



CUSTOMER SATISFACTION TOWARDS IN BANKING SERVICES IN INDIA

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Abstract

In India, the banking industry has entered several new activities in the areas of merchant banking, leasing housing finance, venture capital and financial services in general. The range of services provided by the banks stretches from rural finance at one end to international banking at the other. The functions of the bank have changed to cope with the changes. The development of new technologies has profoundly changed the way in which customers interact with service providers. Indian banking sector has to face the most crucial challenge, customer satisfaction. Service quality can be defined as the difference between customer expectations of service and their perception.

INTRODUCTION

In India, the banking industry has entered several new activities in the areas of merchant banking, leasing housing finance, venture capital and financial services in general. The range of services provided by the banks stretches from rural finance at one end to international banking at the other. The banking scenario worldwide is now undergoing a rapid diversification and technological change and Indian banking is not an exception with the changing policy of the Government of India in the areas of industrial, trade and exchange rate policies. The functions of the bank have changed to cope with the changes. The Indian banking has seen momentous changes in the post-liberalization era. It has witnessed a remarkable shift in its operating environment during the last decade. Every aspect of the functioning of the Indian banking industry is undergoing dramatic changes. The market has changed drastically and has become largely customer centric.

In these days of intense competition, the banks are very particular in identifying the needs of their customer and how effectively that can be met. They continuously struggle and develop new strategies to differentiate themselves from their competitors by providing their customers with high quality banking services and high technology innovative products. It is to be noted here that technical superiority and innovative products alone will not bring success; it is the quality of service determines the success of any bank. As pointed out by Taylor and Baker in 1994 and Cronin and Taylor in 1992, service quality has become a critical prerequisite for satisfying and retaining valued customers in banks. Rendering quality service to satisfy and retain customers is the key to success in banking business. In India, the PSB's and old private sector banks realized their new role and also welcomed the new generation banks – HDFC bank, ICICI bank, IDBI bank, Axis bank, etc. These new banks had the advantage of starting with a clean slate, adequate capital resources, well trained and professional manpower, handful of branches in chosen centers, new variety of products and services etc. The customer acts as a propagandist in revealing the goodness of banking with a particular bank. This is, in general, understood as customer loyalty. A satisfied customer, thus becomes a source to attract new customers to a bank. As a result, in order to survive in the present world of intense competition, the banking sector has transcended the normal banking activities and has diversified into insurance, merchant banking, factoring and advisory services. It is therefore important to understand the customer expectation properly and delivering actual performances that exceed expectations so as to make them delighted customers. Hence the researcher has made an attempt to study the customer satisfaction in public sector and private sector banks.

OBJECTIVES OF THE STUDY

- To study the various customer services offered in the public sector banks and private sector banks.
- To measure the level of satisfaction of customers in private sector and public sector banks.
- To offer appropriate suggestions for improvement of Customer satisfaction in Public and Private Banks in India.

REVIEW OF THE LITERATURE

Andra Brige (2006) studied the bank/customer relationship experience in the Latvian banking system and the impact of developing technology in banking. The author found that satisfaction with services provided is not the only factor that influences customer loyalty and a great impact on loyalty level is made by other factors, such as: image, prestige, word of mouth also. Raj Kumar (2008) said that the findings of his study coincide with the observations of earlier researchers in the area of customer satisfaction. In his study the author has identified the customer satisfaction variables and its impact on customer satisfaction and established the relationship between customer relationship management and customer satisfaction. Aruna Dhale and Manish Mittal (2008) carried out a study to obtain the primary opinion of the customers of the State Bank of India, HDFC, ICICI, IDBI and UTI (now Axis Bank) as representatives of public and private sector banks. It was found from the study that the customers of private banks are more satisfied than the customers of the SBI. It was also identified that customers of SBI are more sensitive towards the processing time taken for account handling and technological updates while in the case of private banks, nearby location of bank to residential area and delay in the processing time are the reasons to change the existing bank with a new one. Jaspal Singh and Gagandeep Kaur (2011) investigated the determinants of customer satisfaction of Indian banks. The results of the study revealed that responsiveness, tangibles, services innovation, reliability and accessibility, assurance, pricing and other facilities, problem solving capability and convenient working hours are the main determinants of customer satisfaction. Premraj H and Sankaralingam N (2012) analysed the service quality perception of retail banking customers in Chennai with reference to SBI group, nationalized banks, Private sector and Co-operative banks to assess their satisfaction level regarding the services rendered by banks and identified the factors which have the maximum impact on customer satisfaction. The research revealed that the satisfaction level of customers is high in nationalized banks, followed by SBI and its associates, Private sector and Co-operative banks. The study also indicated that reliability and competitiveness have the maximum impact on customer satisfaction.

