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### **Customer Satisfaction toward Saving & Loan Schemes of Co-operative Bank**

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#### **ABSTRACT**

In present era financial institutions plays a vital role to circulate the flow of money in any economy. The basic method is to get the deposits from various sectors and lend the same to the borrowers. Banking encourages the investors to invest money in a productive way. On the other words we can say that it induce the investments in any economy which enables the economy to be developed. Without intervention of banking services savings never can be invested in a productive way. Entrepreneurs would not be able to raise money. Common man would not be able to true his/her dreams of purchasing a new car or house. In 1904, Indian government embarked the cooperative movement of India. Then further it was decided by the government to develop the cooperatives to handle the problem of usury and rural indebtedness as an institutional agency, which has become a curse for population. At present there are a few financial institutions which are performing multipurpose elements of financial, regulatory, supervisory and improvement in nature of extension and advancement of cooperative credit system. Cooperative banks are the backbone to the entire cooperative structure. The paper is based on the customer satisfaction towards saving and loan schemes of cooperative banks. The study comprises the bank's performance and prevailing lending practices is herewith undertaken. Now a day's customers are running different types of the loan with banks according to their needs. Moreover in this paper it is suggested that advanced technology of the banking should be adopted in Cooperative Banks like ATMs, internet / online banking, credit cards etc. so as to bring the this bank at par with the private sector banks. Various surveys has been conducted on customer satisfaction towards savings and loan schemes in Indian banking system but no comprehensive study is done in context of cooperative banks. In this paper various parameters are taken into consideration to analyze the satisfaction level of customer towards savings and loan schemes of cooperative banks in district ShriMuktsar Sahib, Punjab.

**KEYWORDS:**Customer satisfaction, saving schemes, loan schemes

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## **INTRODUCTION**

### **DEFINITION:**

“A Co-operative bank, as its name indicates is an institution consisting of a number of individuals who join together to pool their surplus savings for the purpose of eliminating the profits of the bankers or money lenders with a view to distributing the same amongst the depositors and borrowers.”

The government of India started the cooperative movement of India in 1904. Then official efforts were made by the government to establish a new type of cooperative institution to solve the problems of Indian economy. Co-operative banks in India came into existence with the passing of the Agricultural Credit Co-operative Societies Act in 1904. Under the act of 1904, many co-operative credit societies were established. In 1912, due to the rising demand of co-operative credit, a new act was passed, which was concerned with the establishment of co-operative central banks by a union of primary credit societies. Co-operative Banks in India are registered under the Co-operative Societies Act.

Cooperative banking system supplements the commercial banks activities in mobilizing savings and providing the financial assistance to the local people. Cooperative banking system consists of rural banks with an intensive network and urban cooperative banks recognized as Primary Cooperative Banks (PCBS). In a nutshell, Co-operative bank provides economic aid to the people with small means for the safeguard of people from the trap of moneylenders. Co-operative bank is a part of enormous structure of co-operative institutions which are engaged in tasks of marketing, processing, servicing, distribution, production and banking in India. Co-operative banks generally created by the persons from local and professional community and share the common interest. This bank provides financial aid to the local people with the wide range of the financial services like loan, bank accounts, deposits etc. Co-operative banks are the financial entity and differ from stockholder banks by their structure, their organization, their goals, their Values and moreover their governance. It mainly focuses on the local population and micro-banking among middle and low level income groups of the society. This bank primarily works for the benefit of rural areas, especially the agricultural sector. Figure 1.1 presents the structure of the Cooperative Credit System in the country.

RBI and NABARD, central and state government, ownership funds, deposits or debenture issues and other co-operative institutions are the sources of their funds of cooperative bank. RBI can regulate deposit rate of cooperative banks. Like other scheduled and non-scheduled banks, Co-

operative Banks are also subject to CRR and liquidity requirements. Interest rates in of cooperative banks are varying from state to state and depend upon type of bank and nature of loans.

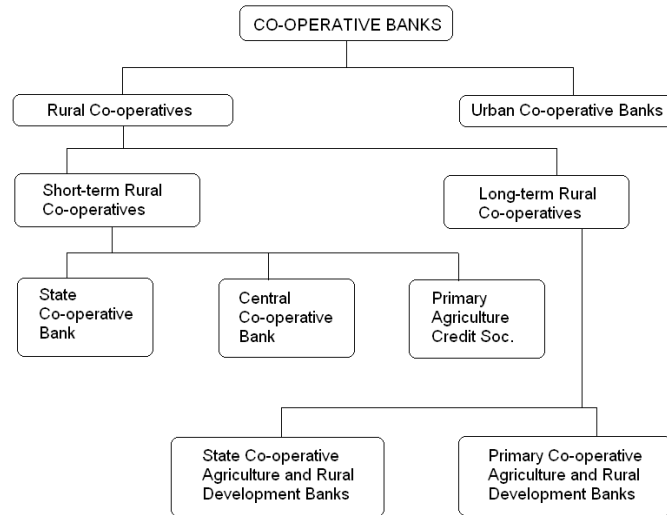


Figure 1. Structure of the Cooperative Credit System

## LITERATURE REVIEW

Various studies conducted and suggested many times to improve the working and operations to bring effectiveness in overall banking system. There are many big player in the financial industry has been stepped in into Indian banking sector such as nationalized banks, private sector banks, foreign banks etc. which is direct threat for the cooperative banks as customer is switching to those banks. The main reason behind the switching of customers is unsatisfactory response from the cooperative banks. According to Assets product like loans is fast moving product in banking system<sup>1</sup>. In this study it is analyzed that overall customer satisfaction to words banking services is 50% and satisfaction towards to deposit schemes of banks is positive in result. According to researcher bankers should focus 100% on customer satisfaction which automatically fosters customer delight and attract customer relationship for long lasting.

Authors conducted a study on customer perceptions of banking products and services in Kerala with reference to specific customer segments in the urban area<sup>3</sup>. The study reveals that people are not reluctant to avail loans from banks. The study also asserts that 32.75% of the respondents had taken loans from Cooperative banks and 31.75% from other commercial banks. A little percentage of respondents also avail financial supports from finance companies or even private money lenders. Customers generally go to private sector banks for credit because of the lower rates of interest offered by them.

