CHANGING DYNAMICS AND EVOLUTION OF INDIAN BANKING SECTOR: A STUDY OF THE PERCEPTION ABOUT THE SERVICE QUALITY OF STATE BANK OF INDIA

Prof S. D. Sharma[1], Ravi Bansal[2]

[1] Prof. Dept of Management Sai Nath University, Ranchi, India.
[2] Research Scholar Dept of Management Sai Nath University, Ranchi, India.

ABSTRACT

Macroeconomics exerts a profound influence on the service quality of banks, shaping the overall economic landscape within which financial institutions operate. Fluctuations in key macroeconomic indicators such as inflation, interest rates, and GDP growth directly impact the banking sector. For instance, during periods of high inflation, banks may face increased operational costs, potentially leading to a decline in service quality as they grapple with rising expenses. Similarly, changes in interest rates influence the cost of borrowing and lending, affecting banks' profitability and, consequently, their ability to invest in technological advancements and staff training that enhance service quality. Present study has measured the effect of the GDP, Inflation, Bank rates and exchange rates on the service quality.

Key words: Macroeconomics, Service Quality, Banking

INTRODUCTION

Universities have played a crucial role in society for centuries, evolving and adapting Individuals, commercial organisations, major corporations, governmental entities, and institutional cons umers can all benefit from the goods and services offered by State Bank of India.

It provides a variety of segments such as treasury, which includes the entire investment portfolio as well as trading in foreign exchange contracts and derivative contracts; corporate/wholesale banking, which in cludes the lending activities of the corporate accounts group, mid corporate accounts group, and stressed assets management group; and retail banking, which includes National Banking Group branches.

It primarily includes personal banking activities such as lending to corporate customers who have banki ng relationships with National Banking Group branches; and other banking business, which includes all non - banking subsidiaries/joint ventures other than SBI Life Insurance Co. Ltd. and SBI General Insurance Co. Ltd.

State Bank of India - Soaring to New Heights

2021 In September 2021, SBI raised Rs. 4,000 crore (US$ 533.8 million) via additional Tier 1 bonds at a coupon rate of 7.72%, the first such issuance in the domestic market after the Securities and Exchange Board of India issued new rules.

2020 On December 17, 2020, State Bank of India (SBI) won the Data Security Council of India (DSCI) award for the 'Best Security Practices in the Banking Sector"

State Bank of India (SBI) raised US$ 100 million in green bonds through private placement

2019	SBI entered into an agreement with National Investment and Infrastructure Fund (NIIF) to provide financing solutions to infrastructure sector
2018	Jio and SBI entered into a partnership to increase SBI's digital customer base multi-fold.
2017	Acquired State Bank of Travancore, State Bank of Patiala, State Bank of Hyderabad, State Bank of Bikaner & Jaipur, State Bank of Mysore and Bhartiya Mahila Bank (BMB).
2011	State Bank of India recorded debit card base of over 70 million.
2009	State Bank of India, entered into an agreement with the Government of Gujarat to create a fund of Rs 5.00 billion (US$ 103.41 million) for investing in equity of infrastructure projects.
2004	State Bank of India, Bangalore Circle, has announced its tie-up with New India Assurance Company Ltd (NIAC), for distribution of National Association of Insurance Commissioners (NIAC) general insurance products in Karnataka.
2001	The Bank has incorporated a subsidiary SBI Life Insurance Company Ltd, for doing life insurance business.
1998	The State Bank of India on Jan 27 took step into the payment cards business with a joint venture agreement with US-based financial services giant, General Electric Capital Corporation (GE Capital).
1987	The bank had sponsored 30 Regional Rural Banks covering 66 backward and underbanked districts in the country.
1955	On July 1 State Bank of India was constituted under the State Bank of India Act 1955.

Service quality is commonly considered as the output of the service delivery system, particularly in pure service systems. Furthermore, service quality is related to customer satisfaction. The customer's perception of service quality. Customers, on the other hand, establish impressions about service quality based on a variety of elements, not just one. Ma. Gloria V. Talavera (2020) in their paper determined the service quality dimensions considered by Filipino consumers important in describing an excellent bank. Development of the service quality dimensions utilized the Service Quality (SERVQUAL) framework espoused by Parasuraman, Zeithaml, and Berry (1988) which identified five SERVQUAL dimensions: (1) tangibles, (2) reliability, (3) responsiveness, (4) assurance, and (5) empathy. A total of 24-bank SERVQUAL attributes were developed from this SERVQUAL framework.

