

Rural Customer Satisfaction on Banking Services in Gobichettipalayam Taluka

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Abstract

India is known as “Country of villages” and the agriculture and allied activities are the backbone for the economic development of our country. Agriculture Sector assumes vital importance since it provides livelihood to 3/4th of the country’s population besides becoming significant source of raw material for many industries. Thus, agriculture is an important engine for economic growth of the country. Agriculture as a tradition which has shaped the culture and economic life of the people and therefore will continue to be central focus to all strategies on planned socio economic development of the country. Rapid growth of Agriculture is essential not only to achieve self-reliance but also to bring about equity in distribution of income and wealth resulting in reduction of poverty levels. Hence the rural people are in need of banking services. It is essential for the banks to concentrate more on rural segment.

The contribution of the banking sector to the economic development and growth is significant. This is evidenced by 12.3 percent growth in deposits in September 2014. However, the access of banking services by the people from the rural, agriculturist and the common man in general is not as promising. There are obstacles like lack of awareness, lack of technical knowledge on the banking services, illiteracy and so on. It is essential to ascertain the significant measures to make access the banking services to the common people in rural India.

KEYWORDS: Economic development, Rural, Banking access, obstacles.

INTRODUCTION

Rural development occupies a significant place in the overall economic development of the country. Mahatma Gandiji said “India lives in Villages”. He stressed a rural character of economy and the need for re-generation of rural life. Since independence, it has been constant endower of our policy maker to give adequate thrust to rural development as the sector is directly related to agriculture. India’s rural poor are overwhelmingly dependent on agriculture as their primary source of income; the majority are marginal or small farmers, and the poor landless labourers. The financial needs of India’s rural poor reflect the volatile, uncertain, and irregular income streams and expenditure patterns of these households. Rural families are predominantly multiple – income households, their two main sources of income include the sale of agricultural products and wage labour. Irregular employment is the most important source of income from wage labor. For households with more than one source of income, agricultural income is the most important secondary source, with sale of farm produce and dairy products being the most prominent. Clearly, rural households depend on one or both of two types of income: seasonal (post-harvest sale) or highly irregular, due to irregular or part time wage labour, with the dependence on the later being inversely proportional to the size of land holdings.

The typical expenditure profile of the households is also of small, daily, or irregular expenses incurred throughout the month. Moreover, the overwhelming

majority of rural households report having to deal with at least one unusual expense each year, which they are forced to finance either from cash at home or through informal loans from family, friends, or money lenders. Research shows that poor people value financial services and want these to be reliable, convenient, continuous, and flexible. They understand that financial services help them to spend at one time the income they have earned at other times and because those incomes tend to be small, irregular, and unreliable. They need the full armory of intermediating modes saving up for future spending, taking advances against future savings, and building cash reserves that can be called on at any time. The poor need a wide range of financial services from small advances to huge requirements and loans for investment purposes.

Statement of the Problem

The lack of access to adequate finance on reasonable terms for India's rural poor may be attributed to a combination of factors that affect both banks and their clients. Serving the rural poor is a high-risk, high-cost proposition for banks: First, there is the uncertainty about the repayment capacity of poor rural borrowers, with their irregular/volatile income streams and expenditure patterns. In the absence of credit information, this drives up default risk. Such problems are exacerbated by the borrower's lack of collateral, and/or difficulties in contract design and enforcement. Second, the transaction costs of rural lending in India are high, mainly due to small loan sizes, the high frequency of transactions, the large geographical spread, the heterogeneity of borrowers, and wide-spread illiteracy. For private sector banks, their lack of a rural branch network is an additional problem. Third, the government's policies have made things worse from the banks' perspective, creating a "financial climate" not conducive to lending in general and rural banking in particular. Banking being a customer oriented service industry, the customer is the focus and a customer service is the differentiating factor. The utilisation of banking services by the rural people is lesser than the urban people. The present study attempts to ascertain the factors influencing the satisfaction of rural customers on banking services and their problems in accessing banking services.

REVIEW OF LITERATURE

The role of banking sector in all segments of a country is very significant one. The economical growth of rural is strongly associated with the financial inclusion and better utilisation of banking products by rural people. Rao, N.V. (2002)³⁶ in his article, explained that customer service was becoming an important aspect in gaining competitive edge for survival with growth and profits for banks. The key to success in the changed environment would be the bank's ability to reach the client at his door step. Jham and Khan (2008) studied the customer's satisfaction in the Indian banking sector and inferred that the satisfaction of customers with the services of Indian banks is linked with the performance of banks. Jaspal Singh and Gagandeep Kaur (2011) investigated the determinants of customer satisfaction of Indian banks. The results of the study revealed that responsiveness, tangibles, services innovation, reliability and accessibility, assurance, pricing and other facilities, problem solving capability and convenient working hours are the main determinants of customer satisfaction. Naveen Kumar and Gangal V.K (2011) in their study concluded that the majority of the Indian banks does not provide diversified products and services. They suggested that strategic focus could be given in developing diversified services to remain competitive and to retain as many customers as possible. The authors concluded that