Assets that there are many factors which effect the customer satisfaction and perception towards E-Banking. Many factors behind not opting for E-Banking is discussed as major issues like lack of knowledge, inadequate,legislations and security concerns. In this study it is suggested that bankers should adopt the demonstration practice to enhance the awarenessfor new customer and knowledge of existing customer regarding E-Banking.

E-banking plays an important role to attain the cost efficiency by Cost savings. E-Banking service has lowered or eliminates the service charges and offer higher interest rates on deposits than the traditional banks.

NarsimhamCommittee(1991) emphasized on capital adequacy is used to protect depositors and promote the stability and efficiency of financial systems around the world and liquidity to meet up the future obligation if it comes. CAMEL rating was suggested by Padamanabhan Committee (1995) in the form of ratios for evaluation of financial and operational efficiency,Tarapore Committee (1997) talked about preconditioned to reduction in Non-performing assets and maintaining asset quality for implementing capital account convertibility. Authorsconcluded that Growth of NPA in cooperative banks is the result of unsatisfactory performance of recovery system in cooperative credit institutions even if there is a prudential regulation are being adopted in bank<sup>9</sup>. Author focused on the relationship between nonperforming loans (NPLs) and bank failure<sup>8</sup>. In this paper author argued for an effective bank insolvency law for the avoidance and control of nonperforming loans for developing economies as NPLs are the major obstacles in its way. Research evidence regarding identification, measurement, effect and cause ofbank failure suggests that NPLs rate is the major factor which is having negative impact on the bank profitability and failure to survive<sup>6</sup>. Bank officials should review policies, including policies regarding credit risk, and responsibilities. That enables the banks to operate in a secure and gainful way. Bank required keeping check on borrowers to detect signs that customer may not comfortable in repaying the Loan. Such pro-activeness approach may enable banks to minimize potential losses also. According to authors in many countries Bank failures are the outcomes of nonperforming loans portfolio<sup>7</sup>. The study by authors reveals that in present competitive banking environment it is very important to improve the recovery system of the cooperative banks with the help of modern technology for monitoring of loans and implementing prudential norms and conducting workshops on regular basis is the need of competitive banking environment for its sustainability<sup>4</sup>.

## RESEARCH METHODOLOGY

Type of Research: The research type is descriptive which means it includes surveys and fact-finding enquiries of different kinds.

Sources of Data: In the study both sources of data primary and secondary are used. For primary data questionnaire method is used. Different resources like books, journals, newspapers and websites are used for the collection of secondary data.

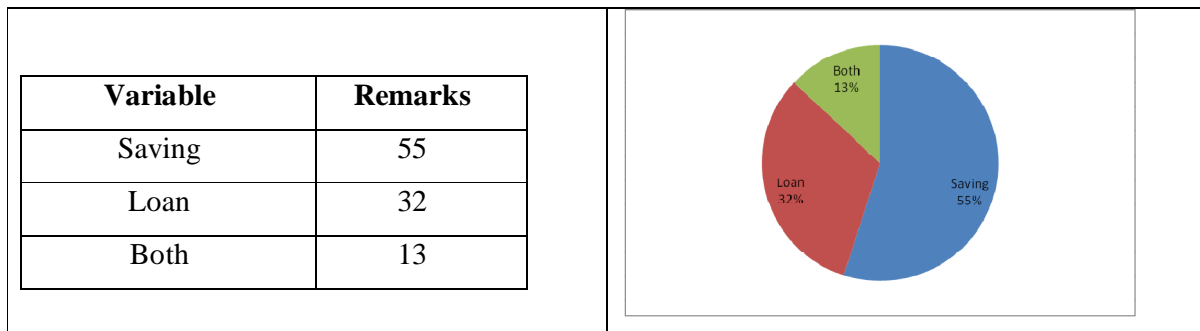
Sample Design: In this research project random sampling is used as a sampling technique. The sample size of study is 100 respondents. Basically project study is usually based on a research, which gives a concrete answer to a problem. This research may be Problem Solving or Problem Oriented. There is a good mix of respondents- males, females; employees of various designation; students; Customers from rural and urban area. It is the specification method & procedure for collection of needed information.

Data Representation: The result is presented and interpreted with the help of pie-charts and bar graph for data representation.

## OBJECTIVES OF THE STUDY

1. To analyze the Perception & Satisfaction level of the customers from Bank's leading schemes
2. To know the different type of loan and saving schemes preferred by different set of customers.
3. To identify the factors of bank the most attract the customers.
4. To analyze the level of service quality & performance of Co-operative Bank.

