

Customers' Preference for Banking Services with State Bank of India

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Abstract

In India, the primary, secondary, and tertiary sectors play a vital role in building its economy. The important tertiary sector that helps in the circulation of money is the banking sector which builds the Indian economy. The structure of the banking industry has changed largely because of the economic and financial changes after demonetization and changing government policy. Meanwhile, commercial banks strive to differentiate themselves from one another as they compete for their share of the market. Banks always try to retain their existing customers by providing quality services that lead to customer satisfaction. India has the highest number of bank branches in the world. The present study considered the customers of the State Bank of India (SBI) as it caters to the needs of both the government, central as well as state. The study has been conducted with the aim of analyzing the preference for banking services with SBI. In Erode, there are 13 branches of SBI. The samples were selected from all the 13 branches of SBI in Erode town by Judgement sampling technique. A total of 700 customers who visited the bank are selected and the data has been collected from them through the distribution of well-structured questionnaire. It was found that the customers prefer SBI for keeping savings bank accounts mainly for the purpose of construction of house.

Keywords: Customer, Preference and Savings Bank Account

1. Introduction

In India, the banking industry has facilitated the growth of its economy to a larger extent. The contribution of the banking sector plays a vital role in the country's GDP. At the same time, it has been a large employer. Generally, the banks will be able to expand their operations only if it has more customers. The banks will tend to retain their existing customers by providing quality services that lead to customer satisfaction. India has the highest number of bank branches among various countries. Despite the provisions, control, and regulations of the Reserve Bank of India, many banks are owned and operated by private persons. Among the various banks, State Bank of India (SBI) is the largest commercial bank and the number of customers holding accounts in SBI is more. Hence,

this study has analyzed the customers' preference for services provided by the State Bank of India. Further, the reasons for holding a savings account with SBI are also analyzed. For this purpose, the sample has been selected from all the 13 SBI branches at Erode town by applying the Judgement sampling technique. Accordingly, 700 respondents are taken as a sample and data has been collected. The reasons for availing banking services with SBI are examined by framing Structural Equation Model and the reason for holding a savings account with SBI is identified with Henry Garrett Ranking Technique.

2. Statement of the Problem

The three primary functions of a bank are the provision of payment, savings, and investment products. Bank as

an institution collects money from those people who wish to save out of income and lends out to those who require it. The banks are competitive enough to capture the customers. Therefore, the price factor could not be a reason for competition. Hence, it is essential to consider other aspects namely awareness, preference, perception, satisfaction, problems, etc. In this regard, the present study probes into the problems and finds answers to the following questions:

- What are the most important reasons to prefer the banking services of SBI? and
- Why do customers hold savings accounts with SBI at Erode Town?

3. Review of Literature

Luciano Munari *et al.*,¹ analysed the organizational and operative functions and activities influencing the satisfaction of customers in Italian banks. The study found that customer satisfaction was a line activity and it involved the role and responsibility of top management. Anshuthakur² identified that the customers of SBI at Indore highly utilized both the ATM services and credit card facility. The customers were trained and guided to use ATM cards and they were satisfied with the security facility provided at ATM stations. It was suggested that the bank had yet to create confidence in the minds of the customers that it would provide excellent services dependably and accurately. Aby Abdul Rabb³ examined the variables that led to customer satisfaction. The analysis was made with statistical tools namely Percentage Analysis and Chi-Square Test. The results implied that customer satisfaction significantly influenced the banking services of SBI and the customers had only a medium level of satisfaction. Chakrabarty⁴ studied the impact of credit policy on the profitability and viability of the Indian banking system. The study indicated that banks had turned out to be sick units and the profit earned affected the long-term viability of the banking system. It was recommended that necessary changes in the credit policy and interest rate structure could increase the overall profitability of the banks.

4. Objectives of the Study

- To find out the important reasons for preferring banking services with SBI

- To examine the reasons for holding a savings account with SBI

5. Research Methodology

The study employs a judgment sampling technique in selecting the sample. In Erode Town, there are a total 13 branches of SBI. Based on the sampling technique adopted, a total of 700 respondents are considered as the sample size. The data has been collected by employing the field study technique. The primary data has been collected through a well-defined questionnaire framed. The secondary data has been obtained from various sources like journals, magazines, and other published materials.

6. Research Hypothesis

H₀₁: The selected variables (nearness to place of residence, nearness to workplace or employment, advice of friends and relatives, policy of the Government/Employer, reputation of the bank, hi-tech banking service, quick service, high rate of interest on deposits, low rate of interest on loans and easy procedure, minimum service charges and commission) has no significant relationship with reasons for banking with SBI.