customer retention is possible through customer satisfaction only. Shiralshetti A.S and Bagewadi J.K (2011) made an attempt to ascertain the level of satisfaction of customers as regards banking services in Belgaum District in Karnataka. The satisfaction level of the customers has been measured and analysed the varieties of new services which influence the satisfaction level of the customers. Issham Ismail, Nadiatul Rosley and Soo Sin Ling (2011) conducted a study to explore the level of satisfaction of customers on service quality of the banking services in Malaysia. They investigated the relationship between banking services and customer satisfaction. The results revealed that branch banking services and mobile banking services have significant relationship with customer satisfaction; characteristics of customers and banking information of respondents are also identified as important factors influencing the level of satisfaction of customers. It was also noted that customer satisfaction not only depends on the performance of the services but also on how it contributes to the overall service offerings.

Objectives

The main objectives of the study are:

1. To find the factors influencing the rural people to avail banking services.
2. To measure the level of satisfaction among customers on various services provided by banks
3. To ascertain the problems faced by the rural people in accessing banking services.

Methodology

The researchers conducted a survey among the rural customers in Gobichettipalayam taluk, Erode district. Purposive sampling technique has been employed for the study. According to the Census 2011, the Gobichettipalayam taluk consists of 76 villages with the population of 3,76,209. As a sample, 120 respondents from rural areas were taken for the present study. The respondents who are having bank accounts in public sector banks were selected. Further the sample size distributed evenly among four types of occupation namely Agriculture, Business, Employed and Labour.

Hypothesis

The present study includes the following hypothesis:

H_0 = There is no significant relationship among demographic variables and their level of satisfaction

Discussion

FACTORS INFLUENCING THE RURAL PEOPLE TO AVAIL BANKING SERVICES

The need for availing banking service may be different from one person to another and it may depend on their occupation, purpose, transaction type and so on. The banks offer various services in addition to their primary functions of accepting deposits and lending loans. The sample respondents are requested to rank their priority and purpose among the common services provided by banks.

Table: 1
Preference of Services

S. No	Rank Weight		1	2	3	4	5	Total Score	Mean Score	Rank
		x	5	4	3	2	1			
1	Investment Avenue	F	24	66	6	0	24	426	3.6	2
		FX	120	264	18	0	24			
2	Claiming Subsidy	F	32	25	15	12	36	365	3.0	4
		FX	160	100	45	24	36			
3	salary, revenue credit from sugar factory	F	45	9	6	0	60	339	2.8	6
		FX	225	36	18	0	60			
4	MGNREGS employment salary	F	30	0	0	0	90	240	2.0	10
		FX	150	0	0	0	90			
5	Must for documentary evidence	F	6	72	12	6	24	390	3.3	3
		FX	30	288	36	12	24			
6	Loan	F	84	12	6	6	12	510	4.3	1
		FX	420	48	18	12	12			
7	Self Help Group	F	30	0	6	0	84	252	2.1	8
		FX	150	0	18	0	84			
8	Locker Facility	F	0	24	0	6	90	198	1.7	11
		FX	0	96	0	12	90			
9	Safe for money and investment	F	22	36	14	0	48	344	2.9	5
		FX	110	144	42	0	48			
10	Interest Income	F	18	36	12	0	54	324	2.7	7
		FX	90	144	36	0	54			
11	Business	F	24	6	6	6	78	252	2.1	8
		FX	120	24	18	12	78			
12	Internet Banking	F	0	18	0	0	102	174	1.5	12
		FX	0	72	0	0	102			

The table 1 shows the purpose of having bank account by the sample respondents. It is clear that high percentage of sample respondents having bank account for getting loan with the mean score of 4.3, followed by investment avenue(3.6), for documentary evidence(3.3), claiming subsidy(3.0), safe for money and investment(2.9). The other services like salary or revenue credit from sugar factory, interest income, business transactions, Self help group, MGNREGA employment salary, locker facility and internet banking facility are given as their next priorities.

Rural Customer Satisfaction on Banking Services

Customer satisfaction provides a leading indicator of consumer for their continuous support and loyalty. It costs six to seven times more to acquire new customers than it does to retain existing customers. The bank customers are from various socio economic environment and they have different perception about the services offered by their bank. Measuring customer satisfaction is a continuous process to be carried out by the bank and helps to take decision according to that. In the present study various factors regarding to customer satisfaction on various banking services like Presence of physical facilities, waiting time in queues, User-friendly service, Prompt Service, Communication between bank and customers & Updates, Quick Response to Customers' Queries, Reliability & Safety, Fees and commission for the usage of products, Understand and satisfy the financial needs, Network availability, Availability of services, Bank Timing, Demonstration of Procedures and services,

Telephone access to the branch and convenient location of the branch are measured to ascertain the satisfaction of rural banking customers.

