

***A COMPARATIVE STUDY ON CUSTOMERS SATISFACTION TOWARDS  
LOANS & ADVANCES OF SELECTED PUBLIC AND PRIVATE SECTOR BANKS  
IN TIRUNELVELI DISTRICT***

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**Abstract:**

Customer satisfaction is a measure of how products and services provide by any organisation meet the expectations of a customer. It varies from person to person and service to service. A customer can be defined as a user or potential user of banking services. A customer would include an account holder, or a person carrying out casual business transaction with a bank. The efficiency of a banking sector depends upon how best it can deliver services to its target customers. In order to survive in this competitive environment and provide continual customer satisfaction, the banking service providers are required to frequently increase the quality of services. Lending money is one of the major activities of any Bank. Banks accept deposit from public for safe-keeping and pay interest to them. They lend this money to earn interest on this money. In a way, the banks act as intermediaries between the people who have the money to lend and those who have the need for money to carry out business transactions. The difference between the rate at which the interest is paid on deposits and is charged on loans, is called the "spread". This study deals with the customer satisfaction towards the loans and advances of public and private sector banks in Tirunelveli district.

**Key words:**

Bank, loan, customer satisfaction, lending pattern, public sector banks, private sector banks.

**1. INTRODUCTION:**

Indian banking today is witnessing drastic changes. The liberalization of the financial sector and banking sector reforms have exposed the Indian banks to a new economic environment that is characterized by increased competition and new regulatory requirements. As a result, there is a transformation in every sphere of activities of the banks in India, especially in Governance, nature of business, style of functioning and delivery mechanisms. The new generation banks brought the necessary competition into the industry and spearheaded changes towards higher utilization of technology, improved customer service and innovative products. The changes in the political, economic, social, cultural and environmental perspective can be seen in business environment too. Above all, the business scenario is highly influenced by the changes in the needs and aspirations of the people.

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Today, the degree of such changes is very fast and more frequently experienced by them. Therefore, the consumer status is changed from isolated to connected, unaware to well informed and passive to active.

The bank's lending pattern is one of its most vital functions. Lending is a significant part of the banking industry. Lending activities are intended to generate profit, and their success is primarily dependent on the bank's willingness to rollover their loan and advances directories. The banking system's key functions are to mobilise public capital and channel them in to growth oriented activities. Financial intermediation would be easier if the banking system was more developed. The banking system, with its extensive network is the most efficient at gathering public savings and allocating them to productive activity.

## 2. REVIEW OF LITERATURE

Planning is the first and the most crucial function of management that tell where to begin and how things would be well-organized in a system. Human beings are the most privileged animals of the creation because they need not start every new thing from the beginning. The past experience is always helpful to them. They learn from the past and make the plan for the future. In this context, a review was made of the existing relevant literature available on the topic.

**Dhanabhakym and kavitha (2012)** stated that the Indian banking system faces several difficult challenges. The selected public sector banks have performed well on the sources of growth rate and financial efficiency during the study period.

**Ravi and kundun basavaraj (2013)** analysed the customer preference and satisfaction towards banking services both public and private banks in Delhi district. The authors found business and vehicle loans are fast moving than other services and overall satisfaction resulted at 50%.

**Dr. (Mrs.) Anita (2014)** in her article entitled, "A comparative study of public and private sector banks of India in regards to Customer satisfaction" has aimed to compare the services of different banking sectors which are largely offered by them and to check the expectations and the level of satisfaction of the customers towards the services rendered by public and private sector banks. The present study aims at assessing the customer satisfaction of the public and private banks operating in key service sector industries of India. Under Public sector banks State Bank of India, Punjab National Bank and Central bank of India were selected and ICICI, HDFC and Axis Bank were selected among Private Sector Banks. To accomplish the objectives of the study, the research has made use of both primary as well as secondary data. The primary data have been collected with the help of a structured questionnaire addressed to the customers of the selected service organizations.

**Rohit bansal (2014)** in his article researcher investigates performance of four private sector banks for the period of 2011 to 2014 and ratio analysis has been used to evaluate the profitability performance of selected banks.

