

**A STUDY ON CUSTOMER SATISFACTION TOWARDS CREDIT  
FACILITY OFFERED BY LAKSHMI VILAS BANK IN SALEM**

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**ABSTRACT**

*Line of credit is any credit source extended to a government, business or individual by a bank or other financial institution. A line of credit may take several forms, such as overdraft protection, demand loan, special purpose, export packing credit, term loan, discounting, purchase of commercial bills, traditional revolving credit card account, etc. It is effectively a source of funds that can readily be tapped at the borrower's discretion. The present study explores aspects like measure the level of satisfaction of customer towards credit facility provide by Lakshmi Vilas bank; To find out and evaluate the major credit facility problems faced by customers while availing service in Lakshmi Vilas bank in Salem. The conclusion has been given.*

**Key Words:** Credit Facility, Customer Satisfaction, Problems of Credit Facility.

**Introduction**

Commercial banks are not only just receiving various kinds of deposits, but play a vital a role of developing the national economy, the commercial banks are the cornerstone of the banking system because they affect the size of money supply in the market, They serve an important function as accepting deposits and granting loans and affect the volume of money in the market (Khasawneh, 1999), in the beginning Traders and rich people they used to keep their money with the jewelers and pay money against this service, but the accumulation of these funds make jewelers think of lending the money and gaining interest against such service, This was the beginning of the idea of credit facilities in the Middle Ages (Khasawneh 1999) and the idea developed and caused the establishment of the first bank in City of Venice the year 1587 and then in Amsterdam in 1609 (Alameen, 1980).

### **Customers' Satisfaction**

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 business transactions with a bank, or a person who, on his own initiative, may come within the banking fold (Talwar Committee Report 1976). 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. The globalization of Indian economy has truly called for much more disciplined approach on the part of Indian banking sector to improve the overall quality of customer services through smart use, absorption and adoption of flexible and appropriate information technology.

It is seen that 5% increase in customer retention can increase profitability by 35% in banking business, 50% in insurance and brokerage, and 125% in the consumer credit card market. Therefore, banks are now stressing on retaining customers and increasing market share (Chothani et al. 2004).

### **Credit Facility**

Line of credit is any credit source extended to a government, business or individual by a bank or other financial institution. A line of credit may take several forms, such as overdraft protection, demand loan, special purpose, export packing credit, term loan, discounting, purchase of commercial bills, traditional revolving credit card account, etc. It is effectively a source of funds that can readily be tapped at the borrower's discretion. Interest is paid only on money actually withdrawn. (However, the borrower may be required to pay an *unused line* fee, often an annualized percentage fee on the money not withdrawn.) Lines of credit can be secured by collateral, or may be unsecured.

Lines of credit are often extended by banks, financial institutions and other licensed consumer lenders to creditworthy customers (though certain special-purpose lines of credit may not have creditworthiness requirements) to address liquidity problems; such a line of credit.

### **Lakshmi Vilas Bank**

The Lakshmi Vilas Bank Limited (LVB) has found eight decades ago in (1926) by seven people of Karur under the leadership of Shri V.S.N. Ramalinga Chettiar, mainly to cater to the financial needs of varied customer segments. The bank was incorporated on November 03, 1926 under the Indian Companies Act, 1913 and obtained the certificate to commence business on November 10, 1926. The Bank obtained its license from RBI in June 1958 and in August 1958 it became a scheduled commercial bank.

During 1961-65 Lakshmi Vilas bank took over nine banks and raised its branch network considerably to meet the emerging challenges business world, the bank started expanding its boundaries beyond Tamil Nadu from 1974 by opening branches in the states of Andhra Pradesh, Karnataka, Maharashtra, Madhya Pradesh, Gujarat, West Bengal, Uttar Pradesh, Delhi and Pondicherry. Mechanization was introduced in the head office of the bank as early as 1977. At present, with a network of 290 branches, 1 satellite branch and 8 extension countries, spread over 15 states and the union territory of Puducherry, The bank's focus is on customer delight, by maintaining high standards of customer service and amidst all these challenges, the bank is progressing admirably. Lakshmi Vilas bank has a strong and wide base in the state of Tamil Nadu one of the progressive states in the country, has a vibrant industrial environment Lakshmi Vilas bank has been focusing on retail banking, corporate banking and bank assurance is rendering high-tech services.

### **Review of Literature**

Tarawneh, (2002) which aimed at finding solutions to the problems facing granting bank credit, The study clarified that the need for management's attention to provide direction and guidance for customers to invest their money, publish banking awareness among all groups, human resources development operating in the commercial banks, need to reconsider the credit policies of commercial banks in order to match the reality of the economic situation.

Thaier and Alamrat, (2006) aimed to examine the Age range for granting credit, a pre-credit granting phase and the implementation credit phase and post-grant credit phase, and the parties involved as the bank branch, facilities management and senior management, The results showed no statistically significant relationship between each of the pre-stage granting credit and implementation credit phase of the one hand and between the faltering facilities on the other hand, the most important recommendation is to activate the dimensional control to increase the efficiency of collection.

Abu Muammar, (2007) examines the quality and objectivity of credit facilities provided, and the extent to which banks prepare feasibility studies for the projects to be financed in Palestine, in addition to the role of banks in the development of various economic sectors and that from the viewpoint of the owners and managers of companies, and the study concluded that the quality and objectivity of the guarantees is differed according to economic sectors. The study recommended that banks should prepare feasibility studies for the financed projects.