It is a mix of two terms, Service and Quality, emphasising the provision of high-quality services to end customers. The term quality refers to the standards or specifications that a service-producing company guarantees. We cannot have a clear line for quality. The sky is the limit in terms of quality generation. Scientific advancements and developments pave the path for the production of high-quality goods. More frequent innovations, less gaps in the process of quality improvement. The technical measures focus our attention on technological ideas and developments that assist to increase service quality. It emphasises on the use of technology or prefers to have a service that is driven by technology.

The functional measurements focus our attention on enhancing the quality of services provided by employees, paving the way for a working style, work culture, the creation of a lucrative package, employee behavioural profiles, and so on. This articulation of the service quality construct and its related SERVQUAL measure has produced hundreds of research worldwide, with more than 70% coming from countries other than the United States. It has contributed to an extensive empirical record, which has yet to be synthesised using meta-analytic approaches.

The study is the result of a lengthy undertaking that began with the collection of over 500 publications on service quality. Two researchers coded the articles and included them in a meta-analysis if they contained any of the following matrices: mean levels of customer expectations, performance perceptions, or gaps between expectations and performance perceptions, correlations linking service quality to other related constructs, inter-correlations among the five SERVQUAL dimensions, or consumers' importance ratings of the SERVQUAL dimensions. The researcher has found that it would be suitable to study present scenario. The researcher has defined the research problem as, 'Changing dynamics and evolution of Indian banking sector: A study of the perception about the service quality of State Bank of India'.

II. LITERATURE REVIEW

J, Gautam (2018) has suggested that literature review is extremely important for any research. Kantharia, N. J., & Biradar, J. (2022) adopted public sector banks as, banking sector reforms occurred during 1991-92, and many new private sector and foreign sector banks joined the market as a result of the liberalisation, privatisation, and globalisation (LPG) strategy. As a result, public sector banks have found it difficult to manage their performance in a competitive market. So, the goal of this study is to discover variables impacting bank performance, particularly in public sector banks, because it is critical to identify elements influencing their performance.

Mustafa, A., & Mumtaz, M. Z. (2022) explored the impact of bank-specific and macroeconomic variables on CAR. A fixed-effect model is used in this study to investigate the bank-specific and macroeconomic factors that impact capital adequacy. We discover that a bank's size, loan loss reserves, and leverage all have a substantial impact on capital sufficiency. Simultaneously, interest rates appear to be an important macroeconomic determinant influencing bank capital adequacy. When we include both bank-specific and macroeconomic variables, liquidity risk has a considerable influence on CAR.

Gunawardhane, H. P. T. D. et al. (2022) investigated the influence of company-specific and macroeconomic variables on the financial and market performance of insurance businesses in Sri Lanka. A panel regression analysis was used for the analysis. From 2010 to 2019, the sample included nine publicly traded insurance firms. firm-specific criteria included capital structure, capital adequacy, liquidity situation, and firm size, whereas market-specific determinants included inflation and GDP growth.

Nikhil, B., & Deene, S. (2023) discovered the influence of monetary policy instruments on the performance of Indian banks, and this may be an ideal proposal to regulators in setting advantageous interest rates that would match the Indian economy's macroeconomic objectives. This study used a descriptive and analytical research approach. Correlation and regression analysis are used to examine the association between bank rate (BR) and public sector bank performance in India.

Ogunlokun, A. D., & Adebisi, A. O. (2023) used an ARDL (Autoregressive Distributed Lag) model was to examine the data. The World Bank publications, as well as the CBN and SEC Statistical Bulletins, provided data for the study's time period. According to the findings, lending interest rates had a negative and statistically negligible influence on the performance of Nigerian banks in the long term. As a result, it was proposed that the government generate jobs through industry that is linked with locally available inputs, particularly in agriculture, in order to firmly address the galloping unemployment rate that is inhibiting bank performance in the fourth Republic of Nigeria.

