

A STUDY ON CREDIT MECHANISM OF PNB

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Abstract

Public sector banks have dominated the Indian banking industry. However, with the entry of private players in the industry, they are forced to enhance their quality to keep in pace with the competition posed by these private players. Provision of credit is the most important activity of banks which determine their profitability. This descriptive research endeavours to analyse the loanees perception about credit mechanism of Punjab National Bank (PNB) by administering a well structured interview schedule to those who have availed credit from the bank. Results reveal that the loanees are quite satisfied with the bank's credit policy while the credit disbursement results. Further, service quality exerts the maximum impact on customer satisfaction, followed by trust and employee behaviour.

Keywords:

Credit Mechanism, Public sector banks, Customer satisfaction Blatant Group, Trust Barefaced Group, Service quality Overt Group

1. INTRODUCTION

Public sector banks have to enhance their service excellence through improved amenities for customers, infrastructure and enriched customer-caring on the part of employees by imparting necessary training to them (Puja Khatri &Yukti Ahuja 2010). However, technology upgradation is the most important element which can be utilized to accomplish customer satisfaction, enhance efficacy and cost-control and it were the private and foreign banks which took a lead in this direction in India. It is universally accepted that good customer perception about product or service alone will enhance the market share of the company (Tiwarly B. K. 2011). ATM service is the most preferred service by customers and hence the different aspects of ATM services such as sensitivity and security, management of difficulties, contact services, productivity, cost efficiency, Recompense and contact services have to be given utmost importance by banks to achieve customer delight and win their confidence (Vijay M. Kumbhar 2011).

Information Technology has come to the rescue of banks in this regard and private and foreign banks have utilized this to cater to the needs of dynamic customer class (Rengasamy Elango and Vijaya Kumar Guddep 2006). Customers have better satisfaction regarding services provided by private banks which is due to customer-tailored products and services offered by them after conducting effective customer surveys (Muhammad Naveed 2009). Providing qualitative services shall win appreciation from customers who start recommending about the bank, which shall boost the image of banks (Monica Bedi 2010). Hence, providing qualitative service at affordable cost shall contribute to the banks gaining competitive advantage (Pooja Mengi 2009). Though private banks have a competitive edge over the public sector banks in the utilization of sophisticated technology in serving customers, the latter have a tremendous

edge over the former in the form of providing credit to the down-trodden and under-privileged sections of society such as farmers and fishermen, thus resulting in the winning of support of more customers (Senthikumar et al. 2011).

Hence, credit mechanism adopted by public sector banks immensely contribute to their popularity and survival. This study endeavours to analyse the credit mechanism adopted by the public sector bank of Punjab National Bank (PNB).

2. OBJECTIVES OF THE STUDY

- To analyze type of credit availed by loanees of PNB
- To assess the opinion of loanees about service quality, customer satisfaction, trust and employee behavior of PNB
- To assess the impact exerted by service quality, trust and employee behavior on customer satisfaction

3. METHODOLOGY

The proposed study is descriptive in nature, based on primary data collected by administering a well structured questionnaire to persons who have availed credit from PNB. The sample frame for the study is PNB Puducherry main branch while the sample population for the study shall be the borrowers who have availed credit from PNB. The sample size for the study is 200 while convenient sampling method has been used for the study. The questionnaire consists of three sections. The first section consists of six questions on demographic details of the borrowers while the second section consists of 8 questions on different aspects of service related to credit. The third section consist of four constructs namely, customer satisfaction comprising of 5 statements, service quality comprising of 7 statements, employee behavior comprising of 7 statements and trust comprising of 7 statements. The response of borrowers about these four factors has been obtained in a Likert's five point scale ranging between Strongly Disagree and Strongly Agree. The data collected has been represented suitably in tables and figures and analysed using Smart PLS and statistical package of Social Science, employing the statistical tools of Mean, Cluster Analysis, Correspondence Analysis, Chi-square Analysis, ANOVA and SEM.

4. ANALYSIS & INTERPRETATION

4.1 PROFILE OF ACCOUNT HOLDERS OF PNB

Males constitutes 53% of the total respondents while females constitutes 47%; 35% are aged less than 25, 47% are aged 25-35, 17% are aged 35-50 and 1% are aged more than 50; 14.5% are government employees, 20.5% are private employees, 23.5% are businessmen, 40% are students, 0.5% are housewives and 1%

are pensioners; 5% are educated upto HSE, 33% are Graduates, 16% are Post Graduates, 11% are diploma-holders and 35% are professionally educated; 39.5% of the respondents are married and 60.5% are single; 37% have family monthly income of less than 30000, 61.5% have family monthly income of 30000 to 50000 and 1.5% have family monthly income of more than 50000; 10% of the respondent prefer ATM services, 36% prefer account maintenance services, 20.5% prefer Internet banking, 35% prefer Mobile banking and 8.5% prefer Retail banking.

