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A STUDY ON COMPARATIVE SATISFACTION OF COMMERCIAL BANKS: CASE STUDY OF STATE BANK OF INDIA

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1. Abstract

Customer satisfaction, a term frequently used in marketing, is a measure of how products and services supplied by a company meet or surpass customer expectation. Customer satisfaction is defined as "the number of customers, or percentage of total customers, whose reported experience with a firm, its products, or its services (ratings) exceeds specified satisfaction goals."Banking in India originated in the last decades of the 18th century. The first banks were The General Bank of India, NOW which started in 1786, and Bank of Hindustan , which started in 1790; both are now defunct. The oldest bank in existence in India is the State Bank of India , which originated in 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. For many years the Presidency banks acted as quasi-central banks, as did their successors

2. Introduction

"Customer satisfaction is measured at the individual level, but it is almost always reported at an aggregate level. It can be, and often is, measured along various dimensions. A hotel, for example, might ask customers to rate their experience with its front desk and check-in service, with the room, with the amenities in the room, with the restaurants, and so on. Customer satisfaction, a term frequently used in marketing, is a measure of how products and services supplied by a company meet or surpass customer expectation. Customer satisfaction is defined as "the number of customers, or percentage of total customers, whose reported experience with a firm, its products, or its services (ratings) exceeds specified satisfaction goals." In a survey of nearly 200 senior marketing managers, 71 percent responded that they found a customer satisfaction metric very useful in managing and monitoring their businesses. "Customer satisfaction provides a leading indicator of consumer purchase intentions and loyalty.” "Customer satisfaction data are among the most frequently collected indicators of market perceptions. Customer service is the provision of service to customers before, during and after a purchase. According to Turban et al. (2002), "Customer service is a series of activities designed to enhance the level of customer satisfaction – that is, the feeling that a product or service has met the customer expectation." Customer satisfaction is an ambiguous and abstract concept and the actual manifestation of the state of satisfaction will vary from person to person and product/service to product/service. The state of satisfaction depends on a number of both psychological and physical variables which correlate with satisfaction behaviors such as return and recommend rate. The level of satisfaction can also vary depending on other options the customer may have and other products against which the customer can compare the organization's services Industry Profile: Banking in India: Banking in India originated in the last decades of the 18th century. The first banks were The General Bank of India, NOW which started in 1786, and Bank of Hindustan , which started in 1790; both are now defunct. The oldest bank in existence in India is the State Bank of India , which originated in 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. For many years the Presidency banks acted as quasi-central banks, as did their successors. 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 1955.

Nationalization: Despite the provisions, control and regulations of Reserve Bank of India, banks in India except the State Bank of India or SBI, continued to be owned and operated by private persons. By the 1960s, the Indian banking industry had become an important tool to facilitate the development of the Indian economy. At the same time, it had emerged as a large employer, and a debate had ensued about the nationalization of the banking industry. Indira Gandhi, then Prime Minister of India, expressed the intention of the Government of India in the annual conference of the All India Congress Meeting in a paper entitled "Stray thoughts on Bank Nationalisation."[The meeting received the paper with enthusiasm. Thereafter, her move was swift and sudden. The Government of India issued an ordinance ('Banking Companies (Acquisition and Transfer of Undertakings) Ordinance, 1969')) and nationalised the 14 largest commercial banks with effect from the midnight of July 19, 1969. These banks contained 85 percent of bank deposits in the country. Jayaprakash Narayan, a national leader of India, described the step as a "masterstroke of political sagacity." Within two weeks of the issue of the ordinance, the Parliament passed the Banking Companies (Acquisition and Transfer of Undertaking) Bill, and it received the presidential approval on 9 August 1969. A second dose of nationalization of 6 more commercial banks followed in 1980. The stated reason for the nationalization was to give the government more control of credit delivery. With the second dose of nationalization, the Government of India controlled around 91% of the banking business of India. Later on, in the year 1993, the government merged New Bank of India with Punjab National Bank. It was the only merger between nationalized banks and resulted in the reduction of the number of nationalised banks from 20 to 19. After this, until the 1990s, the nationalised banks grew at a pace of around 4%, closer to the average growth rate of the Indian economy. Liberalization: In the early 1990s, the then Narasimha Rao government embarked on a policy of liberalization, licensing a small number of private banks. These came to be known as New Generation tech-savvy banks, and included Global Trust Bank (the first of such new generation banks to be set up), which later amalgamated with Oriental Bank of Commerce, Axis Bank(earlier as UTI Bank), ICICI Bank and HDFC Bank. This move, along with the rapid growth in the economy of India, revitalized the banking sector in India, which has seen rapid growth with strong contribution from all the three sectors of banks, namely, government banks, private banks and foreign banks. The next stage for the Indian banking has been set up with the proposed relaxation in the norms for Foreign Direct Investment, where all Foreign Investors in banks may be given voting rights which could exceed the present cap of 10%,at present it has gone up to 74% with some restrictions. The new policy shook the Banking sector in India completely. Bankers, till this time, were used to the 4-6-4 method (Borrow at 4%;Lend at 6%;Go home at 4) of functioning. The new wave ushered in a modern outlook and tech-savvy methods of working for traditional banks.All this led to the retail boom in India. People not just demanded more from their banks but also received more. Currently (2010), banking in India is generally fairly mature in terms of supply, product range and reach-even though reach in rural India still remains a challenge for the private sector and foreign banks. In terms of quality of assets and capital adequacy, Indian banks are considered to have clean, strong and transparent balance sheets relative to other banks in comparable economies in its region. The Reserve Bank of India is an autonomous body, with minimal pressure from the government. The stated policy of the Bank on the Indian Rupee is to manage volatility but without any fixed exchange rate-and this has mostly been true. With the growth in the Indian economy expected to be strong for quite some time-especially in its services sector-the demand for banking services, especially retail banking, mortgages and investment services are expected to be strong. One may also expect M&As, takeovers, and asset sales.