Table 2
Level of Satisfaction

Satisfaction Level	No. of Respondents	Percentage
Low	37	30.8
Moderate	57	47.5
High	26	21.7
Total	120	100.0

The table 2 describes the satisfaction level of rural customers on the banking services. It is clear that 47.5 percentage of the respondents are moderately satisfied with the banking services, 30.8 percentage of the respondents' satisfaction is low and 21.7% of the respondents are highly satisfied with the services provided by the banks.

Table No. : 3
Level of Satisfaction on Banking Services

Socio Economic Variable	Grouping Variable	Satisfaction Level			Total	Chi square (5 % sig.)	Result
		Low	Moderate	High			
Age group	Young Aged	6 (33.3)	9 (50)	3 (16.7)	18 (100)	14.254	Rejected
	Middle Aged	17 (28.3)	22 (36.7)	21 (35)	60 (100)		
	Old Aged	14 (33.3)	26 (61.9)	2 (4.8)	42 (100)		
Gender	Male	21 (23.3)	48 (53.3)	21 (23.3)	90 (100)	9.608	Rejected
	Female	16 (53.3)	9 (30)	5 (16.7)	30 (100)		
Educational Qualification	Illiterate	14 (46.7)	16 (53.3)	0 (0)	30 (100)	32.347	Rejected
	School Level	21 (38.9)	25 (46.3)	8 (14.8)	54 (100)		
	College Level	2 (5.6)	16 (44.4)	18 (50)	36 (100)		
Occupation	Agriculturalist	6 (20)	23 (76.7)	1 (3.3)	30 (100)	62.302	Rejected
	Employed	7 (23.3)	15 (50)	8 (26.7)	30 (100)		
	Business	2 (6.7)	11 (36.7)	17 (56.7)	30 (100)		
	Daily Wage	22 (73.3)	8 (26.7)	0 (0)	30 (100)		
Marital	Married	31	47	24	102	1.421	Accept

Status		(30.4)	(46.1)	(23.5)	(100)		ed
	Unmarried	6 (33.3)	10 (55.6)	2 (11.1)	18 (100)		
Size of family	Small Family	22 (28.2)	43 (55.1)	13 (16.7)	78 (100)	5.801	Rejecte d
	Big Family	15 (35.7)	14 (33.3)	13 (31)	42 (100)		
Annual Income	Up to Rs. 1,00,000	24 (36.4)	35 (53)	7 (10.6)	66 (100)	27.395	Rejecte d
	Rs. 1,00,001 to Rs. 2,00,000	13 (27.1)	22 (45.8)	13 (27.1)	48 (100)		
	Rs. 3,00,001 and Above	0 (0)	0 (0)	6 (100)	6 (100)		
Annual Family income	Up to Rs. 1,00,000	2 (6.7)	27 (90)	1 (3.3)	30 (100)	49.125	Rejecte d
	Rs. 1,00,001 to Rs. 2,00,000	35 (41.7)	30 (35.7)	19 (22.6)	84 (100)		
	Rs. 3,00,001 and Above	0 (0)	0 (0)	6 (100)	6 (100)		
Annual Expenditur e:	Up to Rs. 1,00,000	13 (24.1)	37 (68.5)	4 (7.4)	54 (100)	33.64	Rejecte d
	Rs. 1,00,001 to Rs. 2,00,000	24 (44.4)	16 (29.6)	14 (25.9)	54 (100)		
	Rs. 3,00,001 and Above	0 (0)	4 (33.3)	8 (66.7)	12 (100)		
Family Wealth	Up to Rs. 5,00,000	22 (52.4)	17 (40.5)	3 (7.1)	42 (100)	23.381	Rejecte d
	Rs. 5,00,001 to 10,00,000	9 (25)	13 (36.1)	14 (38.9)	36 (100)		
	Above Rs. 10,00,000	6 (14.3)	27 (64.3)	9 (21.4)	42 (100)		
Earning Members	One	6 (12.5)	33 (68.8)	9 (18.8)	48 (100)	16.64	Rejecte d
	More than one	31 (43.1)	24 (33.3)	17 (23.6)	72 (100)		
Nature of the Family	Individual	16 (27.6)	33 (56.9)	9 (15.5)	58 (100)	4.43	Rejecte d
	Joint Family	21 (33.9)	24 (38.7)	17 (27.4)	62 (100)		

