Customer Perception Towards Borrowing Bank Loans: An Empirical Study

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ABSTRACT

In the present life of an individual finance is an important aspect. This finance is provided by banks to almost all the individuals and all types of business enterprises. Banks provide loans for agriculture, industry, trade, commerce and personal needs of individuals. The growth of banking sector has been highly depending on the needs of the customers, cost of service offered, level of income, repaying capacity, expectation of the customer and the service quality. The banking system is facing challenges with stiff competition and advancement of technology. It becomes imperative for service providers to meet or exceed the target customer’s satisfaction with quality of services expected by them. Hence, the present study is an attempt to know the customers’ perception towards different banks and the problems faced while borrowing the loans from the banks. It also throws light on the quality of services, both transaction based and IT enabled in terms of its constituent factors in public sector, private sector and foreign banks.

Keywords: Bank Loans, Borrowing, Customer Satisfaction, Perception, Service Quality

INTRODUCTION

In the current busy world people are find it difficult in fulfilling their desires in addition to these basic needs. The income or earnings of the individuals are not adequate to fulfill other wants with which they can lead a comfortable life. They are in need of much required finance to secure some additional needs for which they need help from others such as banks and other financing institutions. There are many public & private sector banks which provide loans to the individuals to fulfill their requirements and needs. The banks offer and provide loans to the as individuals or organisations for different causes as per their requirement and needs. The different types of Loans provided by the banks are such as, Home Loans, Educational Loans, Car Loans, Personal Loans, Property Loan, etc. This helps the individuals to fulfill their dreams and it is really easy to repay the borrowed loan amount with a longer repayment period.

A customer can be defined as a user or potential user of banking services. A customer would include an account holder, or his representative, or a person carrying out casual

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business transactions with a bank, or a person
who, on his own initiative, may come within the
banking fold (Talwar Committee Report 1976).
This statement clearly depicts that customer
satisfaction is the key driven factor behind the
growth of any industry and banking is not an
exception to it. And due to the increasing fierce
competition it is becoming very essential for
private banks to know about the level of aware-
ness and satisfaction among its customers to
sustain the significant market share.

Customer Perception is an important aspect
of a banks relationship with their customers.
Customer satisfaction is a mental state which
results from the customer’s comparison of
expectations prior to borrow the loan amount
with performance perception after borrow-
ing the loan money. Strong customer service
helps the banks to reach up to their customers’
expectations. Customer Service most often in-
cludes answering the queries, dealing with cash
deposits and loan issues, handling complaints,
and welcoming their suggestions. Some banks
offer customer service on-site, over telephone,
via internet or through call centers often staffed
around the clock, which is provided free of
service. Quality customer service is essential
for building good customer relationships.

The efficiency of a banking sector de-
pends 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 provi-
ders of banking services are now required to
continually improve the quality of services.
Banking operations are becoming increasingly
customer dictated. The ability of banks to offer
clients access to several markets for different
classes of financial instruments has become
a valuable competitive edge. With better un-
derstanding of customers’ perceptions, banks
can determine the actions required to meet the
customers’ needs. They can identify their own
strengths and weaknesses, where they stand in
comparison to their competitors, chart out path
future progress and improvement. Customer
satisfaction measurement helps to promote an
increased focus on customer outcomes and
stimulate improvements in the work practices
and processes used within the company. The
bank system is facing the challenges with stiff
competition and advancement of technology;
the services provided by banks have become
more easy and convenient.

OBJECTIVES OF THE STUDY

The study focus on the loans provided by differ-
ent banks, the strategies adopted by the banks
for promoting loans, in addition to identifying
the problems in availing banks loans. In tune
with this the following specific objectives are
framed.

1. The main objective of the present study is
to know the customers’ perception towards
availing loans from different banks;
2. To identify the problems faced by the
customers’ while borrowing loans from
the banks;
3. To analyze and evaluate the important
factors or reasons that influenced the cus-
tomers’ while availing loans;
4. To offer recommendations for the effective
marketing of consumer loans by the banks
by developing appropriate promotional
strategies.

BANKING SYSTEM IN INDIA

Banks play a role of considerable economic
significance as intermediaries in mobilizing
public savings and channelizing the flow of
funds for productive purposes, keeping on the
process of the economic growth of the country.
Realizing the importance of the role of the
banks in economic development, Government
of India took several major initiatives after
the country attained independence to gear the
banking system to serve the national objective.
The Reserve Bank of India (RBI) is India’s
Central Bank. It has the sole authority for is-
suing bank notes and is the supervisory body
for banking operations in India. It supervises
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