

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

DOI: 10.4018/IJPMAT.2015010103

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 awareness and satisfaction among its customers to sustain the significant market share.

Customer Perception is an important aspect of a bank's 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 borrowing the loan money. Strong customer service helps the banks to reach up to their customers' expectations. Customer Service most often includes 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 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 providers 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 understanding 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 different 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 customers' 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 issuing bank notes and is the supervisory body for banking operations in India. It supervises

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