7. Results and Discussion

7.1 Reasons for Preference of Banking with State Bank of India (SBI)

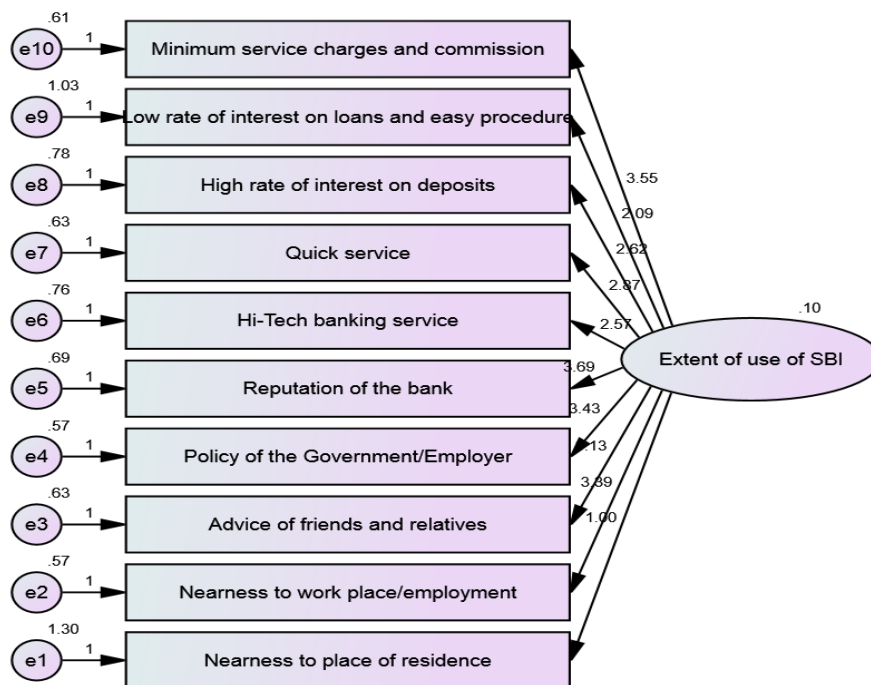
The success of a bank depends on number of customers. Customers would prefer a particular banking service based on many reasons. In the present study, the reasons for which the respondents prefer the services of SBI are examined by constructing Structural Equation Model. Table 1 gives the picture of manifest and latent variables considered for analysis.

The hypothesis of the research has been defined on the basis of the customers' opinion on reasons to prefer the banking services of SBI. Structural Equation Model has been formulated and the result is presented in the structure of path diagram. The outline of the path diagram is given in Figure 1.

In Figure 1, the relationship between the variables is measured by regression coefficients and correlations. A regression coefficient of 3.55 for the minimum

Table 1. Reasons for availing banking services with SBI - Manifest variables and Latent variables (estimates)

MANIFEST VARIABLES	LATENT VARIABLE
Nearness to place of residence	Reasons to Prefer Banking Services of SBI
Nearness to workplace or employment	
The advice of friends and relatives	
The policy of the Government or employer	
Reputation of the bank	
Hi-tech banking service	
Quick service	
High rate of interest on deposits	
Low rate of interest on loans and easy procedure	
Minimum service charges and commission	



(Note: Chi-square =227.779, Degrees of freedom = 35 and Probability level = .000)

Figure 1. Path diagram indicating the reasons to prefer banking services of SBI.

service charges and commission indicates a very strong relationship with the reasons for banking. A regression coefficient of 2.09 and 2.62 for low rate of interest on loans and easy procedure and high rate of interest on deposits respectively proves a strong relationship with the reasons

for banking. The variables such as ‘quick service’, ‘hi-tech banking service’, and ‘reputation of the bank’ have a very strong relationship with the reasons for banking with the regression coefficients of 2.87, 2.57, and 3.69 respectively. A regression coefficient of 1.00 for nearness to the place

Table 2. Reasons to prefer banking services of SBI– model fit indices

No.	TEST FACTOR	CALCULATED VALUE	ACCEPTABLE VALUE
1	GFI (Goodness-of-fit-index)	0.939	>=0.90 and above : Satisfactory fit 0.80 to <0.9 : Acceptable fit (Hair <i>et al.</i> 2006)
2	AGFI(Adjusted Goodness-of-fit-index)	0.905	
3	CFI(Comparative fit index)	0.948	
4	NFI (Normed fit index)	0.940	
5	TLI (Tucker-Lewis index)	0.934	
6	RMSEA (Root mean squared error of approximation)	0.078	0.08 or less : Close fit

Source: Computed

of residence shows a close relationship with the reasons for banking. A regression coefficient of 3.43 for the policy of the Government or employer and 3.13 for the advice of friends and relatives also have a strong relationship with the reasons for banking. The regression coefficient of

3.39 for nearness to workplace or employment indicates a very strong relationship with the reasons for banking. The overall regression coefficient value 0.10 indicates a substantial relationship with the reasons to prefer the banking services of SBI. A model fit indices are applied

Table 3. Regression weights for reasons for banking

Measured Variable		Latent Variable	Estimate	S.E.	C.R.	P
Nearness to place of residence	<---	Reasons for Banking	1.000			
Nearness to workplace or Employment	<---	Reasons for Banking	3.394	.500	6.787	Significant at 1% level
Advice of friends and relatives	<---	Reasons for Banking	3.135	.464	6.751	Significant at 1% level
Policy of the Government or Employer	<---	Reasons for Banking	3.435	.506	6.790	Significant at 1% level
Reputation of the bank	<---	Reasons for Banking	3.692	.544	6.785	Significant at 1% level
Hi-Tech banking service	<---	Reasons for Banking	2.573	.388	6.629	Significant at 1% level
Quick service	<---	Reasons for Banking	2.866	.426	6.721	Significant at 1% level
High rate of interest on deposits	<---	Reasons for Banking	2.619	.395	6.634	Significant at 1% level
Low rate of interest on loans and easy procedure	<---	Reasons for Banking	2.091	.328	6.366	Significant at 1% level
Minimum service charges and commission	<---	Reasons for Banking	3.548	.523	6.790	Significant at 1% level

Source: Computed

to decide whether to accept the model or to fine-tune the model further. The result of the model fit test is presented in Table 2.

