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Customer grievances in public sector banks: An empirical study of selected customer segments in Karnataka

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Abstract
Public sector banks continue to be the main providers of banking services to households, businesses and farmers in Karnataka, a state that gave birth to several of India's leading banks. The consolidation of public sector banks between 2017 and 2020, which reduced their number from 27 to 12, brought major changes in branch operations, loan processing and technology-based services. While earlier studies have examined bank service quality in general, few have compared how different categories of customers experience problems with public sector banks. The present study therefore examines the problems faced by four categories of customers of public sector banks in Karnataka, namely borrowers, official (salaried) customers, business customers and agriculturists, and tests whether their level of perception differs significantly. Primary data were collected through a structured questionnaire measured on a five-point Likert scale, covering problems related to account opening, attitude of bank officials, waiting time, guidance, technology and security, service charges, timely support and group-specific loan and account issues. Mean, standard deviation and ranking were used to identify the major problems, and one-way Analysis of Variance (ANOVA) followed by the Tukey HSD post-hoc test was used to compare the groups. The results show that business customers perceive the problems most strongly (mean = 3.89), followed by agriculturists (3.75) and official customers (3.74), all of whom fall in the agree range, while borrowers remain largely neutral on general service issues (3.30) but strongly agree that loan procedures are lengthy. Long waiting hours, unfavourable attitude of officials, repeated visits, lack of timely support and unnecessary charges emerged as the most serious problems. The ANOVA result ($F = 32.89$, $p < .001$) confirms a significant difference in perception among the four groups, mainly between borrowers and the other three groups. The study suggests group-specific measures to improve customer satisfaction.

Keywords: Public sector banks, Karnataka, customer perception, banking problems, service quality, borrowers, agriculturists, ANOVA

Introduction

Banks are the backbone of the financial system of any economy. They mobilise savings, provide credit to households, businesses and farmers, and act as the main channel through which government welfare and financial inclusion programmes reach the public. In India, public sector banks continue to hold a central place in this system. Their wide branch network in rural and semi-urban areas makes them the first point of contact with formal finance for a large share of the population, including small traders, salaried employees and farmers.

Karnataka has a special place in the history of Indian banking. Several well-known public sector banks, including Canara Bank, Syndicate Bank, Corporation Bank and Vijaya Bank, had their origins in the coastal districts of the state. In recent years these banks have been affected by the government's programme of consolidation, which reduced the number of public sector banks from 27 in 2017 to 12 in 2020; for example, Syndicate Bank was merged into Canara Bank and Corporation Bank into Union Bank of India with effect from 1 April 2020 (Business Today, 2020) [2]. Such mergers were expected to create stronger and more efficient banks, but they also required the integration of branches, staff, products and technology platforms. For customers, these changes often show up in day-to-day matters such as longer queues, changes in branch staff, new charges and unfamiliar digital procedures.

The customers of public sector banks are not a single homogeneous group. Borrowers depend on the bank mainly for personal, education and business loans, and their experience is shaped by loan procedures, credit appraisal and interest rates. Official or salaried customers use the bank mostly for salary accounts, cards and digital transactions. Business customers require frequent and fast transactions, current account services and, in some cases, support for international trade. Agriculturists depend on the bank for crop loans and government schemes, and many of them have limited exposure to technology. Because the needs of these groups differ, the problems they face, and the intensity with which they feel them, are also likely to differ.

Rapid adoption of technology has added a further dimension. Core banking, ATMs, internet banking and mobile applications have made banking more convenient, yet they have also created new concerns about the security of transactions, technical glitches and the ability of customers to use computerised services (Kumbhar, 2011; Malhotra & Singh, 2009) [6, 7]. Service quality research shows that customer satisfaction depends not only on the core product but also on reliability, responsiveness, empathy and the human element of service delivery (Parasuraman *et al*., 1988; Suresh Chandar *et al*., 2002) [10]. Problems such as long waiting hours, an unhelpful attitude of officials, lack of guidance and unexpected charges therefore directly affect how customers evaluate their bank. In an increasingly competitive market, where private sector banks and new digital payment providers offer faster and more personalised services, a public sector bank that fails to address such problems risks losing customers, especially the profitable

business and salaried segments. Understanding which problems matter most to which customers is therefore of practical importance to bank management.

Although many studies have examined service quality and customer satisfaction in Indian banks, most treat bank customers as one group or focus on only one segment, such as farmers or internet banking users. There is limited evidence, particularly for Karnataka, comparing the problems of different customer categories of public sector banks on a common set of statements.

The present study attempts to fill this gap with the following objectives

1. to identify the problems faced by borrowers, official customers, business customers and agriculturist customers of public sector banks in Karnataka;
2. to rank these problems according to their seriousness for each group; and
3. to test whether the level of perception of problems differs significantly among the four customer groups.

