Customer Satisfaction and Prediction of Government Business in State Bank of India (SBI): A Statistical Case Analysis

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Abstract The present paper focuses on customer satisfaction and prediction of Government business in SBI for finding the market share of Government business and conducting a trend analysis of the same for the last five years and formulating strategies in order to improve the market share of Government business. Different statistical models are framed to analyze the degree of customer satisfaction and market share of Government business.

Keywords: customer satisfaction, government business, pension, transaction, market share, prediction

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1. Introduction

The term "Government Business" refers to the business which involves receipts, payments, transactions of and on behalf of Government of India. It involves both Central and State Govt. transactions. Central Govt. refers to railways, defense, civil etc. whereas State Govt. includes all state officials under state ministries like electricity board, state police service, state health services etc.

Government business has proved to be a significant business for the bank. Before twenty years, SBI was holding almost 99% of market share. Now the portion has declined due to new players like HDFC bank, ICICI bank, Associate banks, Axis bank, IDBI bank etc. But still SBI holds a majority of market share that accounts to be 58.12%, thereby leaving other competitors far behind. Government business enabled bank to have contacts with the Governmental hierarchy.

1.1. Customers of SBI for Government Business

In terms of provisions of Sections 20, 21 and 21A of the Reserve Bank of India Act 1934 the Reserve Bank of India (RBI) acts as banker to the Central and State Governments. RBI provides to the Central and State Governments a full range of banking services. Government Business customers of SBI are:
   a. Central Government
   b. State Government

1.2. Central Government

SBI has been conducting Govt. transactions as agent of Reserve Bank of India. Till 30.04.1987, Central Government transactions were routed through Branch Clearing General Account. On 01.05.1987, a separate department called "Government Accounts Department" has been established. All the receipts and payment of Central Government are included in it. All branches conducting Government Business have been classified into two groups namely, Dealing Branch and Focal Point Branches

1.3. State Government

A comprehensive review by a High Level Committee led to the introduction of "Scheme for Partial Decentralization" for reporting and accounting of State Govt. transactions with effect from 1st October 1987.

1.4. An Overview of SBI

State Bank of India (SBI) is a multinational banking and financial services company based in India. It is a government-owned corporation with its headquarters in Mumbai, Maharashtra. It was founded on 1st July, 1955. As of December 2012, it had assets of US$501 billion and 15,003 branches, including 157 foreign offices, making it the largest banking and financial services company in India by assets.

The bank traces its ancestry to British India, through the Imperial Bank of India, to the founding in 1806 of the Bank of Calcutta, making it the oldest commercial bank in the Indian Subcontinent. Bank of Madras (incorporated on 15 April 1841) merged into the other two presidency banks Bank of Calcutta and Bank of Bombay (incorporated on 1 July 1843) to form the Imperial Bank

of India, which in turn became the State Bank of India (SBI) in 1955 by an Act of Parliament 1921.

Government of India nationalized the Imperial Bank of India in 1955, with Reserve Bank of India taking a 60% stake, and renamed it the State Bank of India. In 2008, the government took over the stake held by the Reserve Bank of India. SBI was ranked 285th in the Fortune Global 500 rankings of the world's biggest corporations for the year 2012. SBI provides a range of banking products through its network of branches in India and overseas, including products aimed at non-resident Indians (NRIs). SBI has 14 regional hubs and 57 Zonal Offices that are located at important cities throughout the country. SBI has five associate banks namely:

- State Bank of Bikaner & Jaipur
- State Bank of Hyderabad
- State Bank of Mysore
- State Bank of Patiala
- State Bank of Travancore

Apart from its five associate banks, SBI also has the following non-banking subsidiaries:

- SBI Capital Markets Ltd
- SBI Funds Management Private Ltd
- SBI Factors & Commercial Services Private Ltd
- SBI Cards & Payments Services Pvt. Ltd. (SBICPSL)
- SBI DFHI Ltd
- SBI Life Insurance Company Limited
- SBI General Insurance

SBI has 27,000+ ATMs and SBI group (including associate banks) has about 45,000 ATMs. SBI has become the first bank to install an ATM at Drass in the Jammu & Kashmir Kargil region. This was the Bank's 27,032nd ATM on 27 July 2012.