### 3. OBJECTIVES OF THE STUDY

- The main objective of the study is to assess customer satisfaction towards lending services with a special reference to selected Public and Private sector banks in Tirunelveli District.
- To know about various loans provided by selected public and private sector banks in Tirunelveli District.
- To make a comparative analysis of the lending pattern of selected public and private sector banks in Tirunelveli District.
- To offer suitable suggestions to improve their customer satisfaction towards lending pattern in selected banks.

### 4. SCOPE OF THE STUDY

With the above theoretical and conceptual background of loans and advances, the present study intends to focus on tracing out various determinants of loans provided by selected Public and Private Sector Banks. **This has also been revealed that evaluating the effectiveness of lending pattern in general; and with special reference to its applications in banking organization in particular in Tirunelveli District.** The study is mainly focused on customer satisfaction towards loans and advances in selected public and private sector banks.

### 5. RESEARCH METHODOLOGY

The primary objective of this study is to compare the lending pattern in selected Public and Private sector banks in Tirunelveli District. Hence it is **descriptive in nature**.

#### 5.1 Research Design

The Research Design is empirical in nature since the study is conducted by using both analytical and diagnostic type of research. **The study is conducted in two stages format, with a preliminary Pilot study followed by the main study.** A pilot study was conducted among 50 bank customers. The major part of the study is based on primary data.

#### 5.2 Study Area

Tirunelveli District has been chosen for the purpose of study because of the following reasons.

1. Tirunelveli District is one of the **both small scale and large scale industrial** areas and most of the transactions are done through the banks.

2. Tirunelveli District is the **Sixth largest Municipal Corporation** in Tamilnadu.

3. Almost every bank of the state has multiple branches in the district.

4. The financial literacy of people of Tirunelveli is conducive for the purpose of study.

Hence, it is considered highly appropriate to conduct the study in the Tirunelveli District.

### 5.3. Primary Data

Primary data were collected to get firsthand information about a topic and for the purpose of comparing and analyzing information. The collection of data is mainly through the help of Structured Questionnaire. **Separate questionnaire is prepared for customers.**

### 5.4 Questionnaire

The questionnaires were designed on the basis of the study of literature. Feedback of the respondents, received during testing of the questionnaire was also considered. The final form of the questionnaire was arranged in different sets.

### 5.5 Sampling Design

**Table -1**

**Total Number of branches in Tirunelveli District (as on 31.3.2022)**

<b>Sl. No.</b>	<b>Name of the Bank</b>	<b>No. Of branches</b>
1.	Canara Bank	41
2.	Indian Bank	34
3.	Indian Overseas Bank	67
4.	ICICI Bank	14
5.	Karur Vysya Bank	9
6.	Tamilnadu Mercantile Bank	38

**Source: Selected banks website.**

**Table - 2**

**Number of sample size in Customers**

Sl. No.	Name of the Bank	No. of Customers
1.	Canara Bank	105
2.	Indian Bank	105
3.	Indian Overseas Bank	105
4.	ICICI Bank	105
5.	Karur Vysya Bank	105
6.	Tamilnadu Mercantile Bank	105
	<b>Total</b>	<b>630</b>

The 630 samples' were selected from both public and private sector bank customers. 105 bank customers from each of the selected six banks by using proportionate **random sampling techniques**.

## 6. ANALYSIS & INTERPRETATION

### FACTOR ANALYSIS – ANALYTICAL FRAMEWORK

Factor analysis aimed at grouping the original input variables into factors which underline the input variables. Each factor will account for one or more input variables. Theoretically, the total number of factors in the factor analysis is equal to the total number of input variables. But after performing factor analysis, the total number of factors in the study can be reduced by dropping the significant factors based on certain criterion.