The findings are expected to help public sector banks design group-specific measures to improve its services.

Review of Literature

Research on banking services has largely been built on the concept of service quality. Parasuraman *et al*. (1988) [10] developed the SERVQUAL scale, which measures service quality as the gap between customers' expectations and perceptions across five dimensions: tangibles, reliability, responsiveness, assurance and empathy. Cronin and Taylor (1992) [3] argued that performance-only measures explain service quality and satisfaction better than gap scores, and they showed that service quality is an antecedent of customer satisfaction. Together, these studies established that customers judge a bank on how services are delivered as much as on what is delivered.

Studies in the Indian context have applied and extended these ideas. Angur *et al*. (1999) [1] assessed service quality in the Indian banking industry and showed that customers in a developing economy evaluate banks on several distinct service dimensions that do not carry equal weight. Sureshchandar *et al*. (2002) [13], using data from Indian banks, identified core service, the human element of service delivery, systematisation of service delivery, tangibles and social responsibility as the factors of service quality, and found a strong relationship between service quality and customer satisfaction. Jham and Khan (2008) [5] linked customer satisfaction and relationship marketing to the performance of retail banks in India and concluded that satisfied customers contribute directly to better bank performance.

Evidence on public sector banks points to gaps in service delivery. Nalini *et al*. (2014) [9] applied the SERVQUAL model to State Bank of India, the largest public sector bank, and reported an overall weighted gap score of –1.43, indicating that the bank was not fully meeting customer expectations. The largest gaps were found in the reliability and empathy dimensions, which led the authors to recommend greater courtesy, professionalism and personal attention from employees. This finding is relevant to the present study, which includes statements on the attitude of officials, guidance and personal advice.

Technology-based banking is a second important stream of literature. Malhotra and Singh (2009) examined the spread of internet banking among Indian banks and found that banks offering internet banking were generally larger and more efficient, although internet banking alone did not have a significant effect on profitability. From the customers' side, Kumbhar (2011) [6] found that perceived value, brand perception, cost effectiveness, ease of use, convenience, problem handling, security and responsiveness were the main factors explaining customer satisfaction with e-banking in Indian banks. These studies suggest that security concerns, ease of use and the handling of problems are central to customers' experience of computerised banking, issues that also appear in the present questionnaire.

A third-stream deal with credit and the problems faced by borrowers, particularly farmers. Sandhu (2020) [11], surveying banks and farmers in Punjab, found that bank lending decisions for small farmers depend heavily on qualitative factors and relational practices, and that banks often demand excessive collateral, leading to financial exclusion. Jakhar *et al*. (2022) [4], in a survey of 600 farmers in Haryana, reported that the main problems in obtaining institutional loans were the requirement of security, ambiguous terms and conditions, time-consuming procedures and bank officials who were not farmer-friendly. These findings indicate that loan procedures and the attitude of officials are recurring concerns for borrowers and agriculturists alike.

Researchers have been more interested in the operational issues caused by branch consolidations and rapid digital transitions after the last round of bank mergers. Mishra and Sahoo (2022) [8] highlighted that, according to client feedback, during this post-merger period many consumers were upset because of branch reallocations, core software integrations, and strange faces behind the counter. Walk-in customers bore the brunt of lengthier lineups in branches, baffling changes to account IDs and surprise paperwork – setbacks that often strike walk-in consumers the hardest since they still rely on human connection over digital self-service.

At the same time, the move to internet platforms has created consumer friction of its own. Sharma and Sharma (2023) [12] examined the management of complaints and depositor confidence in Indian commercial banks and found that salaried urban users have turned to online platforms but their trust declines when security concerns arise. Things like phishing schemes, wrong charges, useless automated chatbots were rapidly running out of tolerance. The main aggravation for corporate and pay account holders was the absence of rapid human help in case of transaction problems.

Similar friction is seen in access to credit outside of big metropolitan areas. Verma and Singh (2024) [14] in their survey of public sector branches in semi-urban and rural regions, found that smallholder farmers still encounter systemic constraints in spite of government priority-sector lending objectives. Farmers said they had long evaluation periods, too much paperwork and late interest subsidies. The situation was worse by the absence of field advice and uncaring branch workers who would have borrowers run to and fro to get a simple loan sanctioned.

The review shows that service quality, technology and credit access have each been studied in Indian banking, and that problems related to staff behaviour, procedures and security

are common. However, most studies focus on customers as a whole or on a single segment. Few studies have compared borrowers, salaried, business and agricultural customers of public sector banks on a common set of problem statements and tested statistically whether their perceptions differ. The present study addresses this gap for public sector banks in Karnataka.