4.2 OPINION OF RESPONDENTS ABOUT SECURED BANK FOR AVAILING CREDIT

Table.1 portrays the opinion of respondents about secured bank for availing credit according to which majority of the females feel that Indian Bank is the most secured bank for availing credit followed by PNB and ICICI while all the male loanees feel that PNB is the most secured bank. Businessmen, Government and private employees prefer PNB followed by Indian Bank and ICICI while students prefer Indian Bank. All the married feel that PNB is the best followed by Indian Bank and ICICI. Majority of unmarried also prefer PNB, though significant proportion of them prefer Indian Bank and ICICI. Loanees educated upto HSE, Graduation, Post Graduation and Diploma prefer PNB while Professionally qualified prefer Indian Bank followed by ICICI. Finally, Loanees aged 25-50 feel PNB is best followed by Indian Bank and ICICI, while young and old loanees prefer other banks. Interestingly, the P values in respect of all the profile variables is 0.000, implying that there is a strong association between the Loanees' feeling about the most

secured bank for availing credit and their profile such as age, gender, occupation, education and marital status.

4.3 CREDIT FACILITIES AVAILED FROM PNB

According to Table.2, majority of loanees have availed education loan (EL) from PNB, followed by housing loan (HL) and car loan. Those who have availed credit in the form of Credit Card (CC), Overdraft (OD), Agricultural Loan (AL), term Loan (TL) and Demand Loan (DL) constitute a meagre proportion of the total number of loanees. Most of the males have availed HL while most females have availed. Almost all the loanees aged less than 25 have availed EL while majority of those aged 25-35 have availed HL while almost all of those aged 35-50 and all of those aged above 50 have availed car loan. All the government employees and majority of private employees have availed EL while almost all the businessmen have availed EL while a solitary housewife has availed car loan and majority of students have availed EL. All of those educated upto HSE and majority of graduates have availed HL while majority of Diploma-holders and postgraduates have availed EL and majority of professionally educated have availed car loan. Couple of those earning less than 15000 and a solitary person earning more than 50000 have availed car loan while majority of those earning 15000-30000 have availed HL while majority of those earning 30000-50000 have availed EL. Finally, majority of married have availed HL while bulk of unmarried have availed EL. The P values in respect of all the demographics is 0.000, signifying the existence of strong association between all the demographic variables of the loanees and the type of credit availed by them.

Table.1. Secured Bank for Availing Credit

Group	Respondents	PNB	ICICI	IB	SBI	Others	Total	P
Overall		132	24	31	10	3	200	
Gender	Male	106	0	0	0	0	106	0.000
	Female	26	24	31	10	3	94	
Age	25-35	94	0	0	0	0	94	0.000
	Less than 25	38	24	8	0	0	70	
	35-50	0	0	23	10	1	34	
	More than 50	0	0	0	0	2	2	
Occupation	Govt Employee	29	0	0	0	0	29	0.000
	Private Employee	41	0	0	0	0	41	
	Business	47	0	0	0	0	47	
	Student	15	24	31	10	0	80	
	House Wife	0	0	0	0	1	1	
Pensioner	0	0	0	0	2	2		
Education	Upto HSE	10	0	0	0	0	10	0.000
	Degree	66	0	0	0	0	66	
	PG	32	0	0	0	0	32	
	Diploma	22	0	0	0	0	22	
Professional	2	24	31	10	3	70		
Marital Status	Married	79	0	0	0	0	79	0.000
	Unmarried	53	24	31	10	3	121	
Monthly Income	Less than 15,000	0	0	0	0	1	1	0.000
	15,000 to 30,000	74	0	0	0	0	74	
	30,000 to 50,000	58	24	31	10	0	123	
	More than 50,000	0	0	0	0	2	2	