The table 3 exhibits that the relationship between socio economic characteristics of the respondents and satisfaction level. High percentage of respondents is moderately satisfied in all levels of age group. Male respondents are having higher percentage of satisfaction level than the female respondents. Educational qualification considerably impacts the satisfaction level and the

respondents studied up to college having high percentage of satisfaction. The respondents doing business are having high satisfaction than the respondents from other occupation. The married respondents are highly satisfied than the than the unmarried respondents. Respondents from big family having slightly better satisfaction level than the respondents from small family. The respondents who are earning annual income up to Rs. 1,00,000 satisfied lesser than the others. The annual family income of the respondents range from Rs. 1,00,000 to Rs. 2,00,000 are having less satisfaction than the other income group. The annual family expenditure of the respondents above Rs. 3,00,000 having higher satisfaction. The respondents from joint family are highly satisfied than the respondents from nuclear family. Further the test of hypothesis proved that there is no significant relationship between the satisfaction level and the socio economic characteristics like age group, gender, educational qualification, occupation, family size, annual income, annual income of the family, annual expenditure of the family, number of earning members in the family, family wealth and nature of family. It is found that there is a significant relationship between marital status and satisfaction level. It can be understood that majority of the respondents are moderately satisfied with the banking services.

PROBLEMS FACED BY THE RESPONDENTS WHILE ACCESSING BANKING SERVICES

Banking industry is also one of the predominant industries adopting technologies which are helpful in providing better services to customers. The banks are improving their quality of services by using technological and strategic innovations, but the customers are facing some problems in accessing the banks. In this point of view 15 problems were listed out to know the respondents opinion. The respondents are asked to rank their problems individually. At last the major problems are ascertained on the basis of the weighted average score.

Table No. 4

PROBLEMS FACED BY CUSTOMERS IN ACCESS BANKING SERVICES

Problems	5	4	3	2	1	Total Score	Mean Score
Complicated Procedures	54 (270)	41 (164)	16 (48)	8 (16)	1 (1)	499	4.16
Un Friendly attitude of employees	30 (150)	42 (168)	24 (72)	24 (48)	0 (0)	438	3.65
Transaction inaccuracy	0 (0)	18 (72)	0 (0)	48 (96)	54 (54)	222	1.85
No clear instructions	18 (90)	54 (216)	12 (36)	30 (60)	6 (6)	408	3.40
Non Intimation of new services and procedures	12 (60)	54 (216)	24 (72)	18 (36)	12 (12)	396	3.30
Computer and network Problem	0 (0)	0 (0)	24 (72)	36 (72)	60 (60)	204	1.70
Delay in transaction/services	12 (60)	66 (264)	12 (36)	18 (36)	12 (12)	408	3.40
Slow/delay in sanctioning	54	38	16	6 (12)	6 (6)	488	4.07

Loan	(270)	(152)	(48)				
Non availability of services	0 (0)	48 (192)	24 (72)	30 (60)	18 (18)	342	2.85
Bank Timing	18 (90)	72 (288)	18 (54)	0 (0)	12 (12)	444	3.70
Penalty or overcharging of interest	0 (0)	54 (216)	36 (108)	30 (60)	0 (0)	384	3.20
No Periodical intimation about dues	0 (0)	42 (168)	24 (72)	36 (72)	18 (18)	330	2.75
Senior citizens not treated respectful	6 (30)	84 (336)	18 (54)	6 (12)	6 (6)	438	3.65
Illiterate people are not guided properly	39 (195)	47 (188)	19 (57)	15 (30)	0 (0)	470	3.92
Response is based on customer wealth	45 (225)	43 (172)	25 (75)	7 (14)	0 (0)	486	4.05

The table 4 states the various problems faced by the rural people in accessing the banking services. Among all the problems 'complicated procedures in banking services' is ranked first with the mean score of 4.16 and it can be understood that majority of the rural respondents faced more difficulty in understanding and following up the complicated procedures of the banks. The 'slow/delay in sanctioning of loan' is the second major problem in the banking access with the mean score of 4.07, followed by the 'biased response based on customer wealth and deposits' with the mean score of 4.05, 'poor guidance and help to illiterate people' with the mean score 3.92, 'bank timing' with the mean score of 3.70. Further the problems like unfriendly attitude, senior citizens not treated respectfully, no clear instructions, delay in transaction/services, non intimation of new services and procedures, penalty or overcharging of interest, non availability of services, no periodical intimation about dues, transaction inaccuracy, computer and network problem faced by the rural customers while accessing the banks are ranked from 6 to 15 respectively.

CONCLUSION

Customers constitute the heart of the banking industry. The demographic variables of customers are very crucial in determining the satisfaction on the services offered by the banks. Nowadays banks are offering various services to its customers. The usefulness of the services to the needy people determines the effectiveness and success of banking sector. In India public sector banks are operated not only with profit motive, but also with the objective of providing services to all segment of the society. Further the banks should take appropriate steps to improve the satisfaction of the rural customers. The bankers can adopt new strategies to fulfill the banking needs of rural people and remove the problems faced by them in accessing the banking services.

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