

# A Study on Customer Satisfaction in Select Banks

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**ABSTRACT:** After liberalization, privatization and globalization (LPG) policy enactment, Indian banking industry has undergone tremendous qualitative changes. International banks are coming to market, which are competing with local banks irrespective with that they are private sector banks or public sector. Various banks are available with new offers, schemes, and services with wide range of products. Customer has range of choices where proper information can be gathered at cheap cost, and can take the advantage of such competitiveness. In the era of globalization customer has more rights to choose right product according their profile, opportunities available for their money.

**Keywords:** Liberalization, Privatization, Globalization, SBI, RBI

## I. INTRODUCTION

The banking system forms the important role in the financial sector of an economy. The role of commercial banks is particularly important in third world countries through the mobilization of resources, better allocation, attractive saving schemes, conversion of savings in to investment, and allocating resources. After liberalization, privatization and globalization (LPG) policy enactment, Indian banking industry has undergone tremendous qualitative changes. International banks are coming to market, which are competing with local banks irrespective with that they are private sector banks or public sector. Various banks are available with new offers, schemes, and services with wide range of products. Customer has range of choices where proper information can be gathered at cheap cost, and can take the advantage of such competitiveness. In the era of globalization customer has more rights to choose right product according their profile, opportunities available for their money.

With the advent of liberalization policy and RBI's easy norms several private and foreign banks have entered in Indian banking sector which has given birth to cut throat competition amongst banks for acquiring large customer base and market

share. Banks have to deal with many customers and render various types of services to its customers and if the customers are not satisfied with the services provided by the banks then they will defect which will impact economy as a whole since banking system plays an important role in the economy of a country, also it is very costly and difficult to recover a dissatisfied customer. Since the competition has grown manifold in the recent times it has become a herculean task for organizations to build loyalty, the reason being that the customer of today is icon of choice. It has become imperative for both public and private sector banks to perform to the best of their abilities to retain their customers by catering to their explicit as well as implicit needs. Many a times it happens that the banks fail to satisfy their customer who can cause huge losses for banks and there the need of this study arises. Even through the customer is well educated some time high technology banking services hesitate the customer for the transaction.

For the effective banking transaction the banks should have

(i) Good communication

(ii) Soft skill must need.

(iii) The bank management needs to educate the employees for the banking activities and process universal banking procedure can help the customer for the better transaction

## CUSTOMER FOCUS OVER THE DECADES

Customer are now demanding multiple channels through which they can interact with their providers including (i) Face to face contact (ii) Phone (iii) Websites e-mail mobile device etc. Which has forced the banking sector to explore new distribution channels, so that ordinary customer which have more information about multiple banking products than even before. This is aimed not only to present the customer from taking their business elsewhere but also to ensure that they are offered the product and services that are most appropriate and most likely to result in new revenue for the bank. There is a phenomenal

change and paradigm shift towards customer focus over the past five decades. The banking business found standing on the pillars of customer's satisfaction it is pertinent that policy makers and branch manager think over the problem on priority basis.

### **DECADE-FOCUS ON CUSTOMER**

1950-1960 - Serving the customer

1960-1980 - Satisfying the customer

1980-1990 - Pleasing the Customer

1990-2000 - Delighting the customer

2000 and beyond - Retaining the customer

Today customers are now becoming increasingly conscious of their rights and are demanding ever more than before. The recent trends show that most of the banks are shifting from a "product –centric model" to a "customer –centric model" since customer satisfaction has become one of the major determinations of business growth. In this context, prioritization of performance and close monitoring of the customer satisfaction are indispensable.

### **Statement Of The Research Problem**

Benefits of customer satisfaction provide include the retention of customers of a bank. The longer a customer stays with a bank, the more utility the customer generates. This is based on a number of factors that relate to the amount of time a customer spends with the bank. Customers overwhelmingly consider the process elements of the service when evaluating quality. They are seeking a responsive service with a high level of assurance and emphasize that the service features of branch, staff and information are the dominant factors. customer expectations were changing. So banks were under pressure to offer, what the customer would be expecting in future. Information technology plays a major role in satisfying the future needs of the customer. The present study intends to assess and examine the customer satisfaction in select banks and identify the socio-economic factors as the predictors of customer satisfaction. The research issues raised and attempted to answer include

**What is customer satisfaction and how do we measure it?**

**What is the level of customer satisfaction in select banks and its associated variance among different banks?**

**What is the role of socio-economic factors of customers as predictors of their satisfaction?**

After having realized the significance of the issues relating to the customer satisfaction, a modest attempt is made in the subsequent section to review

the earlier studies in order to identify the aspects covered and gaps if any.