Luitel, U. (2023) investigated the influence of macroeconomic factors on the profitability of Nepalese commercial banks. The dependent variables are return on assets and return on equity. Similarly, inflation, money supply, unemployment rate, GDP, exchange rate, and interest rate are chosen as independent variables. This analysis is based on secondary data from 16 commercial banks with 128 observations from 2013/14 to 2020/21. The information was gathered from Nepal Rastra Bank's Banking and Financial Statistics, annual reports of selected commercial banks, and Ministry of Finance papers. To examine the relevance and influence of macroeconomic factors on the profitability of Nepalese commercial banks, correlation coefficients and regression models are estimated.

Kamun, J. J. F., & Olweny, T. (2023) examined a panel dataset of 29 East African listed commercial banks with yearly data from 2006 to 2020, for a total of 435 bank years. Money supply expansion has a favourable and large impact on nonperforming loans at publicly traded commercial banks. Finally, the size of the bank has a favourable and considerable influence on the nonperforming loans of publicly traded commercial banks. The study concluded that interest rates and money growth.

III. RESEARCH METHODOLOGY

Objective of Study

Following objectives have been defined for present research:

- To find out the impact of macro-economic factors on bank's quality aspect (service quality) with reference to SBI

Hypothesis

Based upon the objectives, researcher has proposed following hypothesis:

Ho1: There are no significant relation macro-economic factors on bank's service quality with reference to SBI

The present hypothesis has following sub-hypothesis:

Ho1a There are no significant relation GDP on bank's service quality with reference to SBI
Ho1b There are no significant relation inflation rate on bank's service quality with reference to SBI
Ho1c There are no significant relation exchange rates on bank's service quality with reference to SBI
Ho1d There are no significant relation Bank rates on bank's service quality with reference to SBI

Population: Proposed population for the present research is SBI employees

Sample Size: 500 employers

The researcher has tried to conduct research that can estimate the impact of the macroeconomic variables on the bank's performance. The primary approach could be based on the secondary data approach. In the light of earlier research, the researcher found that an analysis of the financial performance of a selected bank i.e. SBI could be compared with last year's GDP, inflation, Bank rate, etc. In this approach, the data could be compared with each other but macroeconomic factors are caused by several factors and may impact several aspects in any industry. So, the researcher tried to collect primary data for the study. The data from the employees about the macroeconomic aspects and their relationship with banks' performance and service quality will be collected. The tool will be developed with the help of simple statements that could be comprehended by a bank employee. The knowledge of general macroeconomics among bank employees is the basic assumption for the research.

The researcher has used convenience sampling for the collection of data. The self-financed research has many constraints. The researcher has collected the data from the respondents, with the following discretion:

- Data collected will remain confidential at every level.
- Respondents are not supposed to write their name, affiliation, or other things so that they express their opinions freely.
- The research is drafted in a manner that measures the perception of employees about different aspects. The response is an individual opinion and does not use any bank information. So, no prior permission is required for the research.

IV. FINDINGS OF THE STUDY

Hypothesis Testing

1. H_01a There are no significant relation GDP on bank's service quality with reference to SBI

Correlations			
		GDP	Bank's Service Quality
GDP	Pearson Correlation	1	.498**
	Sig. (2-tailed)		.000
	N	500	500
Bank's service quality	Pearson Correlation	.498**	1
	Sig. (2-tailed)	.000	
	N	500	500
**. Correlation is significant at the 0.01 level (2-tailed).			

The correlation table shows the relation GDP on bank's service quality with reference to SBI. The correlation value is .498 which is above 0.400. The value shows that both have strong correlation. With results of correlation table, hypothesis is rejected so it could be said that, there are a significant relation GDP on bank's service quality with reference to SBI.

2. Ho1b There are no significant relation inflation rate on bank's service quality with reference to SBI

Correlations			
		Inflation Rate	Bank's Service Quality
inflation rate	Pearson Correlation	1	.501**
	Sig. (2-tailed)		.000
	N	500	500
Bank's service quality	Pearson Correlation	.501**	1
	Sig. (2-tailed)	.000	
	N	500	500
**. Correlation is significant at the 0.01 level (2-tailed).			

The correlation table shows the relation inflation rate on bank's service quality with reference to SBI. The correlation value is .501 which is above 0.400. The value shows that both have strong correlation. With results of correlation table, hypothesis is rejected so it could be said that, there are a significant relation inflation rate on bank's service quality with reference to SBI.

