

Customer Perception towards Public Sector Banks Services -With Special Reference to Ernakulam City

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Abstract: Public sector banks have made significant contributions to economic and social progress, but they face challenges that impact their efficiency and effectiveness. Inefficiencies, governance issues, and political interference hinder their performance. To stay relevant, PSBs must adapt to changing market conditions, technological advancements, and evolving regulations in a rapidly evolving financial landscape. This study explores the evolving role, challenges, and future prospects of public sector banks in the modern era, examining their history, institutional dynamics, and policy requirements to inform their strategic direction and future trajectory.

I. Introduction

Public sector banks refer to those in which the government owns more than half of the total stock. Public sector banks (PSBs) are pillars of the global banking industry, representing ideas of public service, financial inclusiveness, and economic growth. These institutions, which are frequently owned or heavily influenced by the government, play an important role in mobilizing savings, granting credit, and facilitating transactions across the economy. PSBs emerged from the crucible of historical, social, and economic imperatives to become pillars of financial stability and societal welfare, functioning as custodians of public confidence and protectors of economic prosperity.

Public sector banking originated in the late 18th and early 19th centuries, against a backdrop of industrialization, urbanization, and socioeconomic upheavals. As emerging nations faced the problems of modernization and capital formation, the need for strong financial institutions capable of mobilising resources and allocating credit to productive sectors became obvious. In response, governments took a proactive approach, establishing state-owned banks with the mission of promoting national development goals, increasing financial inclusion, and mitigating market failures.

The importance of public sector banks goes beyond their duty as financial intermediaries; they are engines of economic growth, accelerators of social advancement, and curators of public confidence. PSBs support entrepreneurship and inclusive development by providing financing to underrepresented sectors such as agriculture, small and medium-sized companies (SMEs), and underprivileged communities. Furthermore, PSBs play an important role in safeguarding financial stability and systemic resilience, acting as bulwarks against economic crises and market volatility thanks to their wide branch networks, depositor trust, and regulatory monitoring.

In addition to their economic functions, PSBs symbolize broader societal imperatives, expressing the values of public service and social responsibility. Unlike their private counterparts driven by economic motives, PSBs have a dual mandate: to provide financial returns for their shareholders while also achieving broader societal goals such as poverty reduction, rural development, and infrastructure finance. This one-of-a-kind mandate emphasizes the symbiotic relationship between public sector banks and the communities they

serve, underlining their commitment to promoting inclusive growth, social equity, and long-term development.

Despite their numerous contributions to economic and social advancement, public sector banks are subject to scrutiny and criticism. Bureaucratic inefficiencies, governance flaws, and politicization all pose significant challenges to their operational efficiency and institutional efficacy. Furthermore, PSBs must respond adaptively to changing market dynamics, technological disruptions, and shifting regulatory frameworks in order to remain flexible, competitive, and relevant in an increasingly linked and dynamic financial ecosystem.

In light of these varied features, this study seeks to investigate the changing role, challenges, and prospects for public sector banks in the modern era. By closely studying the historical evolution, institutional dynamics, and policy imperatives that shape PSBs, this study hopes to shed light on their future destiny and strategic imperatives.

Statement of Problem

In today's rapidly changing financial market, the future of government-owned public banks remains questionable. This study examines what customers think about public banks compared to private banks. The present study aims to understand how satisfied are customers with public banks, as well as what are the developing trends and issues they encounter. The major purpose of this research is to assess customer satisfaction with the public banks amidst continuous changes in the banking industry. This study aims to know whether the clients prefer public banks over private ones and the reason for their preference thereby evaluating the

future prospects of public sector banks.

The previous studies were focused on the NPAs and risks of public sector banks and its comparative analysis with private banks. Hence it is pertinent to conduct a detailed study on the future prospects of public sector banks. The current study aims to fill this gap by figuring out the future prospects of public sector banks by examining customers' views on the overall satisfaction with PSBs as well as the obstacles they confront in order to determine whether they will continue to rely on PSBs or shift to private banks in future.

Significance of The Study

The significance of this study lies in its comprehensive analysis of the future prospects of public sector banks (PSBs) from the perspective of their customers. PSBs are the backbone of the Indian financial system, driving economic growth and financial inclusion. Understanding customers' changing demands, preferences, and challenges is critical for PSBs' long-term development and competitiveness in today's dynamic banking sector.

By scrutinizing customer satisfaction levels, recognising emerging trends, and identifying prevalent challenges unique to PSBs compared to their private peers, this research serves as a compass guiding strategic decisions for policymakers and bank leaders. Thus, this study is highly relevant as it aims to identify the future prospectus of public sector banks by examining customers' views on the overall satisfaction with PSBs as well as the obstacles they confront in order to determine whether they will continue to rely on PSBs or shift to private banks in future.