State Bank Of India History: The origin of the State Bank of India goes back to the first decade of the nineteenth century with the establishment of the Bank of Calcutta in Calcutta on 2 June 1806. Three years later the bank received its charter and was re-designed as the Bank of Bengal (2 January 1809). A unique institution, it was the first joint-stock bank of British India sponsored by the Government of Bengal. The Bank of Bombay (15 April 1840) and the Bank of Madras (1 July 1843) followed the Bank of Bengal. These three banks remained at the apex of modern banking in India till their amalgamation as the Imperial Bank of India on 27 January 1921. Primarily Anglo-Indian creations, the three presidency banks came into existence either as a result of the compulsions of imperial finance or by the felt needs of local European commerce and were not imposed from outside in an arbitrary manner to modernise India's economy. Their evolution was, however, shaped by ideas culled from similar developments in Europe and England, and was influenced by changes occurring in the structure of both the local trading environment and those in the relations of the Indian economy to the economy of Europe and the global economic framework. Bank of Bangal Head Office Establishment The establishment of the Bank of Bengal marked the advent of limited liability, joint-stock banking in India. So was the associated innovation in banking, viz. the decision to allow the Bank of Bengal to issue notes, which would be accepted for payment of public revenues within a restricted geographical area. This right of note issue was very valuable not only for the Bank of Bengal but also its two siblings, the Banks of Bombay and Madras. It meant an accretion to the capital of the banks, a capital on which the proprietors did not have to pay any interest. The concept of deposit banking was also an innovation because the practice of accepting money for safekeeping (and in some cases, even investment on behalf of the clients) by the indigenous bankers had not spread as a www.iosrjournals.org 64 | Page A Study On Customer Satisfaction Of Commercial Banks:Case Study On State Bank Of India general habit in most parts of India. But, for a long time, and especially upto the time that the three presidency banks had a right of note issue, bank notes and government balances made up the bulk of the investible resources of the banks. The three banks were governed by royal charters, which were revised from time to time. Each charter provided for a share capital, four-fifth of which were privately subscribed and the rest owned by the provincial government. The members of the board of directors, which managed the affairs of each bank, were mostly proprietary directors representing the large European managing agency houses in India. The rest were government nominees, invariably civil servants, one of whom was elected as the president of the board.