1.5. Logo and slogan

The logo of the State Bank of India is a blue circle with a small cut in the bottom that depicts perfection and the small man the common man - being the center of the bank's business.

1.6. Slogans

"Pure Banking, Nothing Else", "With You - All the Way", "A Bank of the Common Man", "The Banker to Every Indian", "The Nation Banks on Us."

Some of the major competitors for SBI in the banking sector are ICICI Bank, HDFC Bank, Axis Bank, Punjab National Bank(PNB) and Bank of Baroda(BOB). However in terms of average market share, SBI is by far the largest player in the market.

1.7. Objective of the Study

- To find out the market share of govt. business and conduct a trend analysis of the same for the last five years and to formulate strategies in order to improve the market share of Govt. business.
- To detect the shortcomings of SBI in conducting Government Business and suggest some remedial measures to overcome them.
- To know the response of the pensioners and to analyze the turnover in Railways, Postal, telecom who are the major customers of SBI.

2. Research Methodology

- Collection of both primary data and secondary data for analysis.
- Primary data includes administration of questionnaires used for survey on various Govt. organization and customers.
- Secondary data includes the turnover of various Govt. dept. done through SBI, market share of major Govt. heads over 4 to 5 years, commission earned through it.
- Comparison of commission earned through Govt. business over other commission of banks.
- To use different methodologies to find out the appropriate cause of the trend like through questionnaire, surveying through it etc.

3. Data Analysis

Exhibit 3 shows market share of major heads of government business of SBI. There is no significant change in state govt. shares from 2009 to 2014. Central Board of Excise and Customs (CBEC) has decreased in 2011-2012 but rose significantly at the end of 2013-2014.

Exhibit 4 shows the share of Govt. commission in circle's other Income. Govt. commission is much less in compared to the commission from the other income but after 2011-2012 it has increased gradually. Exhibit 5 shows turnover from Govt. business receipt has increased significantly till March 2012 but after which it has seen steady decrease. But in case of payment there is a constant increase in turnover. Exhibit 6 shows the comparison of market share of SBI with other competitors (National Level). SBI has a lion share in the market as compared to other national level banks maintained. Exhibit 7 represents turnover from postal. This figure shows the graph of original data of postal turnover and the graph of trend data from the year 2009-2014 tends in upward direction. Exhibit 8 shows trend data for future seven years of postal turnover. It is observed that the expected postal turnover for the next 7 years from 2014 to 2020. The trend line is tending in upward direction. Exhibit 9 shows the turnover from telecom. This figure shows the graph of original data of telecom turnover and the graph of trend data from the year 2009-2014 tends in upward direction. Exhibit 10 represents the expected turnover for the next 7 years from 2014 to 2020. The trend line is tending in upward direction. Exhibit 11 shows the payment from east coast railway. This figure shows the graph of original data of payment from east coast railway and the graph of trend data from the year 2009-2014 tends in upward direction. Exhibit 12 shows the expected payment from railway for the next 7 years from 2014 to 2020. The trend line is tending in upward direction. Exhibit 13 shows the PPF of IDCO Tower Branch of Bhubaneswar. This figure shows the graph of original data of PPF of IDCO Tower Branch of Bhubaneswar and the graph of trend data from the year 2009-2014 tends in upward direction. Exhibit 14 shows the expected PPF for the next 7 years from 2014 to 2020. The trend line is tending in upward direction. Exhibit 15 represents the turnover of east coast railway. This figure shows the graph of original data of turnover of east coast railway and the graph of trend data from the year 2009-

2014 tends in upward direction. Exhibit 16 shows the expected turnover of east coast railway for the next 7 years from 2014 to 2020. The trend line is tending in upward direction. Exhibit 17 represents the receipt of east coast railway. This figure shows the graph of original data of receipt of east coast railway and the graph of trend data from the year 2009-2014 tends in straight direction. Exhibit 18 shows the expected receipt of east coast railway for the next 7 years from 2014 to 2020. The trend line is tending in upward direction. Exhibit 19 represents the commission earned from Govt. business. This figure shows the graph of original data of commission earned from Govt. business and the graph of trend data from the year 2009-2014 tends in straight direction. Exhibit 20 shows the expected commission earned from Govt. business for the next 7 years from 2014 to 2020. The trend line is tending in upward direction.