## **II. REVIEW OF LITERATURE**

Reichheld and Sasser (2000) recognized the benefits that customer satisfaction provides by the retention of customers of a bank. They advocated that the longer a customer stays with a bank, the more utility the customer generates. This is based on a number of factors that relate to the amount of time a customer spends with the bank. These include high preliminary cost of introducing and attracting a new customer, increase in both value and amount of purchases, customer better understands of the bank, and positive word-of-mouth promotion.

Biswa N.Bhattacharya (2002) found out the reason for the poor quality of customer service in banks. The result showed that more than fifty per cent of the customers who made complaints cited inefficient service as the main cause. The delay in encashment of cheque was the next reason for customer complaints. The study pointed out that there was considerable delay in the service rendered which resulted in total dissatisfaction among customers.

Dilshath (2005) studied the extent of customer satisfaction with regard to the service rendered by the nationalized banks. She found that customers were not satisfied at the cash counter due to long time taken for drawing money. Customers were also dissatisfied because certain services like investment advice and tax advice were not given to them and borrowers were dissatisfied due to cumbersome procedural formalities in getting loans sanctioned.

Ranganathan (2007) stated that there had been deterioration ratio in the services offered by banks. He suggested that there should be an enquiry window in each bank manned by a staff well-versed in banking routine and having abundant human qualities. Training courses should be organized for the bank officials to train them in matters relating to dealing with customer and development of customer relationship and computerization of transactions should be done to render better services to the customers.

Blanchard and Galloway (2010) analyzed the data using the SERVQUAL classification and link this to staff perceptions using the gap model. The data were collected with the help of questionnaire from 439 current/deposit account customers of the bank. Respondents were recruited outside a quota sample of 71 bank branches and interviewed at home. 401 valid replies were analysed. The implications of the findings for retail

banking are clear. Customers overwhelmingly consider the process elements of the service when evaluating quality. They are seeking a responsive service with a high level of assurance one that gives an impression of competence and credibility, one that can be trusted.

Johnson (2013) in his study on the determinants of service quality, revealed that there are some service quality determinants of internet banking, namely, satisfiers and dissatisfiers. The main sources of satisfaction are attentiveness, responsiveness, care and friendliness. The main sources of dissatisfaction are integrity, reliability, responsiveness, availability and functionality.

Hallowell (2015) in his study "The Relationships of Customer Satisfaction, Customer Loyalty and Profitability: An Empirical Study" looked into the relationship between customer satisfaction and loyalty. The study concluded that satisfaction with the service and satisfaction with price were the elements in the overall satisfaction measurement. The measurements used in the above mentioned study were reasonably all inclusive. The findings of the study emphasize that the service features of branch, staff and information are the dominant factors. He concluded that all the elements measured had a bearing on overall satisfaction.

Bhide (2017) revealed that customer expectations were changing. So banks were under pressure to offer, what the customer would be expecting in future. Information technology plays a major role in satisfying the future needs of the customer. He stated that ATM, PC banking, internet banking, electronic delivery channel, MICR, and banknet have cut down cost and increased the productivity of the banks. He concluded that service institutions like banks had to evolve and implement strategies in fulfillment of their mission.

Meenakshi Malhotra (2020) studied the factors determining customer satisfaction at different levels and marketing strategies for increasing the level of customers' satisfaction. Factor-wise average scores revealed that there was significant difference between the level of satisfaction of the public and private sector banks' customers. The latter were much more satisfied than their counterparts in public sector banks. The most distinguishing and outstanding factors responsible for the satisfaction of private banks' customers were staff and service factors. They suggest that public sector banks needed to adopt certain specific marketing strategies to survive in the present day competition.

Reserve Bank of India Report, (2015) the banking sector reforms gave way to a robust Indian banking industry. Currently this industry is the fastest growing and the largest banking hub of the world with 91 banks having with nearly 1,10,477 offices, employing 11,71,426 people. The industry was reported to have deposits and assets worth Rs 86,542,205.5 and Rs 66972420.2 million respectively in the financial year 2014- 2015.

