



“BANKING SERVICE QUALITY IN RURAL AREAS OF NILGIRI’S DISTRICT WITH SPECIAL REFERENCE TO PUBLIC SECTOR BANKS- AN EXPLORATIVE STUDY”

R. Magesh

Lecturer in International Business, Government Arts College,
Ooty, The Nilgiris, Taminadu, India

ABSTRACT

The service sector is becoming increasingly important in the economies of developed and developing countries. Service sector constitute a large part of the Indian economy both in terms of employment potential and its contribution to national income. Banking Sector is the backbone and plays a predominant component of the financial services industry. Banking sector contributes 5.8 % of Gross Domestic Products (GDP) of total service sector. The banking sector has contributed to the process of economic development by serving as a major source of credit to households, government, and business, weaker sector of the economy like village, small scale industries and agriculture. Customer’s perception of service quality has greater potential to make correct decisions and deliver true value services to customers. Customer will be satisfied only when the banks provide the customised and innovative products and service at reasonable cost. Service quality is the delivery of excellent service to customer expectations. The purpose of this study is to examine the service quality in rural banking and its impact on customer satisfaction.

1.INTRODUCTION

The service sector across the globe has been playing a dominant role in the growth of economies, especially in high income economies which have transited to service-led economies. The service sector constitutes a large part of the Indian economy both in terms of employment

potential and its contribution to national income. The service sector's share to GDP has increased from 63.3 % in 2010 -11 and 64.4 % in 2011 -12.1 Service sector encompasses a variety i.e., financial services like banking and insurance, tourism, rail freight, logistics, hotel industry and health care. Banking Sector is the backbone and plays a predominant component of the financial services industry. Banking sector as a tool for all inclusive growth by environment financial planners, reformist etc., has made it an important sector in the government's planning of economic growth. The Indian banking sector consists of various public and private sector financial institutions whose objective is to serve the people for their financial and economic needs. Banking sector contributes 5.8 % of Gross Domestic Products (GDP) of total service sector. The banking sector has contributed to the process of economic development by serving as a major source of credit to households, government, and business, weaker sector of the economy like village, small scale industries and agriculture. Over the years, over 30- 40 % of gross household savings have been in the form of bank deposits and around 60% of the assets of all financial institutions accounted for by commercial bank. Banking sector is essentially a service industry which provides various types of banking and allied services to its customers. Bank customers are such persons and organizations who have surplus or shortage of funds and those who need various types of financial and related services provided by the banking sector where the customers belong to different strata of economy, different geographical locations, different professions and business. Naturally, the need of each individual group of customers is distinct from the needs of other groups. The main aim of banking service is to provide by providing funds for the purposes of development of agricultural, industry, and other productive activities in the rural areas by providing lot of services to rural customers such as saving, deposits, credit, pension schemes, remittance, insurance, micro finance, agriculture loans with subsidy, education loan, housing loan, gold loan and the bank also lends very small amount to poor for enabling them to raise their income levels and improve standard of living. To achieve these needs rural people tend to open an account in the bank. To overcome this problem, Government of India planned to establish banks in rural areas. India's population reached its height to 1.21 crore as per Census 2011. The population consists of 83.3 crore people living in rural area and 37.7 crore people living in urban area. The population of Nilgiri's has reached nearly to 7,35,000. It consists of 2,99,061 people living in rural area and 4,36,010 living in urban area. The government hopes to bring 73,000 villages under the banking net that will lead to over 5 crore

new bank accounts in rural areas by March 2012. In India, out of the total 85,300 private and public bank branches, 33,415 branches are operating in 32,000 villages. Customers are life blood of any business and the business activities revolve around the needs and preference of the customers. The customer's need for excellent services keep changing and customers perception of service quality have a great potential to make correct decisions and deliver true value services to customers. Thus, service industries are mostly customer driven and their survival in competitive environment largely depend on quality of services provided by them. In this context quality of service provided by banking sector is very important and profitability of their business is closely connected to the quality of service rendered by them. Thus, the researcher has attempted to study the awareness and satisfaction level of rural bank customers in Nilgiri's district.

2. OBJECTIVES OF THE STUDY

- 1) To describe the growth and development of banking and role of banking sector in rural sector.
- 2) To analyse the awareness level of rural customers about different products and services of public sector banks.
- 3) To identify the factors influencing rural customers in selection of products and services of public sector banks.
- 4) To offer findings, conclusion, and suitable suggestions on the basis of the results of the study.