Table 2 indicates that the Goodness of Fit Index (GFI) score is 0.939, Adjusted Goodness of Fit Index (AGFI) score is 0.905, Comparative Fit Index (CFI) score is 0.948, Normed Fit Index (NFI) score is 0.940 and Tucker Lewis Index (TLI) score is 0.934. The value of Root Mean Squared Error of Approximation (RMSEA) (0.078) depicts that the model is a close fit with a sensible error of approximation. From the analysis, it can be concluded that all the ten variables considered in the study are well fit and all these variables clearly indicate their relationship with the reasons to prefer banking services of SBI.

The regression analysis is employed to know the variable that highly influences the customers to prefer banking services with SBI. Table 3 gives the results of the regression analysis.

From the result shown in Table 3, it is noted that estimates of the coefficient of the variables 'Reputation of the bank' and 'Minimum service charges and commission' are high and expected by the customers for banking with SBI and it indicates that both the factors are highly influencing variables for reasons to prefer banking services of SBI. The results also show that all the variables are having a positive relationship with the reasons for banking with SBI and are significant at 1% level. The analysis revealed that the variables such as nearness to place of residence, nearness to workplace or employment, advice of friends and relatives, the policy of the Government or employer, hi-tech banking service, quick service, high rate of interest on deposits, and low rate of interest on loans and easy procedure show significant impact on the reasons for banking.

7.2 Reasons for Holding Savings Account with SBI

The reasons for holding a savings account with SBI are identified by including education to the children, marriage to the children, construction of house, purchase of car/ vehicle, provision for old age, and emergency/ medical expenses. An attempt has been made in this study to analyse the reason for holding savings accounts in SBI by using Henry Garrett Ranking Technique. On the basis of the Henry Garrett Ranking Score, the reasons for holding a savings account with SBI are ranked and the results are furnished in Table 4.

It is seen from Table 4 that most of the respondents hold savings accounts with SBI for the reason 'Construction of house' with the Garrett Score of 42496 points and it has been ranked as the first. The second and third ranks are being assigned to 'Purchase of car or vehicle' (40269) and 'Education to the children (35289). The fourth and fifth ranks are assigned to 'Marriage to the children' (33717) and 'Provision for old age' (31803) respectively. The sixth rank is assigned to 'Emergency or Medical Expenses' with 26426 Garrett points. Hence, it is revealed that most of the respondents hold a savings account with SBI for 'Construction of house'.

8. Suggestions

By considering the analysis and findings of the study, the following recommendations are given to promote new avenues for increasing investment with the State Bank of India.

- It is identified that the respondents hold savings accounts with SBI for the purpose of the

Table 4. Reasons for holding savings account with SBI

Reasons	Total Score	Mean Score	Rank
Education to the children	35289	50.413	3
Marriage to the children	33717	48.167	4
Construction of house	42496	60.709	1
Purchase of car/ vehicle	40269	57.527	2
Provision for old age	31803	45.433	5
Emergency/medical expenses	26426	37.751	6

Source: Computed

construction of houses. Hence, it is recommended that SBI should think of introducing new schemes regarding savings accounts and market them to customers through effective means of advertisement.

- It is found that better results could be achieved only through the proper working of remedial mechanisms in delivering quality service. Hence, it is recommended to provide customers with speed, accuracy, promptness, reliability, and individualized attention in enhancing the efficiency of banking operations.
- It is suggested to introduce new incentive schemes for the agricultural sector. It is further recommended to introduce new banking models for promoting savings habits and avail easy loans and government schemes among the customers.
- The State Bank of India must implement personalized aspects to the service rendered, so as to understand the customer demand and improve their services as per the demands.
- It is highly suggested that SBI might use technology advancement to fulfill the needs.

9. Conclusion

Today, banks have a wider role to play rather than their primary functions of accepting deposits, lending loans, and money transactions. It has diversified its operations in order to contribute more to the economic growth. In

order to be present in the competitive world, banks have to adopt the required marketing strategies to satisfy and attract more customers for banking operations. The most important challenge faced by SBI is to provide improved and better services to the customers. Hence, in this study, the preference of customers for banking services rendered by SBI in Erode Town is studied. It was found that all the factors considered in the study have a significant impact on the reasons for banking with SBI. Based on the findings of the study, the recommendations given would invariably lead the banking sector to capture more customers for its wide operation. Hence, the banking authorities could consider the suggestions made for increasing its customer base.

10. References

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