### **OBJECTIVES OF THE STUDY**

To examine the socio-economic profile of the customers in select banks

To measure the level and the difference of customer satisfaction in select banks

### **HYPOTHESES OF THE STUDY**

There is no significant difference in the customer satisfaction levels in select banks

The impact of socio-economic factors on customer satisfaction in select banks is insignificant

Towards the end of the objectives and hypotheses, the following methodology is adopted.

## **III. METHODOLOGY**

### **Sample design**

For the purpose of the present study, 500 sample customers are selected from four banks at a rate 125 respondents per bank. The list of select banks includes SBI, Andhra bank, ICICI, and HDFC located in Hyderabad and Secunderbad. The sample respondents are drawn on the basis stratified random sampling methods. The criteria of stratification are occupation and type of account.

### **SOURCES OF DATA**

The present study made use of both primary and secondary sources of data. The **secondary sources** of data include the reports of state level bankers committee. The **primary sources** of data are directly collected from the respondents by administering questionnaire.

### **PERIOD OF THE STUDY**

For the purpose of the present study 2018-19 period is considered to measure the customer satisfaction and the relevant data are collected during November-December 2019.

### **SCOPE OF THE STUDY**

The scope of the present study is confined to examine the customer satisfaction in select banks. It does not cover the management and financial performance of select banks.

### **TECHNIQUES OF ANALYSIS**

Simple percentages, graphs, frequency distribution, 5-point Likert scale, spearman's rank correlation, chi-square statistic and Z test are employed in order to analyze and test the significance of the relationships specified in the study.

#### IV. CUSTOMER SATISFACTION IN SELECT BANKS

An attempt is made in this chapter to estimate the customers' satisfaction in select banks namely SBI and Andhra bank and ICICI and HDFC located in Hyderabad and Secunderbad. With regard to customers' satisfaction in banking services, the service quality model developed by Zeithamal, Parsuraman, and Berry (1988) has been used in the present study. In accordance with the said scale, customers' satisfaction is measured in five dimensions namely Tangibles in Banking services, Reliability, Responsiveness, Assurance, and Empathy.

##### Tangibles in banking services is measured in terms of

1. Use of modern equipment
2. Appealing physical facilities
3. Neat appearance of employees
4. Statements and Brochures are appealing with good designs
5. Technologically well-equipped ATMs
6. Adequate number of ATMs
7. Enriched internet banking services.

##### Reliability in banking services is measured in terms of

1. Adherence to time schedules
2. Keen interest in solving the customer's problem
3. Perfect performance of the service from the beginning
4. Prompt delivery of service on time
5. Error free records.

##### Responsiveness in banking services is measured in terms of

1. Prior information to the customers about the service delivery
2. Prompt service to customers
3. Always willing to help the customer's
4. Quick response to the requests of customers.

##### Assurance in banking services is measured in terms of

1. Employee behavior itself instills confidence in customer's
2. Ensures 'feel safety' to the customers in their transactions
3. Always courteous to the customers
4. Well conversant and immediately answer the customers' questions.

##### Empathy in banking services is measured in terms of

1. Equitable attention to the customer's
2. Flexible operating hours to the customers
3. Personal assistance and attention to the customers
4. Able to understand specific needs of the customers.

It is further attempted to examine the cross relationships between different banks and the customers' satisfaction.

### V. RESULTS AND ANALYSIS

Table-1

Tangibles-Use of modern equipment

Response Level	Frequency	Percent	Cumulative Percent
Strongly disagree	46	9.2	9.2
Disagree	49	9.8	19.0
Moderately agree	64	12.8	31.8
Agree	193	38.6	70.4
Strongly agree	148	29.6	100.0
Total	500	100.0	