Research Methodology

1. Research Design and Geographic Scope

This study employs an empirical, descriptive, and cross-sectional research design to investigate the nature, ranking, and intensity of customer grievances across public sector banks (PSBs). The study was carried out in the Kolar District of Karnataka, India. Karnataka has historical significance as the cradle of modern Indian commercial banking; however, recent national consolidation programs (which reduced the number of PSBs from 27 to 12) have substantially altered operational structures, branch staff alignments, and digital delivery systems. Kolar district presents an ideal socio-economic microcosm for assessing these dynamics, as it contains a balanced cross-section of intensive agricultural operations, salaried commuters, industrial/commercial trading enterprises, and credit seekers.

2. Target Population and Sampling Framework

The target population comprised public sector commercial banks in Kolar District. Due to the large and undefined nature of the overall customer universe, a stratified convenience sampling technique was adopted to select a total sample size of N = 150 respondents across public sector bank branches. Stratification was carried out across four key customer segments to capture the socio-economic diversity of the district:

- **Agriculturist Customers (n = 40):** Farmers utilizing crop loans (such as Kisan Credit Cards), government-sponsored agricultural schemes, and rural branch facilities.
- **Official Customers (n = 40):** Salaried employees from government, public, and private institutions utilizing corporate salary accounts, cards, and daily remittance services.
- **Business Customers (n = 35):** Traders, merchants, and small-to-medium enterprise owners utilizing current account transactions, merchant services, and working capital credit.
- **Borrowers (n = 35):** Education, housing, and other retail credit beneficiaries.

3. Data Sources and Collection Instruments

The study relies on both primary and secondary data:

- **Secondary Data:** Collected from Reserve Bank of India (RBI) notifications, bank annual reports, scholarly journals, and published literature to frame the theoretical context and build the problem statements.
- **Primary Data:** Primary data were collected using both printed and online questionnaires, depending on the convenience of the respondents. Agriculturist customers were given printed questionnaires in person to help those who faced difficulties using digital technology. Borrowers, official customers, and business customers received Google Forms through email and other social media platforms.

4. Survey Instrument and Measurement Scaling

The questionnaire contained 18 statements common to all groups, covering account-opening formalities, attitude of officials, repeated visits, guidance, technology and security, waiting time, service charges and timely support, together with 4 to 8 statements specific to each group (for example, loan procedures for borrowers and EMI and interest-rate issues for agriculturists). Each statement was measured on a five-point Likert scale (1 = strongly disagree to 5 = strongly agree), so a higher mean indicates a more serious problem. Mean scores were interpreted using the class interval (5 – 1) / 5 = 0.80: 1.00–1.80 strongly disagree, 1.81–2.60 disagree, 2.61–3.40 neutral, 3.41–4.20 agree and 4.21–5.00 strongly agree.

5. Hypothesis Formulation

To determine whether public sector bank grievances are uniformly experienced or dictated by the functional segment of the customer, the following null hypothesis was tested:

H0: There is no significant difference in the level of perception of banking problems among borrowers, official, business, and agriculturist customers of public sector banks in Karnataka.

Mean, standard deviation and ranking were used to identify the major problems of each group. One-way ANOVA was applied to test the following hypothesis, with the statement mean scores of each group as observations, and the Tukey HSD test was used for pair-wise comparison.

Data Analysis and Interpretation

1. Level of Perception of Problems by Customer Group

Table 1: Group-wise Mean Score, Level of Perception and Most Serious Problems

Customer group	Items	Mean	SD	Level	Three most serious problems (mean)
Borrowers	26	3.30	0.360	Neutral	Long procedures for personal loans (3.92), business loans (3.88) and education loans (3.86)
Official Customers	22	3.74	0.133	Agree	No direct communication (3.97), account prone to hacking (3.90), long waiting hours (3.88)
Business Customers	22	3.89	0.144	Agree	Long waiting hours (4.18), attitude of officials (4.15), repeated visits (4.07)
Agriculturist Customers	24	3.75	0.140	Agree	No timely support (4.09), attitude of officials (3.97), repeated visits (3.97)

Source: Field survey.
Note: Mean and SD are computed from the statement means of each group.

Table 1 shows that business customers have the highest overall mean (3.89), and all 22 of their statements fall in the 'agree' range. Their main problems relate to time and staff behaviour: long waiting hours, unfavourable attitude of officials and the need for repeated visits, each with a mean above 4. Agriculturists (3.75) and official customers (3.74) also agree with almost every statement. For agriculturists, lack of timely support from the bank is the most serious problem (4.09), while official customers are most concerned about the absence of direct communication with the bank (3.97) and the risk of hacking (3.90). Borrowers record the lowest overall mean (3.30), and 18 of their 26 statements fall in the neutral range. However, they clearly agree that loan procedures are long, with the three highest means of the group belonging to personal, business and education loans. Unnecessary charges (3.70–3.83) and the need to improve services (3.63–3.90) are rated at almost the same level by all four groups, indicating that these are common problems of public sector bank customers.