3. Ho1c There are no significant relation exchange rates on bank's service quality with reference to SBI

Correlations			
		Exchange Rates	Bank's Service Quality
Exchange rates	Pearson Correlation	1	.511**
	Sig. (2-tailed)		.000
	N	500	500
Bank's service quality	Pearson Correlation	.511**	1
	Sig. (2-tailed)	.000	
	N	500	500
**. Correlation is significant at the 0.01 level (2-tailed).			

The correlation table shows the relation exchange rates on bank's service quality with reference to SBI. The correlation value is .511 which is above 0.400. The value shows that both have strong correlation. With results of correlation table, hypothesis is rejected so it could be said that, there is a significant relation exchange rates on bank's service quality with reference to SBI.

4. Ho1d There are no significant relation Bank rates on bank's service quality with reference to SBI

Correlations			
		Bank Rates	Bank's Service Quality
Bank rates	Pearson Correlation	1	.487**
	Sig. (2-tailed)		.000
	N	500	500
Bank's service quality	Pearson Correlation	.487**	1
	Sig. (2-tailed)	.000	
	N	500	500
**. Correlation is significant at the 0.01 level (2-tailed).			

The correlation table shows the relation Bank rates on bank's service quality with reference to SBI. The correlation value is .487 which is above 0.400. The value shows that both have strong correlation. With results of correlation table, hypothesis is rejected so it could be said that, there are a significant relation Bank rates on bank's service quality with reference to SBI.

Multiple Correlations Coefficient

In statistics, the coefficient of multiple correlation is a measure of how well a given variable can be predicted using a linear function of a set of other variables. It is the correlation between the variable's values and the best predictions that can be computed linearly from the predictive variables.

$$R_{1.234} = \sqrt{1 - (1-r^2_{1.4})\,(1-r^2_{13.4})\,(1-r^2_{12.34})}$$

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.821[a]	.664	.621	2.65887

The value of R is 0.821 which shows that the overall relation among all considered 04 variables are high and they have huge impact on each other. The value of R supports above testing of hypothesis.

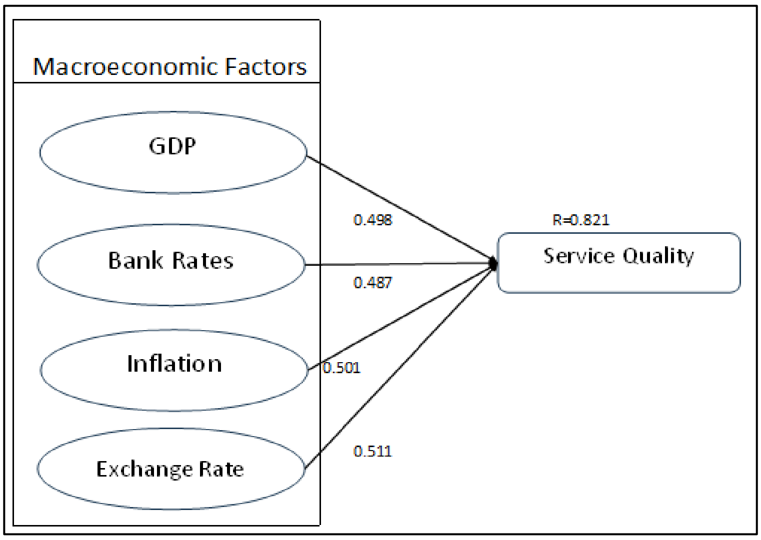

Fig 4.1: Impact of Macroeconomic Variables on Service Quality

The researcher has conducted the research with all the considerations. A proper research methodology has been used to execute the research the researcher has tested the hypothesis with the help of data collected. Present section is collection of the findings of the research. Respondents have provided the data which was used to test the hypothesis.

The findings of the research can be summarised as follows:

1. Banking activities have increased at SBI during the last few years.
2. Bank loan applications have increased at SBI during the last few years.
3. SBI has introduced many investment, loan, and other schemes in recent years.
4. SBI has seen significant growth during the last few years.
5. Commercial banking needs have increased at SBI during the last few years.
6. SBI has had progressive banking performance in recent years.
7. The manufacturing sector has seen an increase in banking needs.
8. Different small businesses and self-employment activities have increased the need for banking services.