### Kind of account maintained in this bank

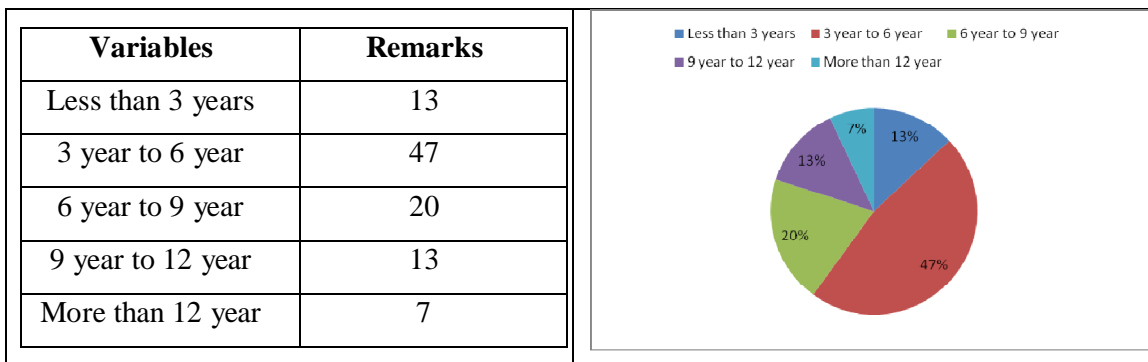


**Graph.1: Kind of Account Maintained in this Bank**

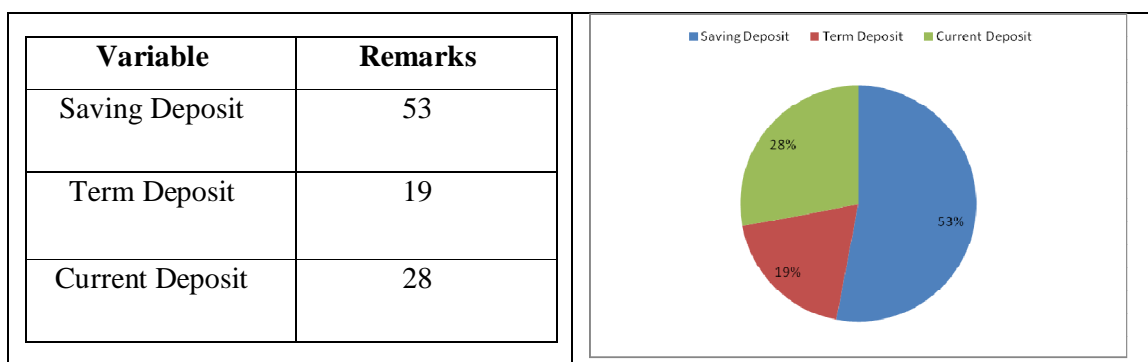
It is interpreted from graph 1 that most of 55 % customer prefer saving account 32% customer prefer Loan account. And 13% customers having both saving and loan account.

### Length of customer's relationship this bank

It is interpreted from graph 2 that most of the 47% customers having account from 3 to 6 year and 7% customers having accounted from more than 12 years and 13% are those customers who have account from less than 3 years. 20% customers lie between 6 to 9 years.

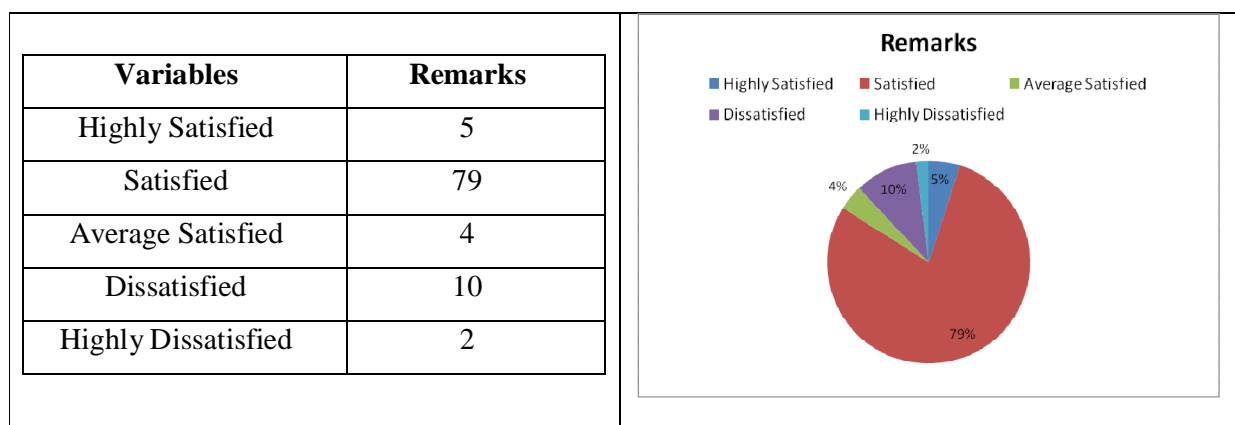


### Type of saving account with this bank



It is interpreted from graph 3 that 53% customers prefer saving deposit, 28% current deposit and less 19% preferred by the customers are term deposit.

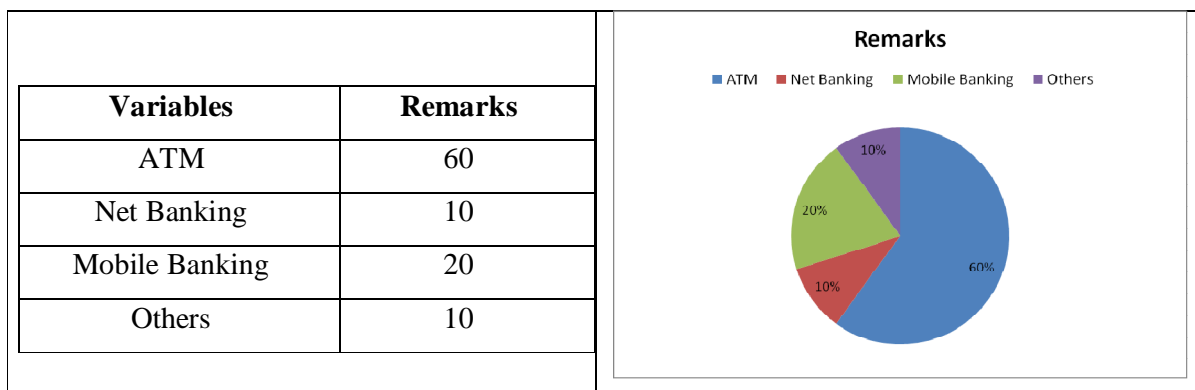
### Satisfaction level towards rate of interest offered as compared to other banks



**Graph.4: Satisfaction level towards rate of interest offered as compared to other banks**

It is interpreted from graph 4 that most of 79% customers are satisfied and 5% highly satisfied with the rate of interest offered by the bank where as 10% dissatisfied and 2% highly dissatisfied customers.