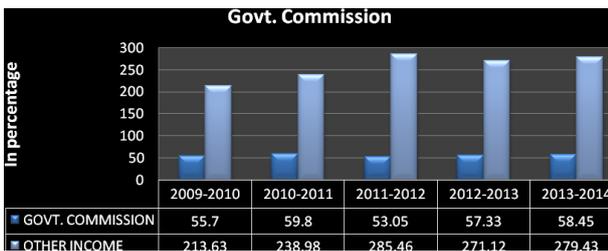**Exhibit 3.** Market Share of major heads of Government Business of SBI

Market Share	2009-2010	2010-2011	2011-2012	2012-2013	2013-2014
CBDT	71.45%	70.55%	58.14%	60.05%	64%
CBEC	62.55%	70.23%	53.06%	73.02%	82%
ECO RLY	63.51%	68.54%	67.26%	78.80%	85%
STATE GOVT	86.65%	84.40%	84.47%	87.15%	88.50%

Exhibit 4. Share of Govt. Commission in Circle's other Income

Govt. Commission	2009-2010	2010-2011	2011-2012	2012-2013	2013-2014
GOVT. COMMISSION	55.7	59.8	53.05	57.33	58.45
OTHER INCOME	213.63	238.98	285.46	271.12	279.43
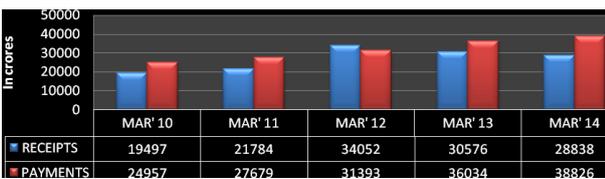
Exhibit 5. Turnover from Govt. Business

	MAR' 10	MAR' 11	MAR' 12	MAR' 13	MAR' 14
RECEIPTS	19497	21784	34052	30576	28838
PAYMENTS	24957	27679	31393	36034	38826
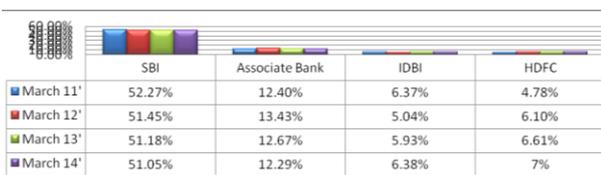
Exhibit 6. Comparison of Market Share of SBI with Other Competitors (National Level)

	SBI	Associate Bank	IDBI	HDFC
March 11'	52.27%	12.40%	6.37%	4.78%
March 12'	51.45%	13.43%	5.04%	6.10%
March 13'	51.18%	12.67%	5.93%	6.61%
March 14'	51.05%	12.29%	6.38%	7%

	2009	2010	2011	2012	2013
Turnover	135425	135975	135829	136352	136614
Trend data	135488	135763.5	136039	136314.5	136590
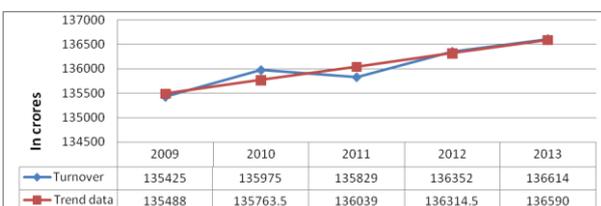
Exhibit 7. Postal Turnover
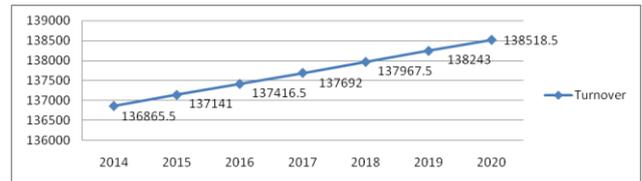
Exhibit 8. Trend data for Future Seven Years of Postal Turnover