Scope of The Study

The scope of a study on future of public sector banks can quite broad, as there are numerous factors that influence customer's preference. Some of them includes:

Geographical Focus: The study is conducted in the Ernakulam district focusing on the customer's perception on the future public sector banks.

Customer Perspectives: The study would prioritize understanding consumers' perspectives, preferences, and satisfaction levels with PSBs. This will involve evaluating the factors like customer service, accessibility and overall banking experience.

Comparison with Private Banks: The study will conduct a comparative examination of PSBs and private banks to determine the variations in client satisfaction, developing trends and the obstacles encountered.

Emerging Trends: The study will explore emerging trends within PSBs, such as the adoption of digital banking services, innovative products, and initiatives aimed at enhancing customer experience.

Challenges: The obstacles that clients face in PSBs will be examined, including regulative restraints, technology limitations compared to private banks

Objectives of The Study

To evaluate the satisfaction level of individuals with the public sector banks.

To investigate the level of technology adoption and the digital banking experience provided by public sector banks.

To assess the accessibility of financial services provided by public sector banks.

To ascertain how the public sector banks, compete with their private sector rivals.

To identify the issues that regular people encounter while interacting with public sector banks.

Research Hypothesis

H0: There is no significant difference in the digital banking experience among public sector banks, covering customer satisfaction, net banking ease, online resources and transaction security.

H1: There is significant difference in the digital banking experience among public sector banks, covering customer satisfaction, net banking ease, online resources and transaction security.

H0: There is no significant relationship between individuals' income levels and their preference for availing loans from public sector banks.

H1: There is significant relationship between the individuals' income levels and their preference for availing loans from public sector banks.

II. Research Methodology

Data collection

Data for this study is mainly based on primary data. It has been collected through a structured questionnaire. The data is normally

distributed. The secondary data has been collected from journals, magazines and websites.

Area of study

This study has been conducted in Ernakulam district in order to understand the customer satisfaction levels and the problems faced by them in public sector banks.

Sample size and Sampling technique

A sample of 100 respondents has been selected from the population for the study. Convenience sampling method has been used for this study. The questionnaires prepared using google forms were distributed among the respondents and were filled in.

Period of study

Study was conducted during the month of January 2024 to May 2024. Primary data was collected for a period of 2 months from March 2024 to April 2024.

Tools for analysis

The data collected using questionnaire was presented using tables. Statistical Package for Social Sciences (SPSS) software is used for analysing data. Cross tabulation, percentage and Likert scale were used to describe the perception quantitatively. Chi-square tests and one sample t-tests are applied for testing hypothesis.

Data Analysis and Interpretation

Table 1

Basic Information of Respondents

Particulars		Number of respondents	Percentage
Gender	Male	41	41.0
	Female	59	59.0
	Others	0	0
	Total	100	100
Age Group	Below 20	3	3.0
	20-30	52	52.0
	30-40	17	17.0
	Above 40	28	28.0
	Total	100	100
Professional Status	Student	40	40.0
	Employee	45	45.0
	Self employed	5	5.0
	Unemployed	7	7.0
	Others	3	3.0

	Total	100	100
Annual Household Income	Less than 100000	24	24.0
	100000 -500000	35	35.0
	Above500000	41	41.0
	Total	100	100

Source: Primary Data

The above table 1 shows the demographic profile of the respondents.

Gender: The table shows that, from among 100 respondents, 41.0 percent of the respondents are male and 59.0 percent are females.

Age group: The analysis shows that 3.0 percent of the respondents come under the below 20 group, followed by 52.0 percent respondents in 20 to 30 group; 17.0 percent respondents falling under the group 30 to 40 years old; 28. 0 respondents falls under the above 40 years old category.

Professional status: The table reveals that 40.0 percent respondents are students, 45.0 percent of them are employees, followed by 5.0 percent self-employed, 7.0 percent are unemployed and 3.0 percent falls under others.

Annual household income: The table indicates that, 24.0 percent of the respondents have annual household income less than 50000 rupees, 35.0 percent of the respondents fall under 100000 - 500000 income group and the remaining 41.0 percent of the respondents belongs to the category of income above 500000 rupees.

Statistical Hypothesis

H0: There is no significant difference in the digital banking experience among public sector banks, covering customer satisfaction, net banking ease, online resources and transaction security.

H1: There is significant difference in the digital banking experience among public sector banks, covering customer satisfaction, net banking ease, online resources and transaction security.