Source: field study

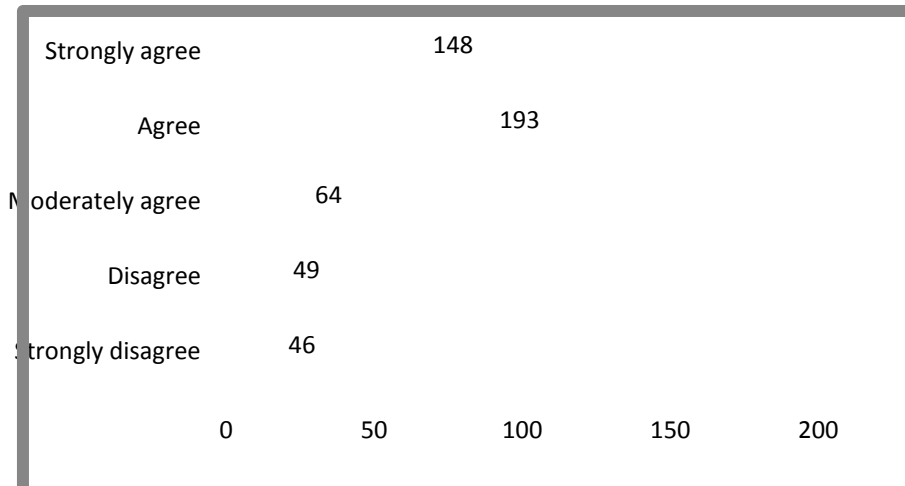


Table-1 refers to the distribution of the sample customers of the select banks by their response about their satisfaction towards use of modern equipment in the sample banks. It is observed that 29.6 percent of the sample customer respondents have stated that they strongly agree

that the select banks are using modern equipment in their operations and the same is just agreed by 38.6 percent, moderately agree by 12.8 percent, disagree by 9.8 percent and strongly disagree by 9.2 percent of the customer respondents.

**Table-2**  
Tangibles-Appealing physical facilities

Response Level	Frequency	Percent	Cumulative Percent
Strongly disagree	51	10.2	10.2
Disagree	53	10.6	20.8
Moderately agree	124	24.8	45.6
Agree	135	27.0	72.6
Strongly agree	137	27.4	100.0
Total	500	100.0	

Source: field study

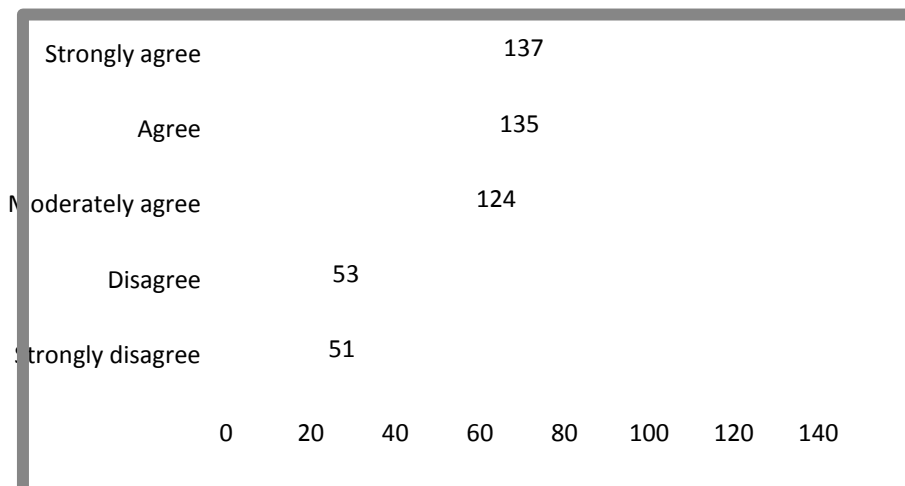


Table-2 refers to the distribution of the sample customers of the select banks by their response about their satisfaction towards appealing physical facilities in the sample banks. It is observed that 27.4 percent of the sample customer respondents have stated that they strongly agree

that in the select banks there are appealing physical facilities and the same is just agreed by 27 percent, moderately agree by 24.8 percent, disagree by 10.6 percent and strongly disagree by 10.2 percent of the customer respondents.