	2009-2010	2010-2011	2011-2012	2012-2013	2013-2014
Income	31105	30645	30253	31693	32413
Trend data	30489	30855.4	31221.8	31588.2	31954.6
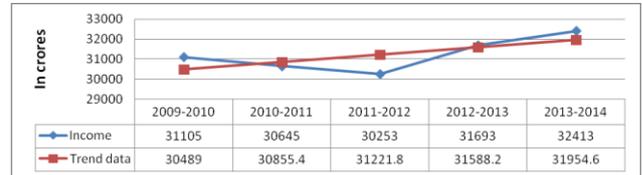
Exhibit 9. Turnover from Telecom
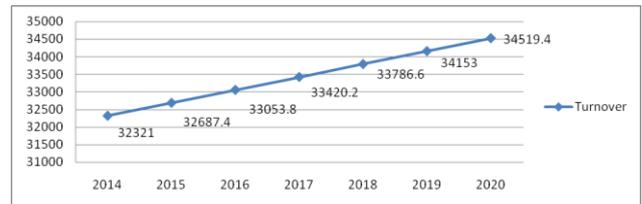
Exhibit 10. Trend Data for Future Seven Years of Turnover from Telecom

	2009-2010	2010-2011	2011-2012	2012-2013	2013-2014
Income	2589	2812	2815	3713	4162
Trend data	2480.8	2813.5	3218.2	3622.9	4027.6

Exhibit 11. Payments from East Coast Railway
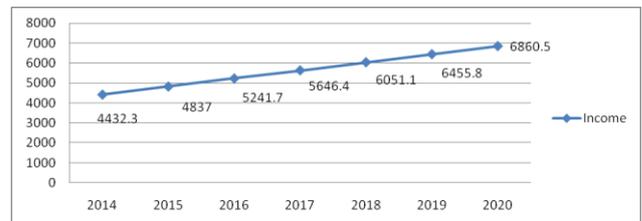
Exhibit 12. Trend Data for Future Seven Years of the Payment from Railway

	2009-2010	2010-2011	2011-2012	2012-2013	2013-2014
No. of PPF A/Cs	95	124	142	79	98
Trend data	-10.2	48.7	107.6	166.5	225.4

Exhibit 13. Public Provident Fund (PPF) of IDCO Tower Branch of Bhubaneswar

Exhibit 14. Trend Data for Future Seven Years of Public Provident Fund (PPF) of IDCO Tower Branch of Bhubaneswar