### Results of Opinion on the Level of Satisfaction of Customers towards Loans and Advances Sanctioned by the Public Sector Banks in Tirunelveli District – Factor Analysis

The rotated factor matrix for the variables relating to the opinion on the level of satisfaction of customers towards the loans and advances sanctioned by the Public Sector Banks is presented in Table - 3 , which shows the loading received by the factors under F<sub>1</sub>, F<sub>2</sub>, F<sub>3</sub>, F<sub>4</sub>, and F<sub>5</sub>

**TABLE -3**

### Opinion on the Level of Satisfaction of Customers towards the Loans and Advances Sanctioned by the Public Sector Banks in Tirunelveli District

#### ROTATED FACTOR MATRIX WITH COMMUNALITIES

<i>Level of Satisfaction towards Loans and Advances</i>	<i>Factor-1</i>	<i>Factor-2</i>	<i>Factor-3</i>	<i>Factor-4</i>	<i>Factor-5</i>	<i>Communalities</i>
Rate of Interest charged by the bank on Housing Loan is reasonable	<b>0.790</b>	0.239	0.178	0.106	0.130	0.741

Housing loan is Sanctioned without any delay	<b>0.780</b>	0.200	0.191	0.156	0.143	0.730
Processing Fee and Security Requirements for Housing Loan is less	<b>0.751</b>	0.157	0.173	0.139	0.144	0.729
Loan Amount Sanctioned for Housing is adequate	<b>0.703</b>	0.220	0.297	0.158	0.256	0.722
Period of Repayment for Housing Loan is Adequate	<b>0.702</b>	0.228	0.258	0.190	0.283	0.709
Jewel Loan Amount sanctioned by the Bank per Gram of Gold is High	<b>0.608</b>	0.310	-0.036	0.197	0.451	0.658
Formalities for Sanctioning of Educational Loan are less	<b>0.605</b>	0.207	0.372	0.294	0.106	0.645
Repayment period Allowed for Educational loan is convenient	<b>0.556</b>	0.165	0.415	0.195	0.216	0.637
Rate of Interest is Reasonable	<b>0.500</b>	0.228	0.454	0.283	0.222	0.593
Sanction of Agriculture Loan is Liberal	0.287	<b>0.782</b>	0.130	0.102	0.208	0.764
Time taken for Sanction of Agriculture Loan is reasonable	0.108	<b>0.736</b>	0.197	0.138	0.176	0.687
Sanctioning of Agriculture Loan is liberal	0.281	<b>0.722</b>	0.133	0.231	0.121	0.686
Rate of Interest on Vehicle loan is Lower	0.188	<b>0.696</b>	0.263	0.123	0.163	0.643
Minimum Down Payment for Vehicle Loan is required	0.142	<b>0.638</b>	0.293	0.134	0.240	0.642
Time Taken for Sanctioning of the Agricultural Loan is reasonable	0.303	<b>0.607</b>	0.055	0.473	0.021	0.631
Sanction of business loan is liberal	0.158	<b>0.557</b>	0.254	0.257	0.308	0.588
Rate of Interest on Agricultural Loan is low	0.341	<b>0.529</b>	-0.049	0.494	0.015	0.561
Time taken for sanctioning of	0.184	0.210	<b>0.857</b>	0.050	0.123	0.830

Business Loan is reasonable						
Sanction of business loan is liberal	0.097	0.139	<b>0.854</b>	0.069	0.072	0.767
Rate of interest on Business Loan is reasonable	0.233	0.206	<b>0.756</b>	0.080	0.166	0.701
O.D. Interest on Business Loan is reasonable	0.351	0.119	<b>0.697</b>	0.100	0.105	0.644
Sanction of Educational Loan is liberal	0.426	0.283	<b>0.537</b>	0.227	0.137	0.620
Rate of Interest on Personal Loan is low	0.237	0.229	0.083	<b>0.842</b>	0.140	0.843
Time Taken for Sanctioning of the Personal Loan is reasonable	0.155	0.174	0.210	<b>0.832</b>	0.192	0.828
Sanctioning of Personal Loan is liberal	0.206	0.256	0.130	<b>0.828</b>	0.134	0.828
Formalities for Sanctioning of Jewel Loan are less	0.319	0.296	0.136	0.102	<b>0.777</b>	0.821
Appraiser Charge for Jewel Loan is reasonable	0.264	0.202	0.170	0.201	<b>0.776</b>	0.805
Rate of Interest on Jewel Loan is low	0.245	0.250	0.253	0.134	<b>0.775</b>	0.783

Extraction Method: Principal Component Analysis, Rotation Method: Varimax with Kaiser Normalization.