Table.2. Type of Loan Availed by Loanees

Group		HL	CC	OD	DL	EL	AL	TL	car	Total	P
Overall		41	11	10	17	83	2	1	35	200	
Gender	Males	41	11	10	17	27	0	0	0	106	0.000
	Females	0	0	0	0	56	2	1	35	94	
Age	25-35	41	11	10	17	15	0	0	0	94	0.000
	Less than 25	0	0	0	0	68	2	0	0	70	
	35-50	0	0	0	0	0	0	1	33	34	
	More than 50	0	0	0	0	0	0	0	2	2	
Occupation	Government Employee	29	0	0	0	0	0	0	0	29	0.000
	Private Employee	12	11	10	8	0	0	0	0	41	
	Business	0	0	0	9	38	0	0	0	47	
	Student	0	0	0	0	45	2	1	32	80	
	House Wife	0	0	0	0	0	0	0	1	1	
	Pensioner	0	0	0	0	0	0	0	2	2	
Education	Upto HSE	10	0	0	0	0	0	0	0	10	0.000
	Degree	31	11	10	14	0	0	0	0	66	
	PG	0	0	0	3	29	0	0	0	32	
	Diploma	0	0	0	0	22	0	0	0	22	
	Professional	0	0	0	0	32	2	1	35	70	
Income	Less than 15,000	0	0	0	0	0	0	0	1	1	0.000
	15,000 to 30,000	41	11	10	12	0	0	0	0	74	
	30,000 to 50,000	0	0	0	5	83	2	1	32	123	
	More than 50,000	0	0	0	0	0	0	0	2	2	
Marital status	Married	41	11	10	17	0	0	0	0	79	0.000
	Unmarried	0	0	0	0	83	2	1	35	121	

4.4 LOANEES PERCEPTION ABOUT CREDIT MECHANISM OF PNB

Loanees' perception about credit mechanism of PNB has been assessed using many statements and the result has been displayed in Table.3.

Table.3. Loanees Perception about Credit Mechanism of PNB

Statement	Mean	Statement	Mean
Satisfaction	3.645	Monitoring	3.165
Communication	3.25	Skilled and Efficient	3.21
Terms of Loan	3.525	Fast and Efficient	2.67
Credit Policy	3.595	Friendly	3.055
Obtaining Credit	3.66	Simple Criteria	3.305
Interest Rate	3.43	Simple Scrutinising Procedure	3.465
Loan Disbursement	2.57	Simple Documentation	3.385
Understanding Credit Policies	3.63	Processing Fee	3.33
No Encounters	2.96	Recommendation	3.71
Control	3.57	Trust	4.03
Taken Care	3.035	Loan Management	3.45
REPUTATION	2.585		

It can be inferred from Table.3 that the mean in respect of "The bank's credit policy can be fully trusted" is the highest (4.03), while the mean in respect of "The bank has a good satisfactory result on loan disbursement" is the lowest (2.57). Hence it can be observed that loanees largely trust the credit

policy provided by PNB while they are not that satisfied with the bank's loan disbursement procedure.

5. CLUSTER ANALYSIS

The next step is to group the loanees according to their response to the different factors relating to their opinion on credit mechanism of PNB using Cluster Analysis. The Final Cluster Centres derived using Cluster Analysis has been displayed in Table.4.

Table.4. Final Cluster Centres

Factor	C1	C2	C3	F	P
Customer satisfaction	2.75	4.06	3.36	221.038	0.000
Service quality	2.34	3.70	2.88	327.009	0.000
Employee behavior	2.16	3.58	2.86	462.882	0.000
Trust	2.69	4.20	3.25	457.638	0.000
Frequency	32	77	91		

It can be inferred from Table.4 that three clusters are formed from the four factors. The mean of first cluster is high for the factor "Customer satisfaction" and hence the cluster is labelled as "Customer satisfaction Blatant Group". 32 loanees constitute this cluster. The mean of second cluster is high for "Trust" and hence this cluster is designated as "Trust Barefaced Group". This cluster incorporates 77 loanees. The mean of third cluster is high for "Service quality" and hence the cluster is pigeon-holed

as “Service quality Overt Group”. This cluster encompasses 91loanees. Table.4 further reveals that all the four factors used for the study significantly contribute to clusterisation of the loanees. The F values signify that Employee Behaviour Factor makes the largest contribution to the clusterisation process followed by Trust.

5.1 DEMOGRAPHIC CHARACTERISTICS OF CLUSTERS

The demographic characteristics of the clusters has been analysed using Correspondence Analysis and the results have been displayed in the following figures.