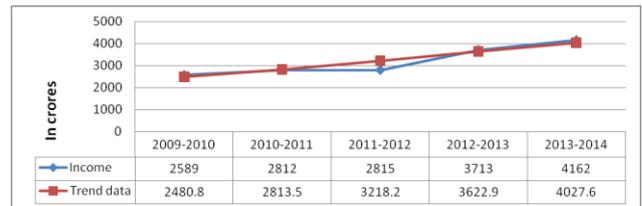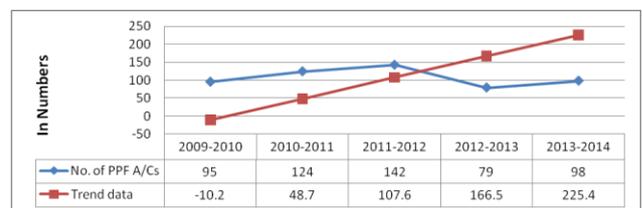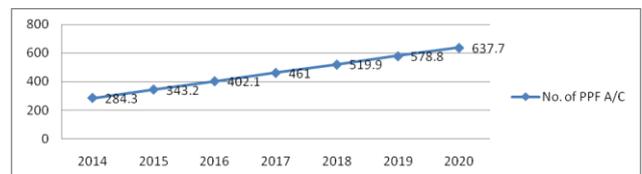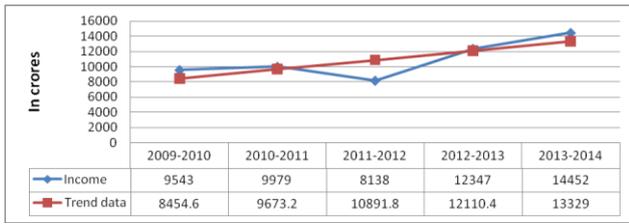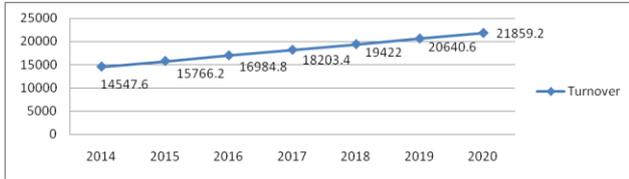**Exhibit 15.** Turnover of East Coast Railway

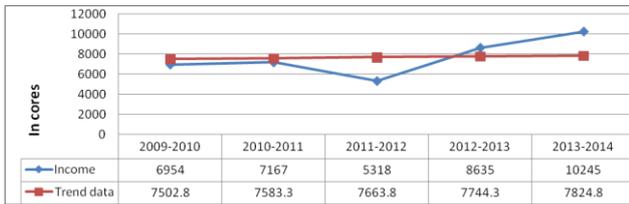**Exhibit 16.** Trend Data for Future Seven Year of Turnover of East Coast Railway

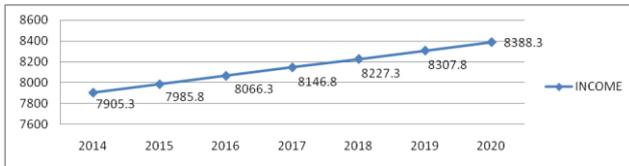**Exhibit 17.** Receipts of East Coast Railway

Exhibit 18. Trend Data for Future Seven Years of Receipts of East Coast Railway
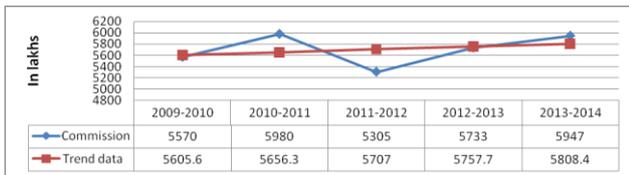

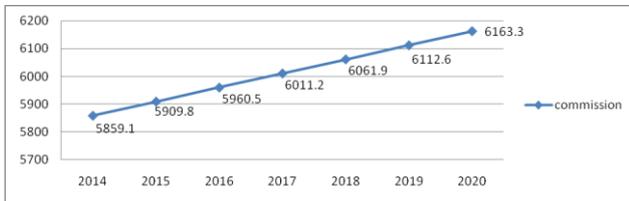**Exhibit 19.** Commission Earned from conducting Govt. Business

Exhibit 20. Trend Data for Future Seven Years from Commission Earned from conducting Govt. Business

4. Interrelationship between different Attributes

Hypothesis

H_{01}: Pensions and drawings are independent variables.
H_{11}: Pensions and drawings are dependent variables.

Interpretation

Table 1. Relationship between Drawings and Pension

		Pension		
		Family	Individual	Row Total
Drawings	Bank	30	12	42
	Treasury	7	11	18
	Column Total	37	23	60

From the Table 1, using Chi- Square test of independence of attributes the calculated value of Chi-Square is found to be 5.354 and the critical value of Chi-Square at 5% level of significance with 1 degrees of freedom is 3.841. Since the calculated value is greater than the critical value which is 5.354 >3.841. So the null hypothesis may be rejected. Hence drawing and pension are two dependent variables and null hypothesis is significant.

