



**CUSTOMERS' ATTITUDE TOWARDS PUBLIC SECTOR BANKS IN THE CONTEXT OF
TREMBLING LOYALTY**

DR.SINDHU K.P¹,(Corresponding Author)

ASSISTANT PROFESSOR,

POST GRADUATE DEPARTMENT OF COMMERCE& MANAGEMENT STUDIES,

N.S.S.COLLEGE, NEMMARA

PALAKKAD, KERALA-678508

DR.T. SREEKUMAR²,

ASSOCIATE PROFESSOR,

POST GRADUATE DEPARTMENT OF COMMERCE& MANAGEMENT STUDIES,

N.S.S.COLLEGE, NEMMARA

PALAKKAD, KERALA-678508

Abstract:

In spite of the headlines about banking profitability, these days public sector banks are in hot discussions due to number of scams. In fact, all large scams that have been perpetuated in India over the past few years have involved a nationalised bank. Non-performing Asset (NPA) has emerged since over a decade as an alarming threat to the banking industry in our country sending distressing signals on the sustainability and durability of the affected banks. A customer - an individual can be defined and described as a person holding a bank account for personal use. Such customers must comply with existing regulations and bankers must ensure that they do not open and use bank accounts for illegal purposes". (Ionescu, 2009, Cap. I). For individual customers, banks will ask for lot of documents, even when one wants to keep deposits or apply for small loans. But for the business giants, many PSBs do not have the risk management systems to spot frauds early enough, if there is a rogue employee, or a group of them, involved. All these are the case of corporate loans. But for the individual customer loans, bank will go for recovery procedures and recover their loans. Individual investors are the victims of bankers' irresponsible attitude. All these will affect the loyalty of customers towards the banks. In this context, it is felt necessary to know the individual customers' attitude towards public sector banks.

Key Words: Scam, individual Customer, Customer Attitude, Public Sector Banks, trembling loyalty.

1. Introduction

In spite of the headlines about banking profitability, these days public sector banks are in hot discussions due to number of scams. In fact, all large scams that have been perpetuated in India over the past few years have involved a nationalised bank. Non-performing Asset (NPA) has emerged since over a decade as an alarming threat to the banking industry in our country sending distressing signals on the sustainability and durability of the affected banks. A customer - an individual can be defined and described as a person holding a bank account for personal use. Such customers must comply with existing regulations and bankers must ensure that they do not open and use bank accounts for illegal purposes". (Ionescu, 2009, Cap. I). For individual customers, banks will ask for lot of documents, even when one wants to keep deposits or apply for small loans. But for the business giants, many PSBs do not have the risk management systems to spot frauds early enough, if there is a rogue employee, or a group of them, involved.

2. Significance of the Study

Corruption and scams are deeply entrenched in India. Historically, it's been observed that poverty and under-development leads to corruption: poorer the nation, higher the corruption. All developed nations have experienced corruption as part of their growth journey. Along the journey, they put checks and balances to minimise corruption. This is true of Europe and the US in the late 19th and 20th century. Developing economies, including India, are facing the same problem a century later. According to Transparency International's Global Corruption Perception Index 2017, India is among the 'worst offenders', or one of the most corrupt nations, in the Asia Pacific region. Out of 180 countries, India is ranked 81 with its score at 40 on a 100-point scale, where a score below 30 is considered seriously corrupt. If corruption runs deep in India, in banking space, PSU banks are the worst offenders; cooperative banks are another. It's not that there is no corruption in private sector banks but the existence of checks and balances makes it difficult to dodge the system.

Currently, PSU banks are overburdened with NPAs. According to RBI, total bad loans stood at Rs 8.37 lakh crore at the end of second quarter of 2017-18 fiscal. Of these, bad loans of PSBs stood at Rs 7.34 lakh crore. Bulk of these came from corporate defaulters. On the other hand, NPAs of private sector banks were considerably low at Rs 1.03 lakh crore. NPAs can be divided into two broad categories: genuine (because of business failure) and wilful defaults. According to reports, wilful defaulters owe over Rs 1.1 lakh crore to banks. RBI defines wilful defaults as defaults done despite the borrower's paying capacity. By and large, the PSBs have proved to be fairly inefficient compared to their private sector counterparts, and they have required capital infusion from the government at regular intervals. Each time, the amount required to recapitalize those increases. And the bulk of the recapitalization is done using the tax payer's money.

As recent data on non-performing assets (NPAs) show, the PSBs have also made bad loans galore, all of which are coming home to roost now. The three major scams that have made headlines in the past month have also largely involved public sector banks - the Nirav Modi-Mehul Choksi case (Punjab National Bank), the Rotomac case (Bank of Baroda) and the Sambholi Sugars case (Oriental Bank of Commerce) . And the bulk of the recapitalization is done using the tax payer's money. There is no sufficient guarantee for any of the newly reported scams.

By the second quarter of this fiscal (2017-18), the bad loans of the PSBs had reached Rs 7.34 lakh crore (compared with the Rs 1.03 lakh crore of the private sector banks). And as the

recent cases show, many PSBs do not have the risk management systems to spot frauds early enough, if there is a rogue employee, or a group of them, involved.

