that their service for MSMEs go much beyond than just lending money.

Basheer Ahmed (2000)[2] states that one of the functions of DIC (District Industrial Centre) is to help the entrepreneurs in providing greater financial assistance to SSI units. In providing financial assistance to the units, DICs are supported to liaise with public sector banks and other government department and agencies. It is found that a few members approached the DIC to get financial assistance.

Sridhar Krishna (2001)[3] states one of the main functions of the DIC is to give provisional and permanent registration to industrial units not only as legal requirements but also for keeping structural development which enables the entrepreneurs to avail themselves of the various incentives, concession and other benefits from public sector banks related to the development of SSI.

Obamuy (2010)[4] examines how banks lending affects firm's performance by taking a sample of 260 SMEs from the ten local governments in Onto State, Nigeria. The study reveals that firm were reluctant to obtain loans from the banks because of high interest rate and stringent lending policies. The banks were also constrained due to the poor creditworthiness of the firms. The government should formulate policies that will compel banks to relax their stringent regulations, which discourage borrowings. The findings further suggest that the firms that received bank loans performed better that those without loans.

[1.] Sarosh Bana (2000) "India Small Scale Sector", in the Business India, No. 596, p.32.

[2.] Basheer Ahmed, (2000), "Sickness of SSI", in Southern Economist, Vol.38 (18), p.19.

[3.] Sridhar Krishna (2001) "Impact of Small Scale Industries", in the Economic and Political Weekly, Vol.XXXVI, (27), pp. 25-45.

[4.] Obamuyi, T, M (2010) "Firms Performance and Lending Constraints in Nigeria", in the Journal of Entrepreneurship, Vol.19 (2), pp. 179-190.

ANALYSIS AND INTERPRETATION OF THE STUDY

2.1 SOCIO – ECONOMIC PROFILE OF THE CUSTOMER TOWARDS ELECTRIC SCOOTER

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TABLE 2.1

SOCIO – ECONOMIC PROFILE OF THE CUSTOMER TOWARDS ELECTRIC SCOOTER

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Sl. No.	Socio –Economic Factor	Number of Respondents	Percentage
	Gender		
1.	Male	376	75.0
	Female	124	25.0
	Total	**500**	**100.00**
	Age Group		
2.	Below-20	71	14.0
	21-35	126	25.0
	36-45	203	41.0
	Above-50	100	20.0
	Total	**500**	**100.00**
	Marital Status		
3.	Married	298	59.6
	Unmarried	202	40.4
	Total	**500**	**100.00**
	Nativity		
4.	Rural	170	34
	Urban	70	14
	Semi Urban	260	52
	Total	**500**	**100.00**
	Educational Qualification		
5.	Upto10	180	36
	HSC	120	24
	UG	158	32
	PG	42	8
	Total	**500**	**100.00**
	Monthly Income		
7.	Upto Rs.10,000	180	36.00
	Rs.10,000-Rs.20,000	217	43.40
	Rs.20,000-Rs.30,000	83	16.60
	Rs.30,000-Rs.40,000	13	2.60
	Above Rs.40,000	7	1.40
	Total	**500**	**100.00**
	Type of Family		
8.	Single	80	16.00
	Nuclear	326	65.20
	Joint Family	94	18.80
	Total	**500**	**100.00**
	Total Family Income		
9.	Upto 25000	70	14.00
	Rs.25,000-35,000	112	22.40
	Rs.35,000-Rs.45,000	88	17.60
	Rs.45,000-Rs.55,000	63	12.60

Above Rs.55,000	167	33.40
Total	**500**	**100.00**

Source: Primary Data

From the above table it is clearly stated that 75.2% of the respondents are male and 25.8% of the respondents are female.

From the above table, it is clearly stated that 14% of the respondents are below the age group of 20, 25.0 % of the respondents are between 21-35 years of age, 41.0% of the respondents are between the age group of 36-45, 20.0% of the respondents are above the age group of 50. the result inferred that majority 41.0% of the respondents are between 36-45 years of age.

From the above table, it is clearly stated that 59.6% of the respondents are single and 40.4% of the respondents are married. The result inferred that majority 59.6% of the respondents are married.

From the above table it is clear that 34% of the respondents are from rural area, 14% of the respondents are from semi urban area and 52% of the respondents are from urban area. the result inferred that majority 52% of the respondents are from urban side.

From the above information 36% of the respondents are Upto - 10 in the level of education, 24% of the respondents are having HSC level of education, 32% of the respondents are UG and 8% of the respondents are PG level of education. the result inferred that majority 36% of the respondents are having Upto -10 in the level of education.