Hypothesis

H_{02}: Pensioner and drawings are independent variables.
H_{12}: Pensioner and drawings are dependent variables.

Table 2. Relationship between Pensioner and Drawings

		Drawings		
		Bank	Treasury	Row total
Pensioner	Central Govt.	10	4	14
	State Govt.	14	6	20
	Railway	12	8	20
	Defence	4	2	6
	Column total	40	20	60

Interpretation

From the Table 2, using Chi- Square test of independence of attributes the calculated value of Chi-Square is found to be 4.441 and the critical value of Chi-Square at 5% level of significance with 3 degrees of freedom is 7.815. Since the calculated value is less than the critical value which is 4.441< 7.815. So the null hypothesis may be accepted. Hence pensioner and drawings are two independent variables and null hypothesis is insignificant.

Hypothesis

H_{03}: Responses of customer and years of investment in PPF are independent variables.
H_{13}: Responses of customer and years of investment in PPF are not independent variables.

Table 3. Relationship between Response and Years

		Years				
		<3	<5	<10	<15	Row total
Response	Yes	12	10	5	0	27
	No	8	10	12	3	33
	Column total	20	20	17	3	60

Interpretation

From the Table 3, using Chi- Square test of independence of attributes the calculated value of Chi-Square is found to be 4.791 and the critical value of Chi-Square at 5% level of significance with 3 degrees of freedom is 7.815. Since the calculated value is less than the critical value which is 4.791< 7.815. So the null hypothesis may be accepted. Hence response and years are two independent variables and null hypothesis is insignificant.

Hypothesis

H_{04}: Responses of customer and No. of customers having Systematic Investment Plan (SIP) in PPF are independent variables.

H_{14}: Responses of customer and No. of customers having Systematic Investment Plan (SIP) in PPF are not independent variables.

Table 4. Relationship between Response and Years

Response		Years			Row total
		<3	<5	<10	
	Yes	5	3	2	10
	No	7	6	4	17
	Column total	12	9	6	27

Interpretation

From the Table 4, using Chi- Square test of independence of attributes the calculated value of Chi-Square is found to be 0.1955 and the critical value of Chi-Square at 5% level of significance with 3 degrees of freedom is 5.991. Since the calculated value is less than the critical value which is 0.1955< 5.991. So the null hypothesis may be accepted. Hence response and years are two independent variables and null hypothesis is insignificant.

Exhibit 1. Logos of Imperial Bank of India and State Bank of India

Exhibit 1 shows the formation of SBI (Bank of Calcutta, Bank of Madras and Bank of Bombay (incorporated on 1 July 1843) to form the Imperial Bank of India, which in turn became the State Bank of India in 1955 by an Act of Parliament 1921).

5. Findings and Limitations

In the year 2011-2012 market share and commission of Govt. business declined because of the following reasons:

- RBI's decision to allow other banks to conduct Govt. business in order to control the monopoly of SBI.
- As government business is not so profitable low priority is being given to it in most of the branches.
- Reduction of rates of commission like a: e-receipts-Rs 12/- per transaction against Rs. 45/- b: physical receipts- Rs. 50/- against Rs 45/- c: govt. payment-Rs. 5500/- per 1 crore against Rs. 9000/-.
- Poor marketing of govt. business products.
- New takers like private banks are providing excellent services which the bank is lacking.
- Customer satisfaction level is very low. Most of the PPF customers and pensioners are complaining of poor customer responses. Bank's sole motto is customer service if that is not good it is obvious to have low market share.
- Employee - customer ratio is not good.
- Increase in monopoly of SBI.
- Delayed reporting of GBU by most of the branches.

- Unnecessary penalty payment is made due to delayed reporting.
- Not able to match the efficiency levels.
- Poor coordination between employees and customers.
- Less number of schemes which are not in proportion to compensate reduced commission rates.
- Slower process of functioning in comparison to other competitors.
- Extension of PPF to all branches is not there.
- Less number of SIP done in PPF accounts.
- Many PPF accounts remain idle.
- Less number of counters in more crowded areas.