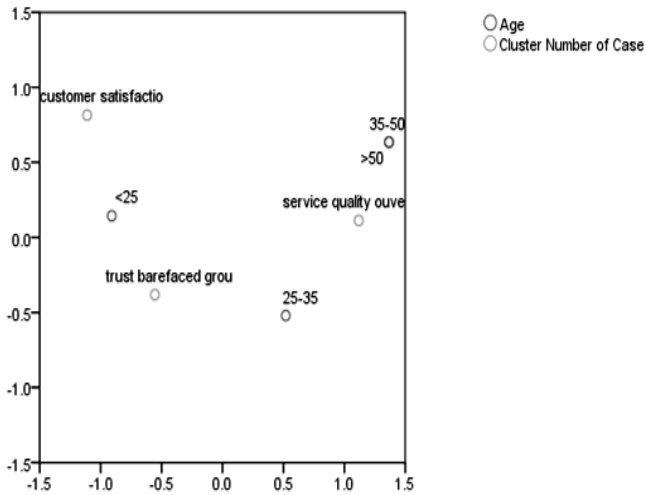


Fig.1. Association between Age and the Three Clusters

The Fig.1 portrays that loanees aged 35-50 and more than 50 are associated with Service quality overt group while those aged 25-35 are associated with trust Barefaced Group and those aged less than 25 are associated with Customer satisfaction Blatant Group.

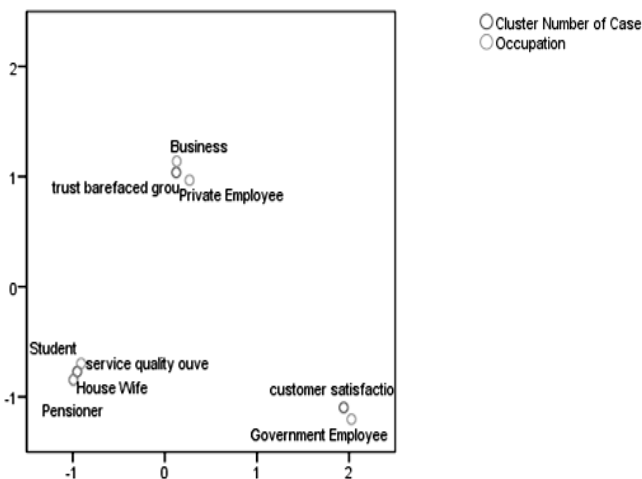


Fig.2. Association between Profession and the Three Clusters

The Fig.2 suggests that government employees are associated with Customer satisfaction blatant group while businessmen and private employees are associated with Trust barefaced group and

housewife, students and pensioners are associated with Service quality overt group.

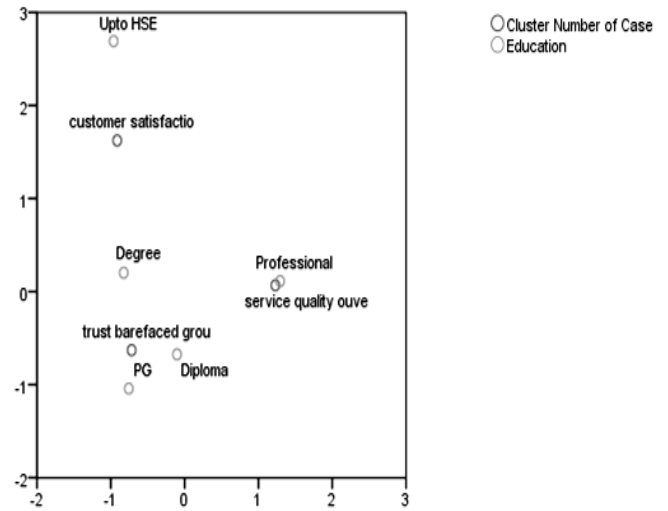


Fig.3. Association between Education and Three Clusters

The Fig.3 reveals that diploma-holders and Postgraduates are associated with Trust barefaced group while professionally educated are associated with Service quality Overt Group and those educated upto HSE are associated with Customer satisfaction blatant group.

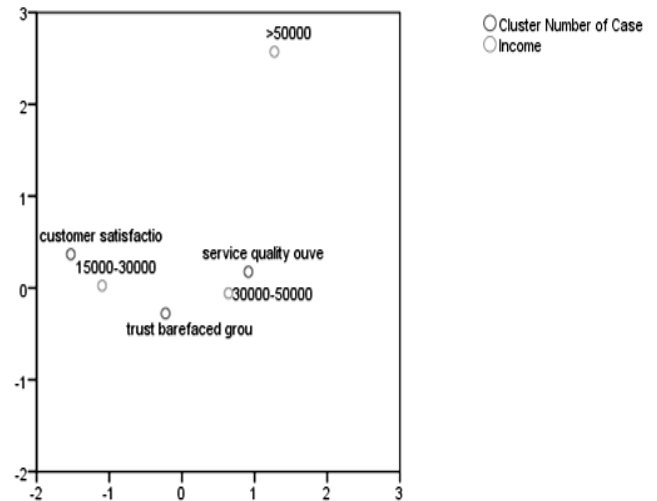


Fig.4. Association between Income and Three Clusters

The Fig.4 displays that loanees earning Rs. 15000-30000 are associated with Customer satisfaction blatant group while those earning 30000-50000 are associated with Service quality overt group and Trust barefaced group.