2.1 SAMPLING DESIGN

The researcher has adopted stratified random sampling method. The researcher has collected the questionnaire from different respondents in 6 taluks which consists of a total population of 7,35,000. A Sample of 500 customers representing various categories such as agriculturalist, government employees, private employees, professionals, student etc. were selected for the study.

2.2 AREA OF THE STUDY

Nilgiri's District is one of the leading tourist spot in India and it is also called as "Queen of Hill". Most of the places are covered by rural areas as their main sources of income are agricultural and tea plantation. It's comprises of 6 taluks viz., Udhamandalam, Coonoor, Kotagiri, Gudalur, Kundah and Pandalur, these taluks are divided in 4 panchayat union viz., Udhamandalam, Coonoor, Kotagiri and Gudalur. It's consist of 56 Revenue village panchayats

and 13 town panchayats in the this district. The population of Nilgiri's has reached to 7,35,000. It consists of 299,061 people living in rural area and 4,36,010 living in urban area.

2.3 COLLECTION OF DATA

The study is based on primary and secondary data. Primary data have been collected through questionnaire and discussions with Bank officials. Secondary data have been collected from Journals, Magazines, Newspaper, books and internet etc..

2.4 LIMITATIONS OF THE STUDY

The service quality of the banking services were measured on the basis of survey conducted among the customers. 500 samples have been taken for this study that meets the minimum requirements. It cannot be treated as representative of the entire banking industry. The study has been confined to only Nilgiris district and it can be enhanced further by incorporating other districts of Tamilnadu. Any study on customer service quality cannot provide enduring finding overtime as the expectations of the customers as well the types of services provided by banks change from time to time. Therefore the finding of the study indicates only contemporary issues of the customers and may not hold good for all time to come. The study attempts to compare the customers satisfaction of public sector banks, other banks were excluded.

3.ROLE OF BANKS IN RURAL SECTOR

3.1.INDIAN BANKING INDUSTRY

Banking in India originated in the last decades of the 18th century. The first bank was The General Bank of India which was started in the year 1786, followed by Bank of Hindustan started in the year 1970, both are now defunct. The oldest bank in existence in India is the State Bank of India, which originated as the Bank of Calcutta in June 1806, which almost immediately became the Bank of Bengal. This was one of the three presidency banks, the other two being the Bank of Bombay and the Bank of Madras, all three of which were established under charters from the British East India Company. The three banks merged in 1921 to form the Imperial bank of India, which upon India's independence, became the State Bank of India in 1935. Indian merchants in Calcutta established the Union Bank in 1839, but it failed in 1848 as a consequence of the economic crisis of 1848-49. The Allahabad bank, established in 1865 and still functioning today, it is the oldest Joint Stock bank in India. That honor belongs to the Bank of Upper India,

which was established in 1863, and which survived until 1913, when it failed, with some of its assets and liabilities being transferred to the Alliance bank of Simla.

Foreign banks too started to arrive, particularly in Calcutta in the year 1860. Calcutta was the most active trading port in India, mainly due to the trade of the British Empire and so became a banking center. The Bank of Bengal, which later became the State Bank of India. The first entirely Indian joint stock bank was the Oudh Commercial Bank, established in 1881 in Faizabad. It failed in 1958. The next was the Punjab National Bank, established in Lahore in 1895, which has survived to the present and is now one of the largest banks in India. The period between 1906 and 1911 in the establishment of banks inspired by the Swadeshi movement. The Swadeshi movement inspired local businessmen and political figures to find banks of and for the Indian community. A number of banks established then have survived to the present such as Bank of India, Corporation Bank, Indian Bank, Bank of Baroda, Canara Bank and Central Bank of India.

3.2 ROLE OF BANKS IN RURAL DEVELOPMENT

Banking sector plays a vital role in economic development of a country and especially in rural areas, there is no doubt in it, indeed anywhere banking sector leads its own role. That is the basic need of any human being for any kind of financial transaction, in current generation. It is mandatory starts from farmer for his cultivation, seeking loans and repaying them, an employee to withdraw his salary, for students for their scholarship etc., specifically in rural areas, the setting up of Grameen banks, cooperative societies, farm loans and rural branches of important central and private banks has helped farmers to increase their productivity and profits with greater investments in their fields. Since rural developments mostly depend on farming, it has gained sufficiently from this practice. Also, banks help in generating employment in rural areas. Banking plays prominent role for rural development, because agriculture is the part of rural areas so bank can help the farmers by giving the loan and then farmers can get profit and country's economy will grow definitely.