Table 2

One-Sample Statistics

Particulars	N	Mean	Std. Deviation	Std. Error Mean	Rank
1.The public sector bank's digital services align with my expectations.	100	3.95	0.892	0.089	2
2. Net banking transactions are satisfactory in terms of convenience.	100	3.91	0.842	0.084	

					3
3. The online resources offered by the bank is adequate.	100	3.90	0.798	0.080	4
Effective security protocols are implemented for online transactions	100	4.07	0.714	0.071	1

Source: SPSS Output Version no.25

Null: $\mu=3$ Alternate: $\mu \neq 3$

From the analysis made using SPSS software, it is inferred that majority of respondents finds the activation of security safeguards most satisfactory while making digital transactions. The security of transactions ranked first with a mean value of 4.07. The standard deviation is also very low (0.714) in the case of security of transactions compared to other factors. One sample t-test is significant when the mean value is greater than 3. The test also revealed that customer satisfaction, net banking ease and availability of online resources are also very important in decision making. But it has ranked second, third and fourth position while conducting one sample t-test with a mean value of 3.95, 3.91 and 3.90 respectively.

Table 3

One-Sample Test

Particulars	Test Value = 3						
	t	df	Significance		Mean Difference	95% Confidence Interval of the Difference	
			One-Sided p	Two-Sided p		Lower	Upper
1. The PSB's digital services align with my expectations.	10.652	99	0.000	0.000	0.950	0.77	1.13
2. Ease of net banking transactions	10.807	99	0.000	0.000	0.910	0.74	1.08
3. Availability of online resources	11.282	99	0.000	0.000	0.900	0.74	1.06

4. Activation of effective security measures for transactions	14.980	99	0.000	0.000	1.070	0.93	1.21
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Source: SPSS Output Version no.25

A one sample t-test is conducted to examine whether the average rating of customer satisfaction in PSB from a sample of 100 respondents differs significantly from the population mean of 3. The obtained test statistic was 10.652 with 99 degrees of freedom. The associated p-value was 0.000. Since the p-value is less than the significance level of 0.05, we reject the null hypothesis. Therefore, there is a significant difference between the sample mean and population mean. It suggests that the sample's average importance rating of customer satisfaction in PSB is not equivalent to 3.

A one sample t-test is conducted to examine whether the average rating of net banking ease from a sample of 100 respondents differs significantly from the population mean of 3. The obtained test statistic was 10.807 with 99 degrees of freedom. The associated p-value was

0.000. Since the p-value is less than the significance level of 0.05, we reject the null hypothesis. Therefore, there is a significant difference between the sample mean and population mean. It suggests that the sample's average importance rating of net banking ease in PSB is not equivalent to 3.

A one sample t-test is conducted to examine whether the average rating of availability of online resources from a sample of 100 respondents differs significantly from the population mean of 3. The obtained test statistic was 11.282 with 99 degrees of freedom. The associated p-value was 0.000. Since the p-value is less than the significance level of 0.05, we reject the null hypothesis. Therefore, there is a significant difference between the sample mean and population mean. It suggests that the sample's average importance rating of availability of online resources is not equivalent to 3.

A one sample t-test is conducted to examine whether the average rating of transaction security from a sample of 100 respondents differs significantly from the population mean of 3. The obtained test statistic was 14.980 with 99 degrees of freedom. The associated p-value was

0.000. Since the p-value is less than the significance level of 0.05, we reject the null hypothesis. Therefore, there is a significant difference between the sample mean and population mean. It suggests that the sample's average importance rating of transaction security in digital banking is not equivalent to 3.

Degree of freedom= $n-1=100-1=99$ Level of significance=0.05

Table value=1.9847

Mean Difference= $\bar{x} - \mu$

Mean difference= $3.95-3=0.95$

Mean difference= $3.91-3=0.91$

Mean difference= $3.90-3=0.90$

Mean difference= $4.07-3=1.07$

Test statistic $t = \text{Difference} \div \text{Standard Error}$

$t = 0.950 \div 0.089 = 10.674$

$t = 0.910 \div 0.084 = 10.83$

$t = 0.900 \div 0.083 = 10.84$

$t = 1.070 \div 0.071 = 15.074$

Since the test statistic is greater than table value in these four cases, we reject the null hypothesis and accept alternate hypothesis. That is, there is significant difference in the digital banking experience among public sector banks, covering customer satisfaction, net banking ease, online resources and transaction security. The respondents are of the opinion that, customer satisfaction, net banking ease, availability of online resources and transaction security have a significant importance in digital banking among customers.

Statistical Hypothesis

H0: There is no significant relationship between individuals' income levels and their preference for availing loans from public

sector banks.

H1: There is significant relation between the individuals' income levels and their preference for availing loans from public sector banks.