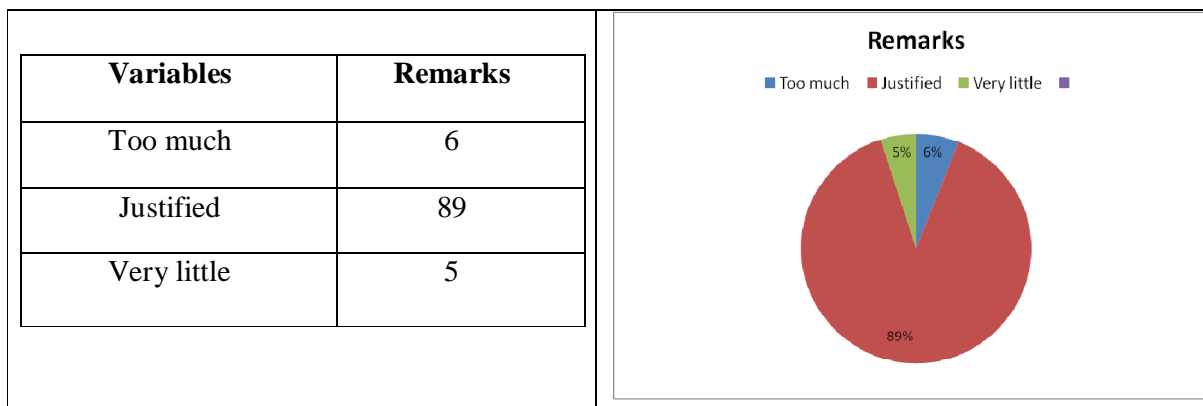
**Preferable core banking facilities of this bank.**



**Graph.5: Preferable core banking facilities of this bank.**

It is interpreted from graph 5 that majority of people 60% prefer ATM because people get money more easily than writing checks or standing in lines. 10% customers prefer net banking and 20% mobile banking because they are afraid of theft.

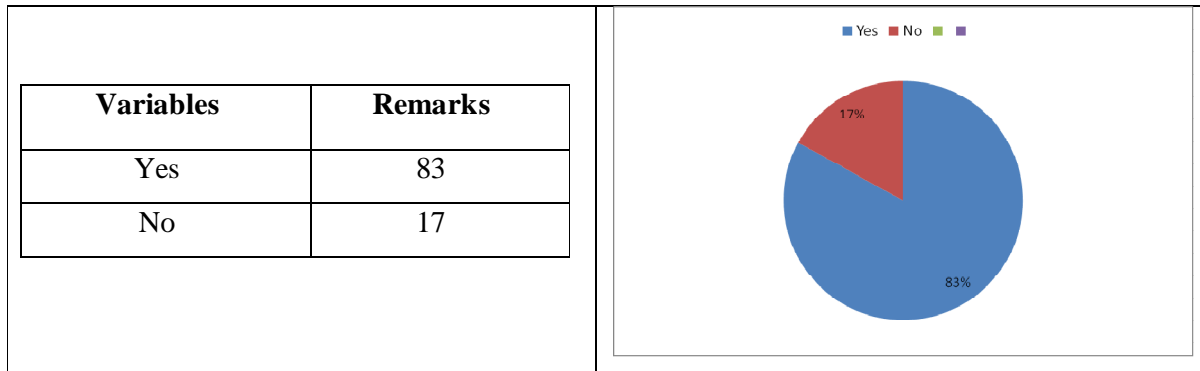
**Paper formalities of saving account in the bank.**



**Graph.6: Paper formalities of saving account in the bank**

It is interpreted from graph 6 that majority of 89% customers think that paper formalities are justified whereas 6% customer think paper formalities are too much and 5% customer think paper formalities are very little as compared to other banks.

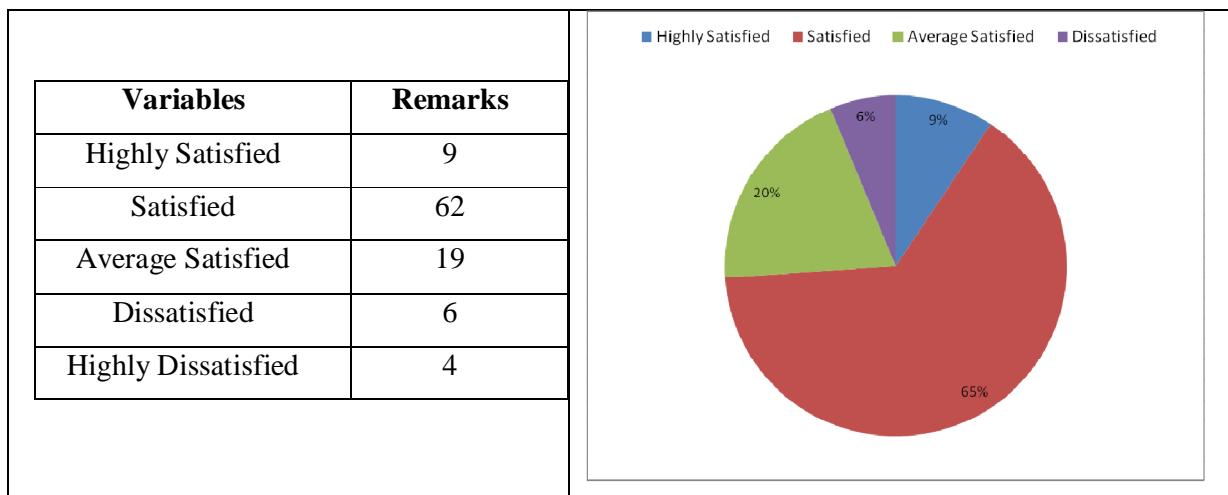
**Competitive interest rate offered by the bank.**



**Graph.7: Competitive interest rate offered by the bank**

The above graph 7 reveals that the most of people (83% )satisfied from the comparative rate of interest offered by the bank and 17% people are not satisfied.