RESEARCH METHODOLOGY

The methodology of the study is based on the primary data collected through well-framed and structured questionnaire to elicit the well-considered opinion of both public sector and private sector bank customers. The secondary data relating to the study were obtained from the various published/unpublished records, annual reports, manuals, bulletins, booklets, journals, magazines, etc. Each of the 15 public sector and private sector banks has different number of branches in Chennai city. The primary data collected through questionnaire were analyzed using SPSS V-15 computer package. The statistical tools used for data analysis based on the data enumerated from the questionnaires are as follows:

1. One sample t-test
2. Paired normalized t-test
3. One-way analysis of variance
4. Chi-square test
5. Factor Analysis by Principal Component Method
6. K-Means Cluster Analysis

DISCUSSIONS AND RESULTS

After carrying out an in-depth analysis on the data collected from the customers of the public sector banks and the private sector banks, the researcher found the following:

- There is no association between the services offered and quality of services in both public and private sector banks with regard to loans and advances, bills discounting, issue of travelers Cheque, encashment of Cheque, reply to queries, online banking and funds transfer through NEFT and RTGS.
- Sending statement of account to the customers by public sector and private sector was found to be an important determinant of quality of services offered by the banks and issue of demand draft is found to be a determinant of quality of service in private sector banks and it not a determinant in case of public sector banks.
- There is no association between the services like export import finance, issue of Cheque book, foreign inward remittance, locker services, payment of bills, collection of bills, credit cards, consultancy

service, merchant banking, portfolio management, trustee and administration, acceptance of government fees and taxes, demat account, retail sale of gold and forex services, being offered by the banks and the quality of services rendered by the private sector banks and these services do not act as a determinant of service quality in private sector banks.

- All variables pertaining to various services offered by the banks have been segmented into seven major service quality dimensions viz. tangibility, reliability, responsiveness, assurance, empathy, confidence building and technology augmentation.
- The total customers of public sector and private sector banks are categorized into three types and they are named as saturated customers, meticulous customers and impulsive customers.
- The customers of both public sector and private sector banks have strongly agreed for easy accessibility of their banks from tangibility point of view and safety of transactions aspect of assurance. There is no difference of opinion among the customers of public sector banks and private sector banks as far as responsiveness aspect of quality of service and confidence building and technology augmentations by their respective banks.
- The factors that influence customer satisfaction in public sector banks are tangibility, reliability and confidence building. In case of private sector banks, tangibility, responsiveness, assurance and technology augmentation influence customer satisfaction.
- In both the type of banks, customer satisfaction has an impact on customer loyalty; in public sector banks the R^2 value is 24.8 percent and in private sector banks R^2 value is 17.8 percent.

SUGGESTIONS

- Usage of ATM must be recommended by the public sector banks for their customers in order to avoid long queues in banks. The bankers must take necessary steps to make understand the use of ATM and how it can be used for various purposes to their customers.
- Some services which are more relevant only for corporate sectors must be made known to the customers through personnel selling and for services pertaining to individual customers the banks must give frequent advertisements in popular media in order to inform the customers about the various types of services being offered by them for the benefit of the customers.
- In the present competitive world, the use of internet and mobile banking has become a vital one. It is necessary that the banks, both public sector and private sector, must create greater awareness among their customers for the use of funds transfer technology for easy transfer of funds and how payments via internet is made very easy and convenient.
- The banks must focus on those parameters immediately to fulfill customer expectations where the mean score of expectations are more.
- The banks have to improve its quality of service for those variables to fulfill customer satisfaction where the mean score is less.
- Enquiries must be clearly answered and complaints should be handled and settled immediately.
- The banker, both public sector and private sector, must keep in touch with their customers always and a good and strong customer relationship must be maintained in order to satisfy their customers and create a strong bond of confidence in all respects.
- More self-service technologies can be introduced in banks to help customers carrying out bank transactions quickly and easily without much waste of time and advertisements regarding retail sale of gold coins/bars can be made in popular media.

CONCLUSIONS

The results of the present study shows that from tangibility aspect of service quality is concerned, both the customers of public sector banks and private sector banks have strongly agreed that their banks are easily accessible. The customers of private sector banks have strongly agreed that their banks show sincere interest in solving problems from reliability point of view of service quality. As far as assurance is concerned both the customers of public sector and private sector banks have reported that their banks assure safety of transactions and



the customers of private sector banks have strongly agreed that their bank employees have complete knowledge about bank products. Convenient operating bank hours from empathy point of view of service quality dimension, private sector bank customers have strongly agreed for this. There is no significant difference in opinion among the customers of public sector and private sector banks about confidence building and technology augmentation aspect of service quality. It is concluded that the prospective customers in both public and private sector banks expect maximum service quality at a minimum cost in the day-to-day banking transactions.

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