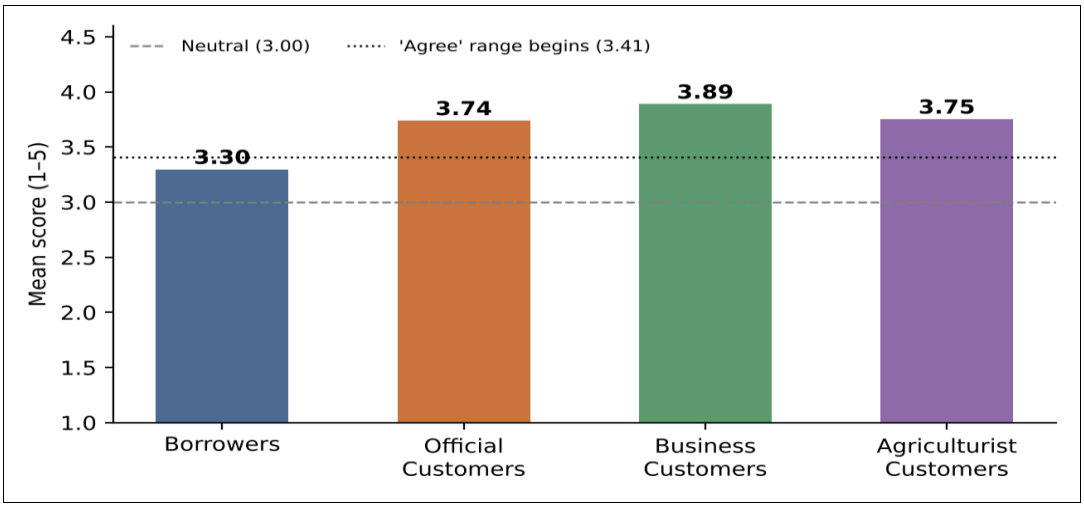


Fig 1: Overall Mean Score of Perception of Problems by Customer Group

2. Testing the Difference among Customer Groups: One-way ANOVA

Table 2: One-way ANOVA for Level of Perception of Problems among Customer Groups

Source of variation	Sum of squares	Df	Mean square	F	p
Between groups	4.924	3	1.641	32.89	< .001
Within groups	4.492	90	0.050		
Total	9.416	93			

Source: Computed.
Note: Critical F (3, 90) at the .05 level = 2.71; $\eta^2 = 0.52$.

The calculated F value (32.89) is much greater than the critical value (2.71) and the p value is less than .05. Hence the null hypothesis is rejected, and it is concluded that the level of perception of problems differs significantly among borrowers, official, business and agriculturist customers of public sector banks in Karnataka. The effect size ($\eta^2 = 0.52$) shows that about 52% of the variation in mean scores is explained by the customer group. Because the borrowers' scores are more spread out than those of the other groups, the non-parametric Kruskal–Wallis test was also applied, and it gave the same result ($H = 40.01$, $p < .001$).

Table 3: Tukey HSD Post-hoc Comparison of Customer Groups

Pair of groups	Mean difference	p	Result
Borrowers vs Official	-0.442	< .001	Significant
Borrowers vs Business	-0.592	< .001	Significant
Borrowers vs Agriculturists	-0.456	< .001	Significant
Official vs Business	-0.150	0.122	Not significant
Official vs Agriculturists	-0.014	0.996	Not significant
Business vs Agriculturists	0.136	0.172	Not significant

Source: Computed.
Note: Significance tested at the .05 level.

The Tukey test shows that borrowers differ significantly from official customers, business customers and agriculturists, perceiving the problems at a lower level by 0.44 to 0.59 points. The differences among official, business and agriculturist customers are not significant. Thus, the significant ANOVA result is due mainly to borrowers, whose dissatisfaction is concentrated on loan procedures, whereas the other three groups share a similarly high level of dissatisfaction with day-to-day banking services.

Conclusion

The study shows that the customers of public sector banks in Karnataka face a range of problems, but the intensity of these problems differs clearly across customer groups.

Business customers, agriculturists and official customers agree that problems such as long waiting hours, an unfavourable attitude of officials, repeated visits, lack of timely support and unnecessary charges exist. Borrowers are largely neutral about general services, but they strongly agree that personal, business and education loan procedures are lengthy. The one-way ANOVA confirms a significant difference in perception among the four groups, and the difference arises mainly between borrowers and the other three groups.

Public sector banks may therefore adopt group-specific measures: simpler, time-bound and digitally tracked loan processing for borrowers; separate counters, relationship managers and faster service for business customers; field-level support, simple documentation and financial literacy camps for agriculturists; and stronger communication channels and security assurance for official customers. Reviewing service charges and training staff in customer handling would benefit all groups. The study is limited to statement-level data from public sector bank customers in Karnataka; future research may use individual responses, larger samples, other states and private sector banks for comparison.

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