**Satisfaction level towards saving account**



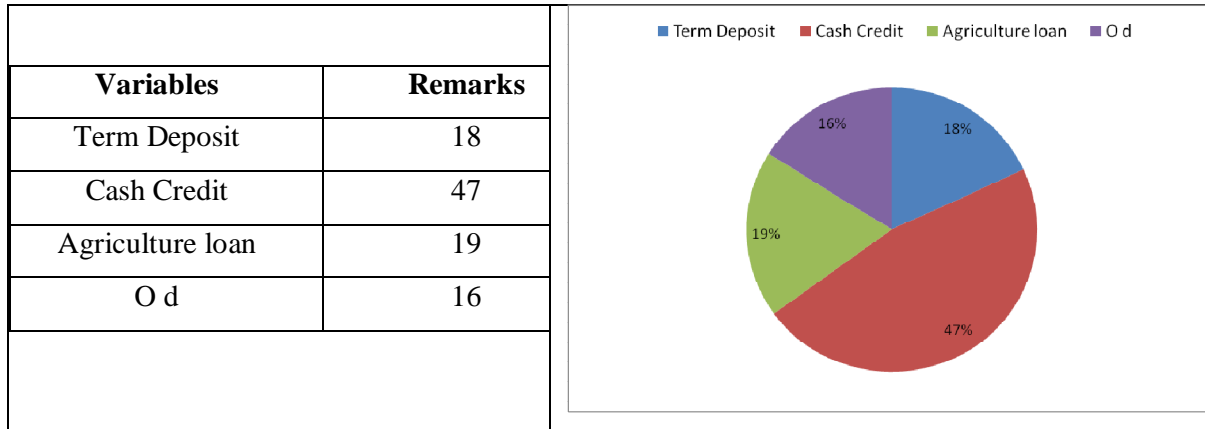
**Graph.8: Satisfaction level towards saving account.**

The above graph 8 shows that 62% investors are satisfied about their saving account, and 6% customers are not satisfied about their saving account whereas 9% customers highly satisfied and 4% customer highly dissatisfied with their saving account. 19% customers are average satisfied.

**Type of loan account with this bank**

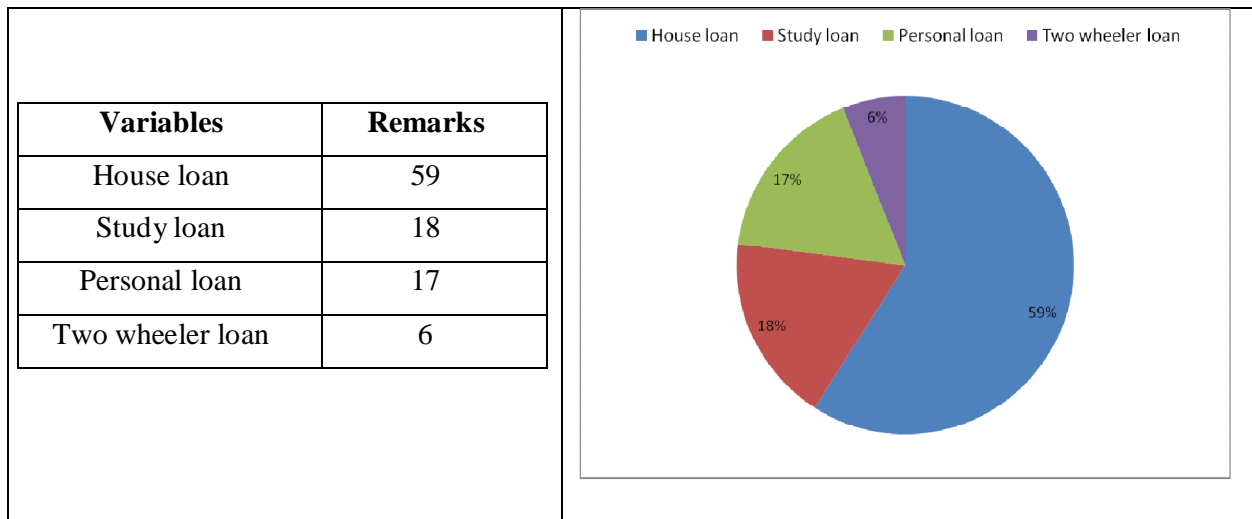
It is interpreted from graph 9 that 47% customers prefer cash credit ,19% Agriculture loan,18% term deposit and lest16% preferred by the customers are OD.





**Graph.9: Type of loan account with this bank**

**Type of term loan preferred**

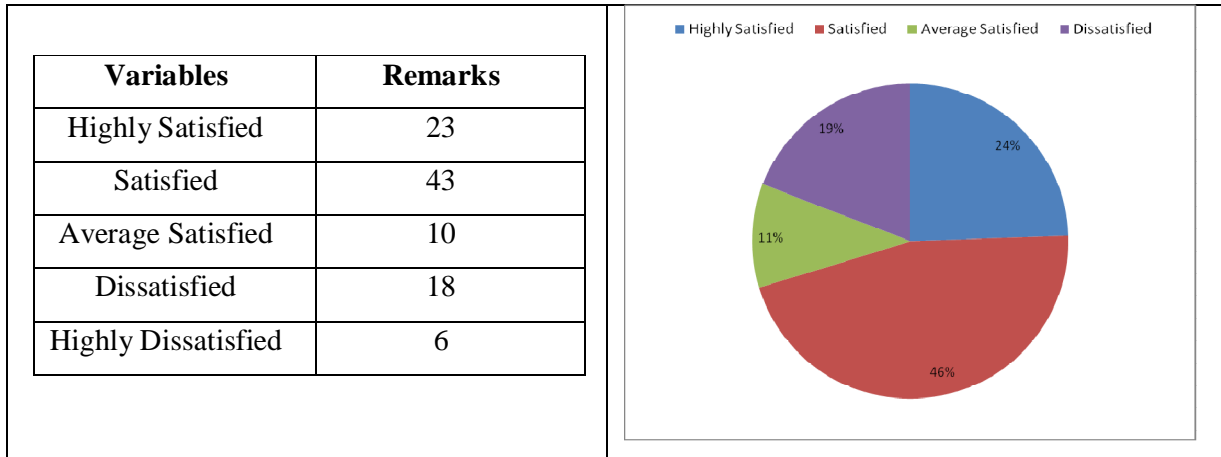


**Graph.10: Type of term loan preferred**

It is interpreted from graph 10 that house loan is preferred by most of 59% customers, 18% study loan and 17% personal loan preferred by the customers.