All these are the case of corporate loans. But for the individual customer loans, bank will go for recovery procedures and recover their loans. Individual investors are the victims of bankers' irresponsible attitude. All these will affect the loyalty of customers towards the banks. In this background, it is felt necessary to know the ordinary customers attitude towards public sector banks.

3. Objective of the study

To know the attitude of customers' towards public sector banks in the context of trembling loyalty.

4. Research Methodology

The primary data for the study is collected from 100 customers in the Palakkad district using convenient sampling methods. Tool used for the study are percentage, average weighted score and rank. The secondary sources are various, government publications & reports, newspapers and various websites, books, journals.

5. Discussions

(i) The relationship between banker and customer

The relationship between banker and customer can be generally classified into general relationship and special relationship. General relationships are of two types' viz. debtor-creditor relationship and creditor- debtor relationship. If the customer opens an account with the bank and deposits money, the relationship between banker and customer is debtor-creditor. If the banker provides loans to customer, the relationship is creditor-debtor.

Table 1
Type of Relationship

Type of Relationship	frequency	%
Debtor- creditor	20	20
Creditor-debtor	80	80
Total	100	100

Source: Field Survey

The table 1 shows that majority of the respondents are taking loans from the bank.

(ii) Types of loan**Table 2**
Types of loan

Type of loan	frequency	%
Personal Loan	10	12.50
Agriculture loan	25	31.25
Housing Loan	30	37.5
Education loan	10	12.50
Gold Loan	5	6.25
Total	80	100

Source: Field Survey

Majority of the customers are home loan takers (37.5%) followed by agriculture loan (31.25%).

(iii) Difficulties occurred while availing loan**Table 3**
Types of Difficulties

Type of Difficulties	AWS	Rank
Interest rate	4.30	1
Tedious process	3.80	2
Principal amount is less than expected	3.60	3
Regulatory norms	3.5	4
Processing charges	3.20	5
Absence of Proper Documents	3.18	6

Source: Field Survey

From the table it is clear that, interest rate is the limiting factor followed by tedious process occurred in banks for sanctioning loans.

(iv). Awareness about recent scams incurred in banks**Table 4**
Awareness on recent scams

Level of Awareness	Frequency	%
Fully Aware	48	48
Partially Aware	18	18
neutral	4	4
Somewhat aware	27	27
Not at all aware	3	3
Total	100	100

Source: Field Survey

Majority of the respondents are fully aware of the recent scams in the banks (48%).

(v) Reasons for Scams and NPAs

Table 5
Reasons for scams and NPAs

Reasons	AWS	Rank
Absence of sufficient collateral securities	4.3	1
Political interference	3.8	2
Corrupted officials	3.6	3
Inappropriate credit management system	3.5	4
Poor technology for fraud detections	3.20	5
Overconfidence	3.18	6

Source: Field Survey

The respondents are opined that absence of sufficient collateral securities is the major reason for scam followed by political interference, corrupted officials and inappropriate credit management system and so on.

(vi). Remedies for preventing scams

Privatisation of public sector banks, proper credit management system, keeping politicians away from the banking activities, adequate collateral for loans, proper management system, ensuring trustworthiness of officials and adequate technology to detect fraud are the remedies for preventing frauds. It is hard time to implement this in public sector banks.

Table 6
Remedies for preventing scams and NPAs

Remedies	AWS	Rank
Keeping politicians away from the banking activities	4.1	1
Adequate collateral for loans,	3.8	2
Adequate technology to detect fraud	3.65	3
Proper credit management system	3.6	4
Ensuring trustworthiness of officials	3.5	5
Privatisation of public sector banks	3.3	6
Proper management system	3.2	7

Source: Field Survey

Keeping politicians away from banking activities Respondents' opined that keeping politicians away from the banking activities is the one of the important remedy to reduce scam /NPAs followed by adequate collateral for loan etc.

(vii) Do scam negatively affect the customers' loyalty?

Table 7

Scams negatively affect customers' loyalty

Scams affect loyalty	frequency	%
No	10	10
Yes	90	90
Total	100	100

Source: Field Survey

Majority of the respondents opined that the scam negatively affect their loyalty towards banks (90%).

6. Suggestions and Conclusions

Public sector banks must take proper care on NPAs. Make it mandatory to issue banker's credit only on sufficient collateral loans. Credibility of officials is a must for prevention of fraud. Customers' opined that all these activities affect their loyalty towards public sector banks. So, in order to minimise negative aspects of scams, banks must take proper care while sanctioning loans.

7. References.

1. <http://www.dailypioneer.com/columnists/edit/time-for-reform.html>
2. <https://www.businesstoday.in/sectors/banks/pnb-fraud-nirav-modi-public-sector-banks-sbi-privatise-psu/story/271662.html>
3. <https://sol.du.ac.in/mod/book/view.php?id=1225&chapterid=865>
4. http://www.atimes.com/indias-crony-capitalists-continue-laugh-way-bank/?fb_comment_id=1611944732230515_1612218102203178
5. http://www.ehitavada.com/encyc/6/2018/02/17/Mpage_10.pdf
6. <http://www.freepressjournal.in/analysis/why-scams-npas-abound-in-psu-banks/1228350>
7. <https://www.thehindubusinessline.com/money-and-banking/A-more-customer-friendly-approach-to-banking-needed/article2048692>
8. <https://sol.du.ac.in/mod/book/view.php?id=1225&chapterid=862>.