9. Real estate growth increased the capital (money) requirements of developers. So, as the need for banking services has increased.
10. Growth in gross domestic activities has increased the banking service needs.
11. Agricultural growth has increased the banking service's needs.
12. Attractive loan options have increased the need for banking services.
13. Bank rates affect the need for banking services.
14. Need for agricultural loans, and business loans in recent years have increased the need for banking services.
15. Different banking schemes like Sukanya Samridhi, Atal Pensions Scheme, and other financial inclusion schemes with attractive rates of interest have increased the need for banking services.
16. Conducive bank rates are a major reason for increased banking needs among individuals as well as businesses.
17. Due to inflation, people tend to use more banking services than ever.

Finally, the research findings emphasise the importance of a comprehensive and flexible strategy in the banking business. In order for banks to manage the volatile terrain in which they operate, macroeconomic insights must be integrated into strategic decision-making processes. Banks may position themselves for long-term success in an ever-changing financial ecosystem by taking a proactive approach to risk management, aligning services with consumer expectations, and cultivating a symbiotic connection with the broader economy. As we close this study, it is clear that the intersection of macroeconomic factors, bank performance, and service quality forms a complex tapestry that requires ongoing scrutiny, adaptation, and collaboration among stakeholders to ensure the banking sector's resilience and vitality in the years ahead.

V. CONCLUSION

The bank may contribute to the general well-being of its client base by providing them with the knowledge they need to make educated financial decisions. These programmes can be offered through a variety of channels, including as workshops, online courses, and collaborations with educational institutions. SBI must prioritise data security and privacy in its effort to improve service quality. Given the rising frequency and sophistication of cyber-attacks, the bank should invest in sophisticated cybersecurity solutions to protect client data on an ongoing basis. Regular audits and assessments should be performed to detect and fix any system risks. Furthermore, educating clients on cybersecurity best practises is essential.

Improving service quality in SBI is a multidimensional endeavor that necessitates a comprehensive strategy that includes technology, personnel training, customer involvement, and strategic collaborations. SBI can improve its service quality by modernizing its infrastructure, cultivating a customer-centric culture, adopting innovative technology, and prioritizing open communication. This complete plan will not only improve client happiness but will also establish SBI as a leader in the banking industry's extremely competitive market.

Improving bank service quality in India in the context of the 2023 macroeconomic climate is a complicated task that necessitates a comprehensive and strategic strategy. The banking industry is critical to any country's economic success, and India, as one of the world's fastest-growing countries, must focus on improving service quality to satisfy the changing requirements of its diversified client base. In this comprehensive examination, we will look into several elements such as technology, regulatory frameworks, customer-centric initiatives, and talent development that may all contribute to improving the service quality of banks in India.

To begin, using technology is critical in improving bank service quality. Artificial intelligence, data analytics, and blockchain breakthroughs in 2023 will provide Indian banks with new opportunity to simplify operations, cut processing times, and provide novel goods and services. Implementing cutting-edge technology like machine learning algorithms for credit scoring, chatbots for customer assistance, and blockchain for safe and quick transactions may improve the whole banking experience dramatically. To provide a seamless and safe online banking experience, institutions must adopt a digital-first strategy and invest in solid IT infrastructure, cybersecurity measures, and user-friendly interfaces.

Furthermore, the regulatory framework has a significant impact on the quality of service provided by banks. The Reserve Bank of India (RBI) and other regulatory agencies should take a proactive and forward-thinking attitude, encouraging innovation while maintaining a strong risk management framework. Banks may use regulatory sandboxes to test and adopt new technologies in a controlled environment, guaranteeing compliance with existing rules while promoting experimentation. Furthermore, frequent reviews and revisions to regulatory rules may aid in the incorporation of innovative technology, ensuring that banks stay nimble and responsive to market changes.

Furthermore, a customer-centric approach is fundamental to improving service quality. Banks need to understand the diverse needs of their customers and tailor their products and services accordingly. This involves investing in customer relationship management (CRM) systems, data analytics, and customer feedback mechanisms to gain insights into customer preferences and pain points. Personalized banking experiences, targeted marketing strategies, and proactive issue resolution contribute to building trust and loyalty among customers. In an era where customers have numerous options, ensuring a positive and personalized experience is vital for retaining and attracting clients.

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