The results show that 43.40 per cent of respondents belong to the monthly salary group of Rs.10,000 – Rs.20,000, 36.00 per cent of respondents belong to the monthly salary group of Upto Rs.10,000, 16.6 per cent of respondents belong to the monthly salary group of Rs.20,000 – Rs.30,000, 2.6 per cent of respondents belong to the monthly salary group of Rs.30,000 – Rs.40,000 and 1.4 per cent of respondents belong to the monthly salary group of above Rs.40,000.

It is clear that 65.20 per cent of respondents belong to the nuclear family, 18.80 per cent of respondents belong to the joint family and rest of the 16.00 percent of respondents belong to the single category.

The results indicate that 33.40 per cent of respondents belong to the Total Family Income group of Above Rs.55,000, 22.40 per cent of respondents belong to Rs.25,000-35,000, 17.60 per cent of respondents belong to Rs.35,000-Rs.45,000, 14.00 per cent of respondents belong to Upto Rs.25,000, and rest of the 12.60 per cent of respondents belong to the group of Rs.45,000-Rs.55,000.

TABLE 2.2

BANK IN WHICH THE RESPONDENTS HAVING ACCOUNT

S.No	Bank Name	Number of Respondents	Percentage
1	Canara	141	28.2
2	IOB	207	41.4
3	SBI	71	14.2
4	Others	81	16.2
5	Total	500	100

Source: Primary Data

From the above table it is clearly stated that 28.2% of the respondents are having account in Canara Bank, 41.4% of the respondents are having account in IOB Bank, 14.2% of the respondents are having account in SBI Bank, and 16.2% of the respondents are having account in Other Bank. The result inferred that majority 41.4% of the respondents are having account in IOB Bank.

TABLE 2.3

FREQUENCY TOWARDS BANKING SERVICE

S.No	Frequency	Number of Respondents	Percentage
1	Within 7 days	76	15.2
2	8 to 14 days	81	16.2
3	15 to 21 days	103	20.6
4	1 Month and above	240	48
5	Total	500	100

Source: Primary Data

From the above table it is depicted that 15.2% of the respondents are using bank services within 7 days, 16.2% of the respondents are using bank services for 8-14 days, 20.6% of the respondents are using bank services for 15-21 days, 48% of the respondents are using bank services once in a month. The highest members of respondents were 20.6% and they using bank services for 15-21 days.

TABLE 2.4

GENDER AND SME SERVICE PROVIDED BY BANKS

Sl. No	Gender	Number of Respondents				
		SME Service Provided By Banks				
		Credit Facility	Insurance Policy	Money Transfer	Financial Advisory	Totals
1.	Male	106 (106.03)	151 (151.15)	57 (56.40)	62 (62.42)	376
2.	Female	35 (34.97)	50 (49.85)	18 (18.60)	21 (20.58)	124
	Total	141	201	75	83	500

Source: Primary Data

The chi-square statistic is 0.0376. The p-value is 0.998085. The result is not significant at $p < .05$.

TABLE 2.5

AGE GROUP AND LEVEL OF SATISFACTION IN SME BANKING SERVICE

Sl. No	Age Group	Number of Respondents				
		Level of Satisfaction in SME Banking Service				
		Credit Facility	Insurance Policy	Money Transfer	Financial Advisory	Totals
1.	Below-20	39 (39.19)	22 (22.15)	5 (4.54)	5 (5.11)	71
2.	21-35	70 (69.55)	39 (39.31)	8 (8.06)	9 (9.07)	126
3.	36-45	112 (112.06)	63 (63.34)	13 (12.99)	15 (14.62)	203
4.	Above-50	55 (55.20)	32 (31.20)	6 (6.40)	7 (7.20)	100
	Total	276	156	32	36	500

Source: Primary Data

The chi-square statistic is 0.1203. The p-value is 1. The result is not significant at $p < .05$.

FINDINGS OF THE STUDY

1. Majority 75.2% of the respondents are Male.

2. Majority 41.0% of the respondents are between 36-45 years of Age.

3. Majority 59.6% of the respondents are Married.

4. Majority 52% of the respondents are from Urban side.

5. Majority 36% of the respondents are having Upto 10 in the level of education.

6. 43.40 per cent of respondents belong to the monthly salary group of Rs.10,000 – Rs.20,000.

7. 65.20 per cent of respondents belong to nuclear family.

8. 33.40 per cent of respondents have their total family income group above as Rs.55,000.

CONCLUSIONS

SME banking is the banking services of small and medium-sized enterprises, and represents a major function of the general business finance market – in which capital for different types of firms are supplied, acquired, and cost. Capital is supplied through the business finance market in the form of credit facility such as bank loans and overdrafts, leasing and hire-purchase arrangements, equity issues, venture capital and asset-based finance. However, overall services given by SME banking is satisfied by customers still some of the services to be improved like charges levied in the current account may be rationalization to satisfy the customers, providing investment advices to the investors etc., Interest rates may bring down so that the entire customer can satisfied.

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