### **Objectives of the Study**

- To know the financial products & services provided by Lakshmi Vilas bank.
- To find out the level of satisfaction of customer towards credit facility provide by Lakshmi Vilas bank.
- To find out and evaluate the major credit facility problems faced by customers while availing service in Lakshmi Vilas bank.
- To provide valuable suggestions & recommendations to enhance the performance of credit facility at Lakshmi Vilas bank.

### **RESEARCH METHODOLOGY**

The necessary data for the study was collected by using random sampling method. The respondents of this study are the customer who had availed or availing credit facility with Lakshmi Vilas Bank located in Salem city. Questionnaires were distributed to a sample of 70 respondents. Likert's five point scale was employed to determine scores, where respondents were asked to rate each attribute on 5-point scale ranging from highly satisfied to highly dissatisfy. The statements/items for the questionnaire were formed after consulting relevant literature and some relevant research conducted in the area. Besides attitudes scale, the survey questionnaire also included a section to capture the general profile of respondents. They were asked about their demographic background including age, education level, and marital status.

### **ANALYSIS AND INTERPRETATION**

**Table – 1 Demographic Profile of Respondents**

Age	Below 20	6 (8.5)
	21 – 40	37 (53)

	41 – 60	20 (28.5)
	Above 60	7 (10)
	Total	70 (100)
Gender	Male	61 (87)
	Female	9 (13)
	Total	70 (100)
Marital Status	Married	50 (71)
	Unmarried	20 (29)
	Total	70 (100)
Occupation	Business Owners	22 (31.4)
	Professionals	19 (27.4)
	Farmers	5(7.1)
	Monthly/Daily salaried	24 (34.3)
	Total	70 (100)
Salary Range / Month	Below 10000	18 (26)
	10001-25000	34 (48)
	25001-50000	11 (16)
	50001 – 1 lakh	5 (7)
	Above 1 lakh	2 (2)
	Total	70 (100)

Source: Primary Data

**Table – 2**  
**Expectation of Credit Facility**

S. No	Plan	No. of. Respondents	Percentages
1	Housing loan	27	39
2	Vehicle loan	6	8.5
3	Education loan	6	8.5
4	Business loan	23	33
5	Gold loan	8	11
Total		70	100

Source: Primary Data

From the above table, it is inferred that 39% of respondents feels that Housing loan are stimulating them to avail credit facility and the 8.5 % of respondents feels that both the vehicle loan and Education loan are stimulating them to avail credit facility.

**Table – 3**  
**Factors Attracting the Customers**

S. No	Factors	No. of Respondents	Percentage
1	Infrastructure/good environment	5	7.14
2	Lower rate of interest	3	4.3
3	Timely process	8	11.42
4	Quick response & feedback	54	77.14
5	Other	0	0
Total		70	100

Source: Primary Data

From the above table, it is inferred that 77.14 % of respondents feels that Quick response & feedback were stimulating them to avail credit facility services and the 17 % of respondent's feels that the lower rate of interest stimulating them to avail credit facility services.

**Table – 4**  
**Types of Problems Facing**

S. No	Types of problem	No. of Respondents	Percentage
1	Time consumption	15	21
2	Documentation process	5	7
3	Bank norms/regulation	5	7
4	Rate of interest	34	49
5	Not applicable	11	16
Total		70	100

Source: Primary Data

From the above table, it is inferred that 49 % of respondents were problems facing the interest problem 7 % of respondents feels that both the documentation process and Bank norms/regulation are problems to avail credit facility.

**Table – 5**  
**Effectiveness of Credit Facility**

S. No	Level of Satisfaction	No. of Respondents	Percentage
1	Highly effective	21	30
2	Effective	41	59
3	Neutral	8	11
4	Ineffective	0	0
5	Highly ineffective	0	0
Total		70	100

Source: Primary Data

From the above table, it is inferred that 59 % of respondents reveals that Lakshmi Vilas providing the credit facility are Effective and none of the respondents reveals that Lakshmi Vilas bank credit facility are highly ineffective.

**Table – 6**

**Satisfaction Level of Performance of Product/ Services**

S. No	Level of Satisfaction	No. of Respondents	Percentage
1	Highly satisfied	29	41.4
2	Satisfied	35	50
3	Neutral	5	7.1
4	Dissatisfied	1	1.4
5	Highly dissatisfied	0	0
Total		70	100

Source: Primary Data

From the above table, it is inferred that 50% of respondents are satisfied with the product and services provided by Lakshmi Vilas bank and 1.43% of respondents are dissatisfied the product and services provided Lakshmi Vilas bank.

**Table – 7**

**Level of Satisfaction**

S. No	Level of Satisfaction	No. of Respondents	Percentage
1	Highly satisfied	26	37
2	Satisfied	34	49
3	Neutral	9	13
4	Dissatisfied	1	1

5	Highly dissatisfied	0	0
Total		70	100

Source: Primary Data

From the above table, it is inferred that 49% of respondents were satisfied with the credit facility provided by Lakshmi Vilas bank and 37% of respondents are Highly Satisfied with Credit facility provided Lakshmi Vilas bank.

### **Conclusion**

This Project “A Study on customer satisfaction towards credit facility with special reference to Lakshmi Vilas bank” was helpful to know about the credit facility processes, procedures and also products/ services in the Lakshmi Vilas bank. This Study inferred that most of the customers are satisfied with quick response and feedback with gold loan facility. This Study projects that the most of customer expectations are the housing loan, business loan and education loan. I gained a lot of experience in Lakshmi Vilas bank in terms of theoretical and practical operations followed in Lakshmi Vilas bank. Being in a private sector, the Lakshmi Vilas bank has great opportunities to opening up new branches according to present RBI norms and new government rules there by sustain its growth.

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