5.2 DETERMINANTS OF CUSTOMER SATISFACTION

The impact exerted by trust, service quality and employee behavior on customer satisfaction regarding credit mechanism of PNB has been explored using SEM and the results has been portrayed in Fig.5.

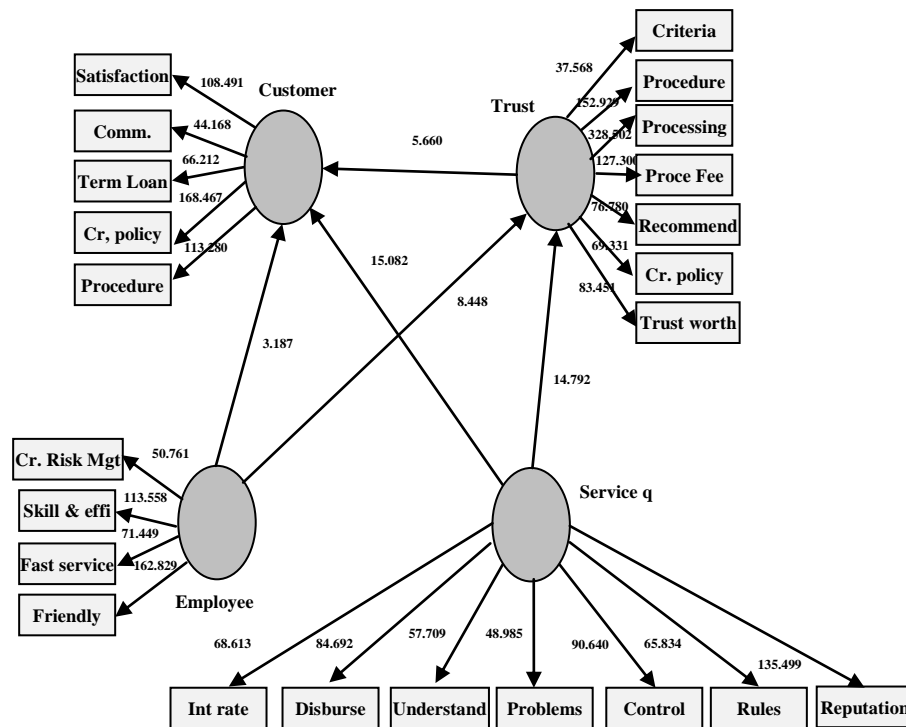


Fig.5. Determinants of Customer Satisfaction

It can be observed from Fig.5 that Service quality exerts the maximum impact on customer satisfaction (15.082), followed by trust (5.660) and employee behaviour (3.187).

6. SUMMARY OF FINDINGS

Majority of Loanees aged 25-50, educated upto HSE, Graduation, Post Graduation and Diploma, unmarried, Businessmen, Government and private employees and all the male and married loanees feel that PNB is the most secured bank while male loanees have given second choice to PNB. Education loan, housing loan and car loan are the most popular forms of credit extended by PNB. It is quite heartening to note that PNB has extended more education loans. However, it is disheartening to note that agricultural credit has not been concentrated much by the bank. Furthermore, the loanees fully trust the credit policy of PNB while they are not satisfied with the loan disbursement results of the bank. Hence, the bank must quicken its credit disbursement process.

The Customer satisfaction Blatant Group, Trust Barefaced Group and Service quality Overt Group consists of 32, 77 and 91 loanees respectively. Majority of loanees attach paramount importance to service quality of the bank followed by trust.

Loanees earning Rs. 30000-50000, professionally educated, housewife, students and pensioners and those aged 35-50 and more than 50 years are associated with Service quality overt group while diploma-holders and Postgraduates, businessmen and private employees, those aged 25-35 are associated with trust Barefaced Group and those loanees earning Rs. 15000-30000, those educated upto HSE, government employees and those aged less than 25 are associated with Customer satisfaction Blatant Group.

Service quality exerts the utmost impact on customer satisfaction. Hence, it is important for the bank to concentrate on improving its service quality which shall contribute immensely to enhancement of customer satisfaction, boosting of corporate image and enhancement of profits.

7. CONCLUSION

Customer satisfaction has been the mantra of success for any organization and banks are no exception. Emphasis on customer needs and concerted and sincere attempt to cater to these needs will definitely result in competitive advantage for any institution, which is absolutely indispensable in this era of cut throat competition.

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