Imperial Bank: The Imperial Bank during the three and a half decades of its existence recorded an impressive growth in terms of offices, reserves, deposits, investments and advances, the increases in some cases amounting to more than six-fold. The financial status and security inherited from its forerunners no doubt provided a firm and durable platform. But the lofty traditions of banking which the Imperial Bank consistently maintained and the high standard of integrity it observed in its operations inspired confidence in its depositors that no other bank in India could perhaps then equal. All these enabled the Imperial Bank to acquire a pre-eminent position in the Indian banking industry and also secure a vital place in the country's economic life. When India attained freedom, the Imperial Bank had a capital base (including reserves) of Rs.11.85 crores, deposits and advances of Rs.275.14 crores and Rs.72.94 crores respectively and a network of 172 branches and more than 200 sub offices extending all over the country.

3. Objective Of a Study

Analytical Objectives:

To study the Satisfaction of customers towards the “ STATE BANK OF INDIA”.

- To Identify the factors that influences the customer behavior of “STATE BANK OF INDIA”. • To Evaluate the merits and De merits of “STATE BANK OF INDIA”
- .To give the appropriate suggestions for the improvement of “STATE BANK OF INDIA”. To assess the individual financial performance of HDFC Bank over a specific period.
- To assess the individual financial performance of Axis Bank over the same specific period.
- To identify and analyze the key financial strengths and weaknesses of both HDFC Bank and Axis Bank
- To examine the trends in the financial performance of both banks over the chosen study period
- To evaluate the impact of various internal and external factors on the financial performance of both banks
- Comparative Objectives:
- To compare the financial performance of SBI across various key parameters.
- To determine the relative financial standing of State Bank Of India
- To identify the reasons for the differences in the financial performance of the Banks

- To benchmark the financial performance of SBI and potentially against industry standards.

4. Hypothesis of Study

Introduction to the Context

The Indian banking sector is a critical pillar of the nation's economic development, serving as a conduit for capital allocation, financial intermediation, and support to various sectors such as agriculture, industry, and services. Commercial banks, both public and private, play a pivotal role in this ecosystem. Among them, the State Bank of India (SBI) stands out as the largest public sector bank, with a legacy spanning over two centuries and a significant market share[15]. The presence of both public and private commercial banks has led to a competitive environment, with each category offering unique strengths and facing distinct challenges.

Statement of the Problem

Despite the critical role of commercial banks, there remains a need for a comprehensive comparative analysis of their financial and operational performance. The literature suggests that while public sector banks like SBI have extensive reach and contribute to financial inclusion, private sector banks often outperform in terms of profitability, asset quality, and efficiency[68]. However, the empirical evidence is mixed, with some studies finding no significant differences in certain financial ratios between public and private sector banks, while others highlight clear disparities in areas such as non-performing assets (NPAs) and profitability[68]. This study aims to address these gaps by conducting a comparative analysis of commercial banks, with a special focus on SBI as a case study.

Rationale and Justification

The rationale for this study is rooted in the evolving dynamics of the Indian banking sector. The liberalization of the banking industry in the 1990s led to increased competition, prompting public sector banks to undertake significant restructuring and technological upgrades[5]. SBI, as a market leader, has implemented various strategies to maintain its competitive edge, including digital transformation, branch network redesign, and employee engagement programs such as Project Parivartan[45]. However, challenges such as high NPAs, operational inefficiencies, and competition from private and foreign banks persist[89].

A comparative study will provide valuable insights into the strengths and weaknesses of different types of commercial banks, inform policy decisions, and guide stakeholders in the banking sector. Focusing on SBI as a case study allows for a deeper understanding of how a leading public sector bank navigates these challenges and leverages its unique advantages.

Formulation of Hypotheses

Based on the above context, the following hypotheses are proposed for the study:

Hypothesis 1: There is a significant difference in the financial performance between public and private sector commercial banks in India, as measured by key financial ratios.

Rationale**:** Previous studies have shown that private sector banks tend to outperform public sector banks in terms of profitability and asset quality, but some studies have found no significant difference in certain financial ratios[68]. This hypothesis seeks to clarify these findings.

Hypothesis 2: The State Bank of India (SBI) demonstrates superior operational reach and financial inclusion compared to private sector banks, but faces challenges in asset quality and profitability.

Rationale: SBI's extensive branch network and historical commitment to financial inclusion are well-documented[15]. However, it also faces higher NPAs and operational inefficiencies compared to leading private sector banks[89].

Hypothesis 3: The adoption of technology and digital transformation initiatives by SBI has led to improved operational efficiency and customer satisfaction, narrowing the performance gap with private sector banks.