6. Strategies for Improvement of Government Business

- Providing good incentives to the employees for their dedicated and target approach function.
- Efforts should be made for error free Govt. Business and early reporting /settlement with Govt. Dept.'s to minimize penalties.
- Develop and use more e-governance and e-solution.
- Special awareness programmes should be held for the customers at branches/Govt. Offices on various products of Govt. Business.
- More staff are required to improve the banking activities and satisfy the requirement of customers.
- Staff members need to be adequately trained for development of Government Business transactions through alternative channels like online receipt and payment.
- Recognize Government Business as distinct business segment and start marketing aggressively.
- To introduce the latest technology wherever possible in the conduct of the Govt. business.
- As door step banking has increased by many banks to provide services free of cost, SBI should also not lag behind.
- SBI should collect data from various Govt. Dept. /Railways etc. on employees retiring in next few months and apprise/influence the future Pensioners about various Schemes.
- Exclusive Help Desk/Single Window Delivery Counter for Senior Citizens/Pensioners where the number of pensioners is substantial should be provided.
- Seminars/Meetings should be organized involving Senior Functionaries of the Bank to apprise the operating staff about the trend & market share and Govt. Business effects on the profitability of the Bank.
- Top Management Officials of the Bank should meet different Ministers of the State and Senior Functionaries of Central/State Govt. and Railways at regular intervals.
- Identifying top Govt. Business intensive Branches (say 5 in Bhubaneswar and 50 in Odisha) for monitoring purpose to arrest the deficiencies, if any in conducting Govt. Business.
- Identifying few potential branches where Govt. Business is routed through other banks. Meeting with

the local Govt. authorities to divert the same or book other forthcoming business is required.

- Systematic Investment Plan (SIP) is good remunerative business without involving any subsequent manpower after this is entered in the System. Hence, top PPF intensive branches may be targeted with campaign for the same and also staff incentives be provided.
- Meeting with Quasi-Govt./Autonomous to provide them services like collection of various fees-Exam/Entrance and payment of pension to their employees.
- E-collection of various taxes/dues/bills of BSNL, State Electricity Companies.
- As all the Govt. benefits to different beneficiaries are to be paid through bank accounts (already started in some districts) by Direct Benefit Transfer, ample scope exists for increasing Govt. Business.
- Appointing District Coordinators by the Bank to oversee the conduct of Govt. Business at the Branches in the District and meeting with various Govt. functionaries at District/Block level to know the deficiencies and ground realities and to arrest those.

7. Conclusion

After surveying and analyzing Government Business and its components in State Bank of India (SBI), it is found that SBI has a sound and effective policy for increasing the shares Govt. business. Its performance over the years is also good. During the Financial Year 2011-2012, there is a downward trend in almost all the major components of Government business.

This is seen mainly due to permission given by RBI to other banks to conduct Government Business on the behalf of all Government organizations. But in the previous Financial Year, 2012-2013 the market share trend has shown an increasing trend despite the changes in

agency commission rates. Market share of SBI in Government Business was 51.18% in comparison to its major competitors like Associate Banks 12.67%, IDBI 5.93%, and HDFC 6.61%. From the above figures it becomes clear that SBI gives a tough competition to its competitors. The products that the bank offers to the general public are even better with better interest rates.

SBI is a vast organization and shortcomings also come with vastness of an organization. Every organization has some shortfalls. But if these are identified and corrected by implementing the strategies the organization can show better performance than the existing one. Similarly in SBI also the strategies should be implemented from time to time in order to improve the market share and performance of Government Business.

As the logo of SBI says "A bank to common man" it truly serves its customers in the right way. Government of India is its major customer in Government Business. The more number of transactions it does, turnover it earns, the more commission it earns.

Lastly, it can be said that due to its widespread network, SBI is able to make such a large base of customers including Government of India. Due to its continuous efforts to improve and better service SBI has been able to earn a name as "The Nation Banks on us".

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