Source: Computed Primary Data.

Table - 3 represents the matrix of common factor co-efficient or factor loadings. The number of factors extracted was six. The ratio which has the highest loadings in each factor are grouped, that is the ratios which are more closely related to a particular group are boxed. The last column in the Table is communality ( $h^2$ ) that is the variance explained by the factor.

It is inferred from the Table that the statement, Rate of Interest charged by the bank on Housing Loan is reasonable (0.790), Sanction of Agriculture Loan is Liberal (0.782), Time taken for sanctioning of Business Loan is reasonable (0.857), Rate of Interest on Personal Loan is low (0.842) and Formalities for Sanctioning of Jewel Loan are less (0.777) are the statements with highest factor loading under the dimensions namely Housing & educational loan ( $F_1$ ), Agriculture & vehicle loan ( $F_2$ ), Business loan ( $F_3$ ), Personal loan ( $F_4$ ) and jewel loan ( $F_5$ )

respectively. Hence, these are the identified dimensions (factors), which influence the level of satisfaction of customers towards the loans and advanced sanctioned by the public sector banks in Tirunelveli District.

TABLE - 4

**Opinion on the Level of Satisfaction of Customers towards the Loans and Advances Sanctioned by the Private Sector Banks in Tirunelveli District**

**ROTATED FACTOR MATRIX WITH COMMUNALITIES**

<i>Level of Satisfaction towards Loans and Advances</i>	<i>Factor-1</i>	<i>Factor-2</i>	<i>Factor-3</i>	<i>Factor-4</i>	<i>Factor-5</i>	<i>Communalities</i>
Time Taken for Sanctioning of the Personal Loan is reasonable	<b>0.789</b>	0.049	0.379	0.236	0.037	0.826
Rate of Interest on Personal Loan is low	<b>0.777</b>	0.077	0.361	0.230	0.088	0.800
Sanctioning of Personal Loan is liberal	<b>0.760</b>	0.033	0.387	0.210	0.084	0.779
Time Taken for Sanctioning of the Agricultural Loan is reasonable	<b>0.757</b>	0.288	0.077	0.081	0.252	0.732
Sanctioning of Agriculture Loan is liberal	<b>0.733</b>	0.279	0.009	0.109	0.250	0.731
Rate of Interest on Agricultural Loan is low	<b>0.717</b>	0.234	0.263	0.214	0.174	0.713
Sanction of Agriculture Loan is Liberal	<b>0.712</b>	0.243	0.069	0.132	0.271	0.689
Time taken for Sanction of Agriculture Loan is reasonable	<b>0.696</b>	0.343	0.055	0.187	0.302	0.663
Rate of Interest on Vehicle loan is Lower	<b>0.572</b>	0.513	0.170	-0.027	0.198	0.659
Rate of Interest on Jewel Loan is low	0.182	<b>0.778</b>	0.197	0.332	0.102	0.799
Appraiser Charge for Jewel Loan is reasonable	0.184	<b>0.771</b>	0.200	0.329	0.095	0.785

Formalities for Sanctioning of Jewel Loan are less	0.182	<b>0.767</b>	0.213	0.232	0.045	0.724
Sanction of Vehicle Loan is Liberal	0.438	<b>0.612</b>	0.199	0.073	0.257	0.687
Jewel Loan Amount sanctioned by the Bank per Gram of Gold is High	0.274	<b>0.607</b>	0.285	.260	0.307	0.677
Minimum Down Payment for Vehicle Loan is required	0.503	<b>0.513</b>	0.229	0.026	0.195	0.607
Rate of Interest charged by the bank on Housing Loan is reasonable	0.173	0.218	<b>0.786</b>	0.237	0.191	0.787
Housing loan is Sanctioned without any delay	0.215	0.215	<b>0.753</b>	0.202	0.196	0.787
Processing Fee and Security Requirements for Housing Loan is less	0.220	0.224	<b>0.737</b>	0.296	0.239	0.738
Loan Amount Sanctioned for Housing is adequate	0.265	0.278	<b>0.671</b>	0.106	0.309	0.705
Period of Repayment for Housing Loan is Adequate	0.289	0.282	<b>0.600</b>	0.262	0.318	0.693
Sanction of business loan is liberal	0.134	0.187	0.153	<b>0.842</b>	0.183	0.834
Time taken for sanctioning of Business Loan is reasonable	0.231	0.254	0.221	<b>0.792</b>	0.202	0.819
Rate of interest on Business Loan is reasonable	0.194	0.237	0.238	<b>0.770</b>	0.199	0.783
O.D. Interest on Business Loan is reasonable	0.184	0.211	0.286	<b>0.719</b>	0.288	0.761
Formalities for Sanctioning of Educational Loan are less	0.214	0.187	0.260	0.173	<b>0.765</b>	0.786
Repayment period Allowed for Educational loan is convenient	0.245	0.144	0.258	0.209	<b>0.741</b>	0.763