Rationale: SBI has invested heavily in technology and process automation, resulting in faster service delivery, reduced turnaround times, and enhanced cross-selling opportunities[34]. This hypothesis explores whether these efforts have translated into measurable improvements in performance.

Hypothesis 4: The capital structure and funding strategies of SBI differ significantly from those of private sector banks, impacting their risk profiles and financial stability.

Rationale: SBI relies more heavily on client deposits and borrowings, while private sector banks may have a more diversified funding base and higher reserves[9]. This hypothesis examines the implications of these differences for risk management and financial health.

Expected Outcomes and Implications

If these hypotheses are supported, the study will provide empirical evidence on the relative strengths and weaknesses of public and private sector commercial banks in India. It will highlight the areas where SBI excels, such as operational reach and financial inclusion, as well as the challenges it faces in asset quality and profitability. The findings will have implications for policymakers, bank management, and other stakeholders, informing strategies for improving performance, enhancing competitiveness, and fostering financial stability.

Conclusion

In summary, this study hypothesizes that while SBI and other public sector banks have a unique role in India's banking landscape, they face significant competition from private sector banks in terms of financial performance and operational efficiency. Through a comparative analysis and an in-depth case study of SBI, the research aims to shed light on these dynamics and contribute to the ongoing discourse on banking sector reforms and performance measurement.

Research Methodology

Introduction

The research methodology forms the backbone of any empirical study, outlining the framework, data collection, analytical techniques, and ethical considerations. This section details the approach adopted for the comparative analysis of commercial banks in India, with a special focus on the State Bank of India (SBI). The methodology is designed to ensure reliability, validity, and practical relevance of the findings.

Research Design

This study employs a descriptive and analytical research design. The descriptive aspect involves summarizing the current state of commercial banks, while the analytical component focuses on comparing key performance indicators between public and private sector banks, using SBI as a case study[541].

Type of Study

- Quantitative and Qualitative: The research combines both quantitative (financial ratios, statistical analysis) and qualitative (case study insights, policy analysis) approaches.
- Comparative: The study compares the performance, efficiency, and strategies of public and private sector banks[54].
- Case Study: An in-depth analysis of SBI is included to provide context and depth to the comparative findings[3].

Data Collection Methods

Primary Data Collection

- Interviews and Surveys: Structured interviews and discussions with branch managers, senior executives, and employees of SBI and selected private banks are conducted to gather insights on operational strategies, customer service, and challenges[3].
- Questionnaires: Questionnaires are distributed among bank employees and customers to assess satisfaction levels, service quality, and perceptions of digital transformation initiatives.

Secondary Data Collection

- Annual Reports: Published annual reports of SBI and selected private sector banks are analyzed for financial data and strategic information[51].
- Policy Documents: Review of policies, deposit schemes, loan schemes, and service offerings of SBI and its competitors[3].
- Published Research: Utilization of published and unpublished research studies, journal articles, and reports on Indian commercial banking[31].
- Databases: Data is sourced from reputable databases such as the RBI's Statistical Tables, CMIE's Prowess Database, and financial websites like Money Control[15].
- Libraries: Reference materials from central and departmental libraries (e.g., Jiwaji University, Ratan Tata Library, ICSSR) are consulted for supplementary information[3].

Population and Sample

- Population: All commercial banks operating in India, including public sector, private sector, and (where relevant) foreign banks[15].
- Sample: The study includes a representative sample of banks:
    - Public Sector: SBI (case study), Bank of Baroda, Punjab National Bank, Canara Bank, Union Bank of India.
    - Private Sector: ICICI Bank, HDFC Bank, Axis Bank, Kotak Mahindra Bank, South Indian Bank[5].
- Period: The data covers a six-year period (e.g., 2014–2019 or 2016–2020, as per data availability and relevance)[51].