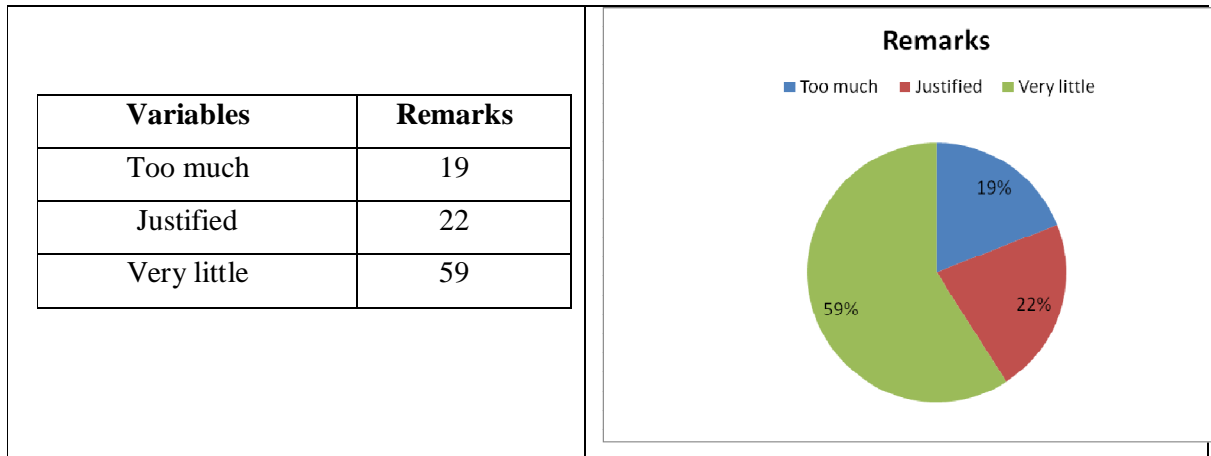
**Rate of interest on loan charged by bank as compared to other banks**

The above graph 11 shows that 43% customers are satisfied and 18% customers are not satisfied by the rate of interest charged by the bank where as 23% customers are highly satisfied and 6% customers are highly dissatisfied and 10% customers are average satisfied.



Graph.11: Rate of interest on loan charged by bank as compared to other banks

**Paper formalities of the loan account in bank**

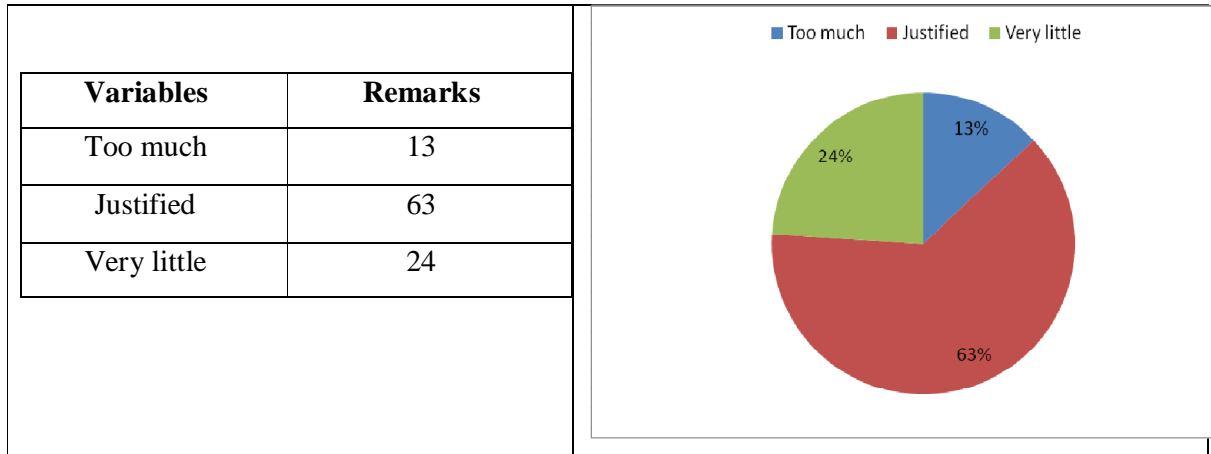


Graph.12: Paper formalities of the loan account in bank

It is interpreted from graph 12 that majority of 22% customers Think that paper formalities are justified whereas 19% customer think paper formalities are too much and 59% customer think paper formalities are very little as compared to other banks.

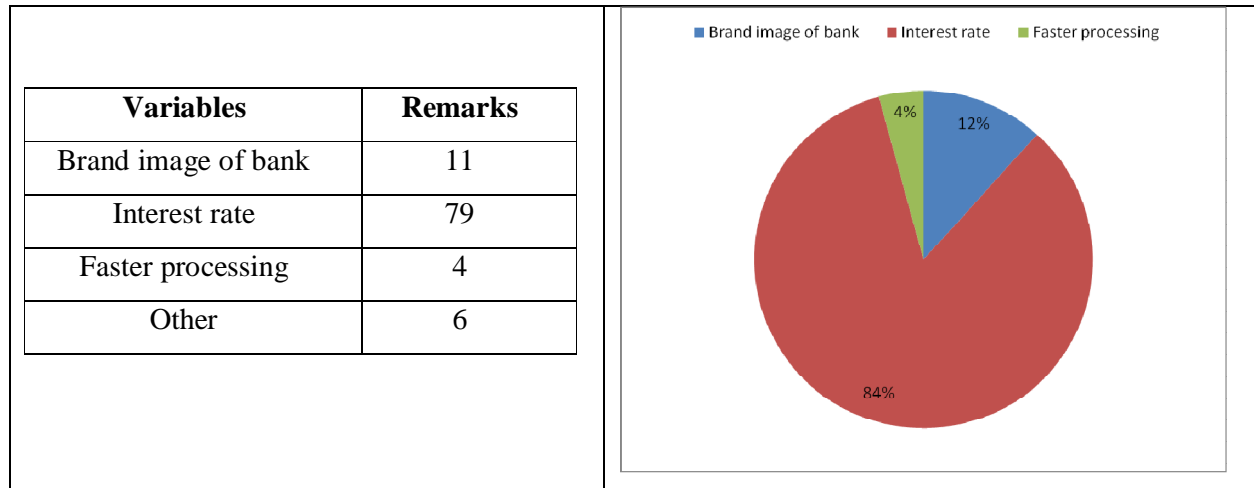
**Turnaround time (TAT) of bank in sanctioning loan**

It is interpreted from graph 13 that majority of 63% customers Think that duration of loan sanctioning is justified whereas 13% customer think duration is too much and 24% customer think duration is very little as compared to other banks.