Rate of Interest is Reasonable	0.333	0.146	0.220	0.285	<b>0.724</b>	0.740
Sanction of Educational Loan is liberal	0.257	0.116	0.314	0.356	<b>0.646</b>	0.722

Extraction Method: Principal Component Analysis, Rotation Method: Varimax with Kaiser Normalization.

Source: Computed Primary Data.

Table – 4 represents the matrix of common factor co-efficient or factor loadings. The number of factors extracted was six. The ratio which has the highest loadings in each factor are grouped, that is the ratios which are more closely related to a particular group are boxed. The last column in the Table is communality ( $h^2$ ) that is the variance explained by the factor. It is inferred from the Table - 4 that the statement, Time Taken for Sanctioning of the Personal Loan is reasonable(0.789), Rate of Interest on Jewel Loan is low (0.778), Rate of Interest charged by the bank on Housing Loan is reasonable (0.786), Sanction of business loan is liberal (0.842) and Formalities for Sanctioning of Educational Loan are less (0.765) are the statements with highest factor loading under the dimensions namely Personal & Agricultural loan(  $F_1$  ), Jewel & Vehicle loan ( $F_2$ ), Housing loan (  $F_3$  ), Business loan (  $F_4$  ) and Educational loan (  $F_5$  ) respectively. Hence, these are the identified dimensions (factors), which influence the level of satisfaction of customers towards the loans and advances sanctioned by the private sector banks in Tirunelveli District.

## 7. FINDINGS

### 7.1 CUSTOMER SATISFACTION TOWARDS LOANS AND ADVANCES WITH RESPECT TO PUBLIC SECTOR BANKS

Highest factor loadings with respect to the variables are:

Housing & educational loan	Rate of interest charged by the bank on housing loan is reasonable
Agriculture & vehicle loan	Sanction of agriculture loan is liberal
Business loan	Time taken for sanctioning of business loan is reasonable
Personal loan	Rate of interest on personal loan is low
Jewel loan	Formalities for sanctioning of jewel loan are less

### 7.2 CUSTOMER SATISFACTION TOWARDS LOANS AND ADVANCES WITH RESPECT TO PRIVATE SECTOR BANKS

Highest factor loadings with respect to the variables are:

Housing loan	Rate of interest charged by the bank on housing loan is reasonable
Agriculture & personal loan	Time taken for sanctioning of personal loan is reasonable
Business loan	Sanction of business loan is liberal
Educational loan	Formalities for sanctioning of educational loan are less
Jewel & vehicle loan	Rate of interest on jewel loan is low

## 8. SUGGESTIONS FOR FURTHER DEVELOPMENT

- ❖ Public sector banks should take time to get feedback from their customers towards loans & advances. Because public sector bank is not concentrating more on this type of activities.
- ❖ When compared to private sector banks, public sector banks are not flexible in providing interest to the lending money. So it must take necessary steps to eradicate these measures.
- ❖ The private sector banks should reduce the documentation process while providing the education & Jewel loans.

## 9. CONCLUSION

It may be concluded that public sector banks provide better to sanctioning loans and advances to their customers than the private sector banks. **Without the customers there is no business.** Hence, apart from focusing on developing various product strategies alone, banks need to accord equal or higher priority to loans and advances related service particularly by way of installing an effective lending patterns. It is definitely to increase customers' satisfaction and banks profitability.

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