Variables and Indicators

The study analyzes a range of financial and operational variables, using the CAMEL model as a framework:

CAMEL Component	Key Indicators/Financial Ratios
Capital Adequacy	Capital Adequacy Ratio (CAR), Tier I, Tier II
Asset Quality	Net NPA to Net Advances, Secured Advances
Management Quality	Business per Employee, Profit per Employee
Earnings	Return on Assets (ROA), Return on Advances

CAMEL Component	Key Indicators/Financial Ratios
Liquidity	Cash-Deposit Ratio, Credit-Deposit Ratio

Analytical Tools and Techniques

- Descriptive Statistics: Arithmetic mean, standard deviation, and percentage analysis are used to summarize data and compare performance across banks[5].
- Inferential Statistics: One-way ANOVA is employed to test for significant differences in the means of financial ratios between public and private sector banks[5].
- Altman Z-Score: To assess the solvency and risk of bankruptcy for selected banks[1].
- Ratio Analysis: Calculation and comparison of key financial ratios to evaluate efficiency, profitability, and liquidity[5][1].
- Case Study Analysis: Qualitative analysis of SBI's strategies, challenges, and performance relative to its peers[3].

Data Analysis Procedure

1. Data Compilation: Financial data and other relevant information are compiled from annual reports, databases, and interviews.
2. Ratio Calculation: Key financial ratios are calculated for each bank using the CAMEL framework.
3. Descriptive Analysis: Summary statistics are presented for each ratio and indicator.
4. Comparative Analysis: Performance of public and private sector banks is compared using statistical tools.
5. Case Study: Detailed analysis of SBI's performance, strategies, and challenges is conducted.
6. Hypothesis Testing: One-way ANOVA and other relevant tests are used to validate hypotheses regarding differences in performance.

Ethical Considerations

- Confidentiality: All primary data collected from interviews and questionnaires are anonymized to protect the privacy of respondents.
- Accuracy: Data is sourced from reliable and official channels to ensure authenticity and minimize bias.
- Transparency: Methodology, data sources, and analytical techniques are clearly documented for reproducibility.

Limitations of the Study

- Data Availability: Reliance on published data means that the study is limited by the accuracy and completeness of available financial reports.
- Sample Size: The study focuses on a select group of banks, which may not represent the entire banking sector.
- Time Period: The analysis is constrained by the availability of data for a specific time frame.

Significance of the Methodology

The chosen methodology ensures a robust, multi-dimensional analysis of commercial banks in India. By combining quantitative and qualitative approaches, the study provides a comprehensive view of the banking sector's performance, highlighting the strengths and weaknesses of public and private sector banks, with special attention to SBI. The findings will be valuable for policymakers, bank managers, academicians, and students interested in the dynamics of Indian banking[3][5][1].

Limitations of the study

• Study is confined to Kavali A.P.state in INDIA only. • The sample size is 200, hence finding cannot be generalized.

• The period of the study is limited to 7 weeks only.

• It was difficult to know whether the respondents were truly given the exact information.

• Customer preferences and opinions are supposed to change from time to time. III. Review of Literature Review of Literature It is seen as a key performance indicator within business and is often part of a Balanced Scorecard

SUGGESTIONS 1.

From the above findings it was found that one of the S.B.I.Bank provided services is Online transactions. That is not much known to the customers, therefore the Bank management should take efforts to make awareness among the general public about online facilities. 2. Since 73% of the customers using savings account deposits in every Bank. So the Bank management should think of introducing new schemes regarding savings accounts and marketing those to the customers. 3. While discussing with the customers about suggestions they want more information on loans with interest rates provided by the Bank. So the Bank should employ some contact persons through a toll free number. 4. Since 23% of the Respondents were dis-satisfy on transactions at Bank and time consumed too. To avoid this problem the Bank management should recruit more employees. 5. Majority of the customers will prefer online bill payment facility provide by S.B.I.Bank. so the management should give low service charges and offering prices on Online Bill Payments. 6. Advertisement of S.B.I.Bank is very less when compared with the competitors. It may leads to switching on other Banks. To overcome the Bank management should promote more advertisements through various advertisement vehicles. 7. Most of the customers felt that opening of an account is very difficult in the Bank. So the management should take care on new customers as well as old customers 8. Only24% of the customers will aware of the availability of shares in stock exchange. So the management should display their types of securities like equity shares, bonds, debentures etc in their branches. 9. The discussions of the customers, mostly to expanding of the branch for their convinence.The management try to expand the branch for customers' convenience. 10. Since private sector Banks are the main competitors of the SB.I.Bank.So the Bank management should always work out special market strategies to retain the current customers and also bring out the market share of S.B.I.Bank customers, by regular advertisements, improving service quality, introducing new schemes for the customers.

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