3.3 SERVICE QUALITY

Service quality has become an essential part of organizational success due to increased customer expectations and customization of services in many markets. In fact even the definition of service quality is changing. Good service quality used to mean that the output was made to conform to the specification set by the process designers. Today, the concept of service quality is evolving to mean uniformity of the service output around an ideal (target) value determined by

the customer. The service quality school view satisfaction as an antecedent of service quality – satisfaction with a number of individual transactions “decay” into an overall attitude towards service quality. The satisfaction school holds the opposite view that assessments of service quality lead to an overall attitude towards the service that they call satisfaction. There is obviously a strong link between customer satisfaction and customer retention. Customer’s perception of service and quality of product will determine the success of the product or service in the market. In the service quality literature, perceptions of service delivery are measured separately from customer expectations, and the gap between the two provides measures of service quality.

4 FINDINGS, SUGGESTIONS AND CONCLUSION

4.1 FINDINGS

4.1.1 Descriptive Analysis

- Majority (71 %) of the respondents are male.
- Majority (79 %) of the respondents are married.
- Majority (30.6 %) of the respondents belong to the age group of 36 – 45 years.
- Majority (44 %) of the respondents in the study have completed upto school level.
- Majority (36 %) of the respondents in the study are agriculturists.
- Majority (35 %) of the respondents belong to the income group of upto Rs.5000.
- Majority (67.2 %) of the respondents have 3 to 4 members in their family.
- Majority (66.4 %) of the respondents belong to nuclear family.
- Majority (29.6 %) of respondents have account with the bank for 10 years and above.
- Majority (91.6 percent) of the respondents have saving bank account.
- Majority (34.8 %) of the respondents are aware of the bank schemes through pamphlets.
- Majority (31.4 %) of the respondent visit the banks as when they require.
- Majority (54.8 %) of the respondents are not using alternative banks services.
- Majority (85.8 %) of the respondents are having less than 2 secondary accounts.
- Majority (74 %) of the respondents are having ATM card facility.
- Majority (67.4 %) of the respondents have not availed any loan from the bank.

4.2 SUGGESTIONS

- More number of new schemes can be introduced by the banks to attract the rural customers.

- Necessary steps can be taken by the bank for conducting customer needs periodically
- The meeting can be conducted with the motive of setting valuable suggestions from customers
- Awareness campaigns can be increased by the banks to educate them with regarding products and services.
- All banks enquiry counters can be opened to guide the rural customers.
- The bank should take care to increase the female customers.
- The bank should give fast solution to the customers complaints specially related with deposits.
- The public sector bank should improve the employee behavior and infrastructure. Simply they have to follow the Customer centric approach.
- The rural public sector banks should improve their, efficient employee/staff, coordinate personalised services, proper guidance, provision of loan facilities, good systems, computer systems, prompt services, good work culture, convenient timings, proper clearing services for outstation cheques and demand drafts, split hour facilities, discounting facilities for outstation cheques, and good location of the bank
- Bank should give more important to agricultural and development of rural area and provide subsidy loan to agricultural and their related.
- Employee should be well explained about all the formalities and procedures for easy access of banking facilities.
- Awareness regarding different types of loan must be provided to customers.
- The infrastructure of the bank should be in such way for easy parking and comfortable seating for customers.
- ATM center can be open in large numbers, periodically publication of pamphlets containing of new products and services can be distributed directly to the customers.
- The bank branch premises should be improved with air containing, water facility and toilets and basic needs.
- There should be provision for proper parking facilities at the branch.
- The bank should make sufficient investment in the right direction, to design and deliver the products especially to the rural market.
- The rural customer demands for loan on various situations like, critical illness, children education, festivals, family member's marriage, harvesting and so on. The products are to be designed with enough flexibility to meet the changing needs at each stage of life the rural sector.

5. CONCLUSION

Among the various services in the service sector, banking service occupies a key role both in the development of individual customers in their business and social life. In rural areas, the banking performance is different compared to urban areas. Rural populations have enough knowledge to know update information in the society. This study implies that the customers feel that banks fail in providing the services in rural areas for effective marketing in rural areas, banks should have qualified staff with the concern for customers problems, positive attitude, and good communication and negotiation skills to attract the customers from rural areas. The most important factor is to provide the borrower, the required finance at the right time. The banking industry needs to be agile to meet ever increasing and evermore demanding customer needs and that they maintain strong relationship with their customers. Banks can offer high quality of service to the customers in rural areas will succeed with the benefit of considerable expression opportunities in present new economies. Banks should provide proper awareness about some bank products in rural areas for their development. Banks need to take some innovative steps by using the current technology to satisfy the customer's needs and wants. The main mantra of any bank is the customer's satisfaction which leads them to succeed in future.

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