Graph.13: Turnaround time (TAT) of bank in sanctioning loan

**Reason of taken loan from this bank**

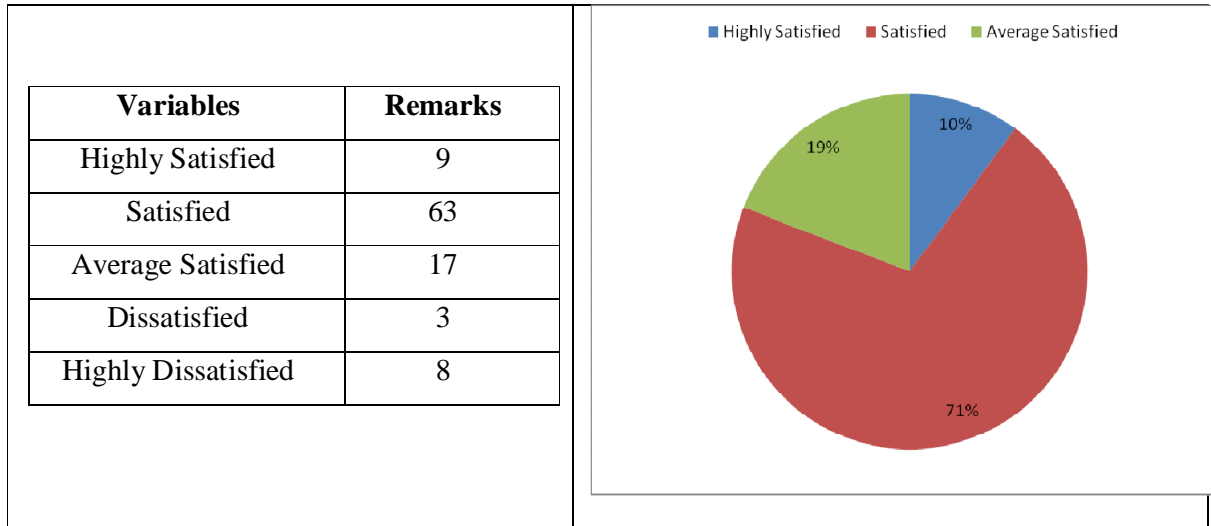


Graph.14: Reason of taken loan from this bank

It is interpreted that 79% customer prefer loan from co operative bank due to its low interest rate, 11% customer takes loan because of its brand image ,4% customers like its fast processing.

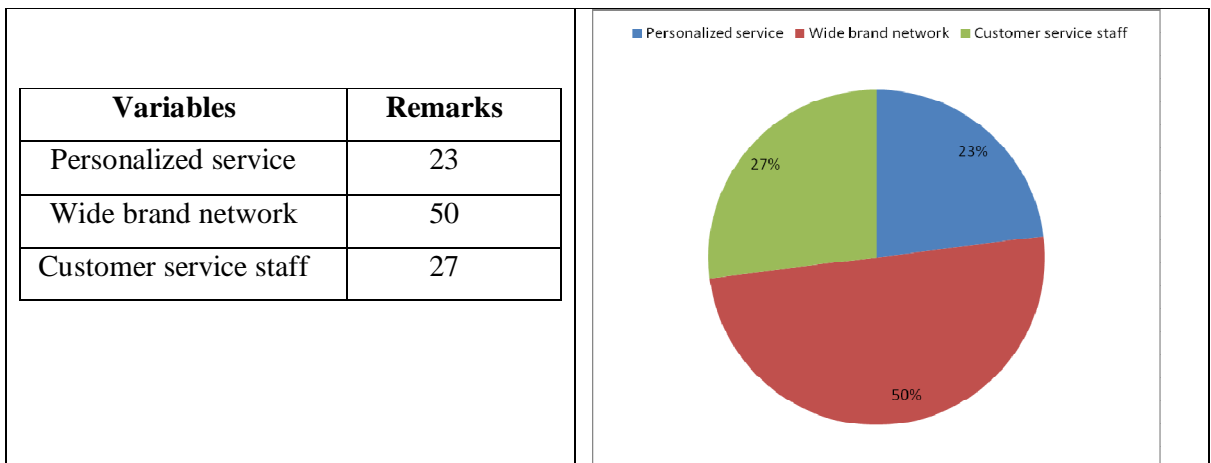
**Satisfaction Level towards loan account in this bank**

The above graph 15 shows that 63% customers are satisfied about their loan account, and 3% customers are not satisfied about their saving account whereas 9% customers highly satisfied and 8% customer highly dissatisfied with their saving account. 17% customers are average satisfied



Graph.15: Satisfaction Level towards loan account in this bank

**When do you think of this bank what comes first in your mind.....**

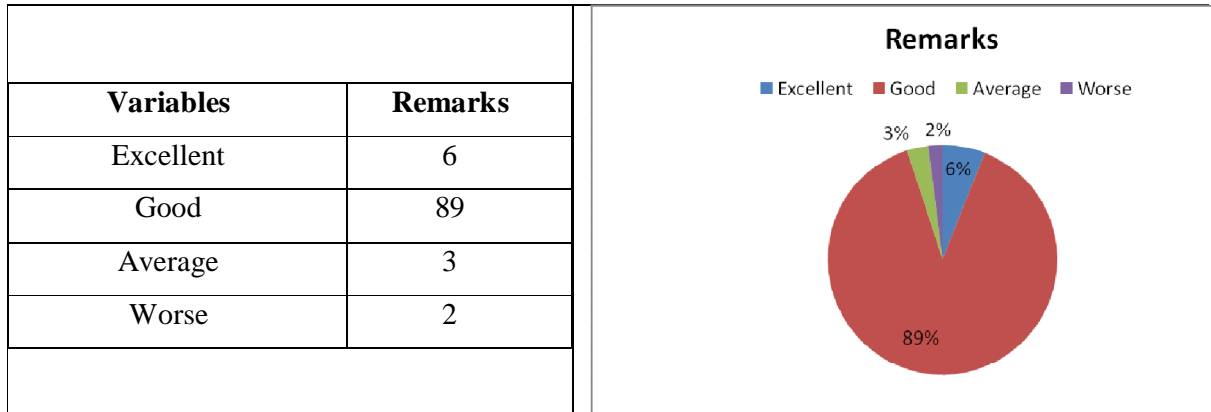


Graph.16: When do you think of this bank what comes first in your mind

It is interpreted from graph 16 that first comes in majority of customers 50% mind is its worldwide brand image and 27% customer think about its customer service staff and 23 % think about its personalized services.