Table 4

Availing Loans and Household Income-Crosstabulation

Household Income	Customers Prefer Public Sector Banks For Availing Loans					
	Strongly disagree	Disagree	Neutral	Agree	Strongly agree	TOTAL
Below 100000	0	0	6	8	10	24
100000-500000	1	0	9	14	11	35
Above 500000	0	0	15	22	4	41
Total	1	0	30	44	25	100

Source: SPSS Output Version no.25

Table 4

(A) Chi-Square Tests

O	E	(O-E) ²	(O-E) ² /E
7	8.19	1.42	0.1734
9	10.2	1.44	0.1412
15	12.3	7.29	0.5927
8	10.56	6.55	0.6203
14	14.96	0.92	0.0615
22	18.04	15.68	0.8692
10	6	16	2.6667
15	18.75	14.06	0.7499
TOTAL			5.8749

An analysis using Chi-square test is conducted to examine the relationship between individuals' income levels and their preference for availing loans from public sector banks. Chi-square test can be done only after pooling those values which are less than 5. In the above table O indicates the Observed frequency and E indicates the Expected frequency. In this table, the values of expected frequency are calculated using the formula for computation of expected frequency which is, $E = \frac{(\text{Row total} \times \text{Column total})}{\text{Grand total}}$.

Level of significance = 0.05

Degree of freedom = $(r-1) \times (c-1)$ i.e., $(3-1) \times (5-1) = 8$

The calculated value of chi-square is 5.8749 and table value at .05 level of significance with 8 as the degree of freedom is 15.507. Since the calculated value (5.8749) is less than the table value (15.507), the null hypothesis is accepted. Therefore, it means that there is no significant relationship between individuals' income levels and their preference for availing loans from public sector banks.

III. Findings

Majority of the respondents are satisfied with the overall banking experience in PSBs.

The major factors for their satisfaction include, communication effectiveness, accessibility of financial services, branch convenience and meeting of customer requirements.

Most of the respondents prefer public sector banks for availing loans.

The respondents are satisfied with the bank's efforts in customer grievance resolution.

The major fraction of the respondents is satisfied with the ease of net banking transactions in PSBs.

The respondents have given the rating good for the effectiveness in activating security protocols for the online transactions in PSBs.

Majority of the respondents are of the view that, the financial services provided by public sector banks are accessible and sufficient.

The larger number of respondents are of the opinion that PSBs supports financial inclusion.

Most of them prefer public sector banks than private banks in terms of service quality, better interest rates and for availing loans.

Majority of the respondents find customer satisfaction, net banking ease, online resources and transaction security very important in the digital banking experience provided by PSBs. Out of which the activation of security safeguards ranked first that it is the most important factor with highest satisfaction rate among respondents.

Annual household income and preference for availing loans from public sector banks are independent.

IV. Conclusion

The research study explores the future of public sector banks with reference to the customer perceptions having analysed data obtained from 100 respondents. The study revealed that, majority of the respondents prefer public sector banks for availing banking services. Overall, a majority of respondents expressed satisfaction with the banking experience provided by PSBs, particularly highlighting factors such as communication effectiveness, accessibility of financial services and branch convenience. Notably, PSBs are preferred for availing loans by most respondents, indicating a level of trust and confidence in these institutions. However, challenges such as lengthy application procedures for loans and concerns about fee charges need to be addressed to improve customer satisfaction further. Additionally, there is a clear opportunity for PSBs to enhance their digital banking services by simplifying interfaces and ensuring robust security measures. By focusing on these areas and staying competitive in the market, PSBs can continue to serve the needs of their customers effectively and maintain their relevance in the evolving banking landscape.

Suggestions

The public sector banks should continuously take an effort to make online banking and mobile apps simpler and easier to use in such a way that the customers should be able to navigate them effortlessly and perform activities without any hassle.

Broadening the range of bank accounts and the services provided will be remarkably effective to fulfill a variety of customer needs. Offering personalized solutions ensures that everyone can find options that meet their financial needs.

Most of the respondents face difficulty in loan application processes of public sector banks. Simplifying the loan application procedures will help in reducing the complexity and client concerns.

Excessive fees charged by the banks is a factor that create dissatisfaction among customers. Ensuring transparency and fairness in fee structures, avoiding hidden charges and providing clear explanations for any fees incurred would be much better.

Investing in comprehensive training programs would be a greater step forward in order to equip the bank staff with the necessary skills and knowledge to provide excellent customer service.

Set up ways for them to give feedback easily, and then actually take action based on what they say. This could involve fixing problems they've pointed out or adding new features they've requested.

Staying competitive by closely monitoring industry trends and benchmarking against other growing banks continuously, while striving to offer competitive rates and services will significantly enhance the competitive edge of PSBs.

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