**Overall respondent’s opinion about their service**

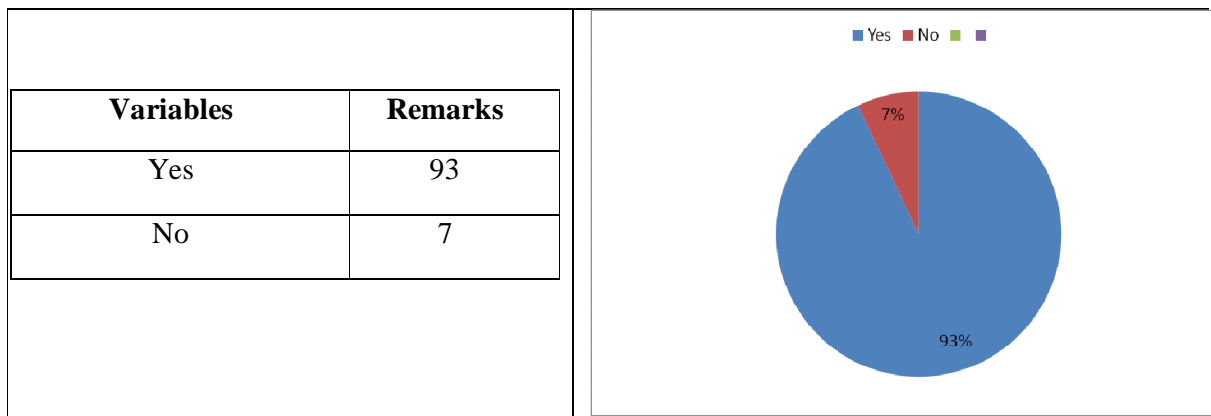
It is interpreted from graph 17 that over all opinion of most of 89% customers is Good and 6% customers is excellent. Minority of 3% customers over all opinionis average and worse (2%).



**Graph.17: Overall Respondent’s Opinion about their Service**

### Recommendation of bank to your friend or others

It is interpreted from graph 18 that 93% customers satisfied and they recommend this bank to their friends also. But 6% customers are not satisfied and don’t recommend to their friends.



**Graph.18: Recommendation of bank to your friend or others**

### FINDINGS

- Majority of customers 47% having saving account lies between 3 to 7 year time period. Only 7% customers having saving account from last 12 years
- Saving account is preferred by the middle class families and current account is mostly preferred by the business men, industrialists.
- Majority of customers are satisfied or highly satisfied because rate of interest on saving schemes or on FD is high as compare to other banks. Rate of interest charged on loan schemes are less as compared to other banks.
- Majority of customer prefer ATM as compare to other core banking facilities because it is very cheap and convenient. For ATM only card and password is required. In net and mobile banking net connection and pc also required and customers also afraid of theft.

- Majority of customer satisfied with the paper formality of saving and loan schemes .who are not satisfied think that there should be no paper formalities everything should be online.
- Majority of customer prefer house loan because it is secure use building as a mortgage.
- Customer prefer loan from co-operative bank due to its low rate of interest as compared to other banks
- In the mind of majority of 50% customers comes its world wide network. Because its branches in large number of cities and towns. So it is convenient for the customers.
- Loan sectioning duration is very little so customers are satisfied. Customers who have saving account in this bank their information is already present in the bank.
- 93% customers are satisfied and they recommend this bank to their friends also. 7% customers are not satisfied and they prefer private banks.
- Overall opinion of most of the customers are Good

## **SUGGESTIONS**

- Build relationship with the Customers to keep them retained.
- Programme at least 6 months once to educate the bank up dating.
- Customers are expected the bank prospect in order to know the bank procedure .
- Customers ombudsman should open in main city of district.
- The bank should provide good environment in order to face huge number of customer like head branch all sub branch need same facility.
- The bank charge deposit rate and discount rate should inform to the customer mobiles.
- Effective use of communication network by the bank.
- If the bank introduce new bank scheme the notice board should display in front of the bank.
- Consumer queries should be opened in order to avoid mistakes.
- Though the service quality is good but it should become better consistently as good service and better relationships is the key success Factors of current market situations.
- Separate counters should be allotted for providing passbook and collection of cheque.

## **LIMITATIONS OF THE STUDY**

Although the sincere efforts have been done to collect authentic and relevant information, the study may have the following limitation:

- **Hard enough to fetch information.** It was not an easy task to get information from middle level management. The respondents were not always open and forthcoming with their views, even agitates and not disclosing.

- **Limited scope.** Scope of study is limited ABC only and because of limited time and money. So, results of study may not generalize for India as a whole.
- **Results may be inaccurate.** The study is based on the assumption that responses are true and factual although at times that may not be the case.
- **Existence of biases.** The chances of biased responses cannot be eliminated though all necessary steps were taken to avoid the same.
- **sample size:** the sample size taken is small and may not be sufficient to predict the results with 100 % accuracy and findings may not be generalized.

## CONCLUSION

It seems that cooperative banks are playing a vital role in the progress of the rural and urban areas. This research high light the satisfaction level of customers toward the banking services of the co-operative bank in ShriMuktsar sahib District . Having considered the demographic factors of age, sex , marital status , education qualification s and monthly income of 100 respondents, a final data has been arrived and it point out that over all opinion of majority of customers about bank is Good . Choice of saving and loan schemes is depend upon the customer age group, profession and income.

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