**Table-3**  
 Tangibles-Neat appearance of employees

Response Level	Frequency	Percent	Cumulative Percent
Strongly disagree	46	9.2	9.2
Disagree	63	12.6	21.8
Moderately agree	94	18.8	40.6
Agree	228	45.6	86.2
Strongly agree	69	13.8	100.0
Total	500	100.0	

Source: field study

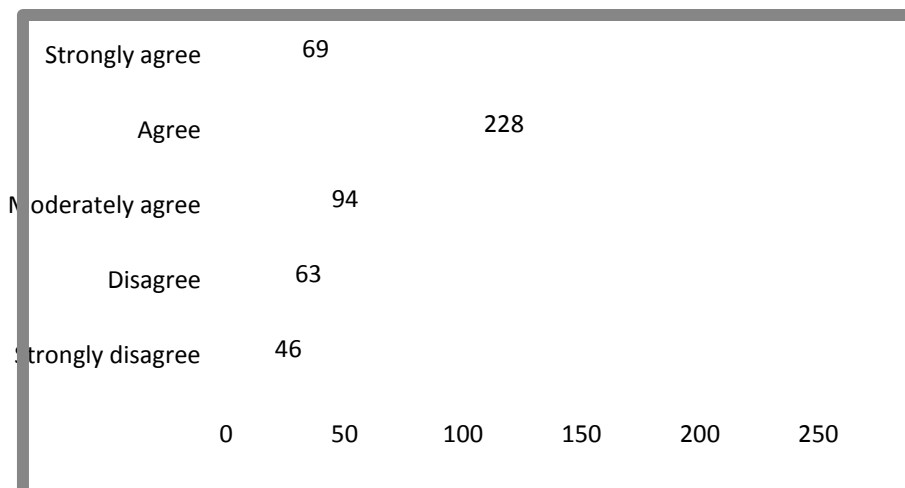


Table-3 refers to the distribution of the sample customers of the select banks by their response about their satisfaction towards neat appearance of employees in the sample banks. It is observed that 13.8 percent of the sample customer respondents have stated that they strongly agree

that employees appear neatly in the select banks and the same is just agreed by 45.6 percent, moderately agree by 18.8 percent, disagree by 12.6 percent and strongly disagree by 9.2 percent of the customer respondents.

**Table-4**  
 Tangibles-Statements and Brochures are appealing with good designs

Response Level	Frequency	Percent	Cumulative Percent
Strongly disagree	60	12.0	12.0
Disagree	87	17.4	29.4
Moderately agree	132	26.4	55.8
Agree	92	18.4	74.2
Strongly agree	129	25.8	100.0
Total	500	100.0	

Source: field study



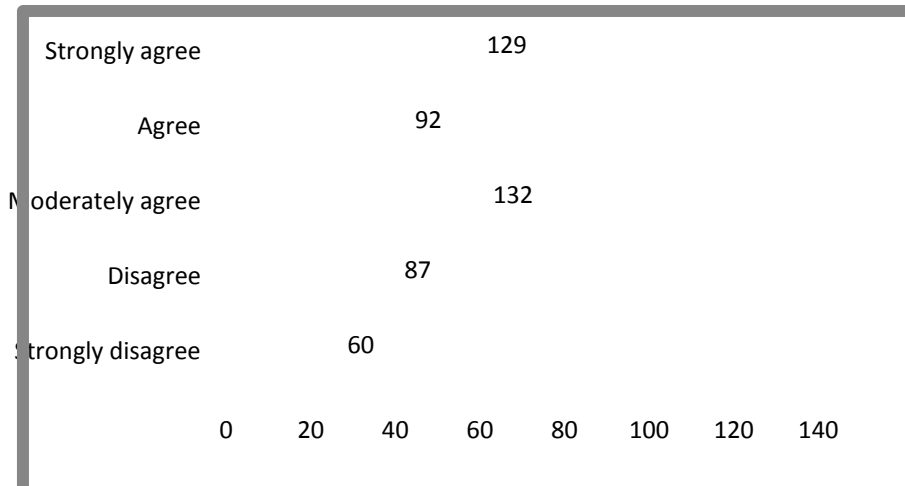


Table-4 refers to the distribution of the sample customers of the select banks by their response about their satisfaction towards statements and brochures are appealing with good designs in the sample banks. It is observed that 25.8 percent of the sample customer respondents have stated

that they strongly agree that statements and brochures are appealing with good designs in the select banks and the same is just agreed by 18.4 percent, moderately agree by 26.4 percent, disagree by 17.4 percent and strongly disagree by 12 percent of the customer respondents.

**Table-5**  
 Tangibles-Technologically well equipped ATMs

Response Level	Frequency	Percent	Cumulative Percent
Strongly disagree	40	8.0	8.0
Disagree	46	9.2	17.2
Moderately agree	69	13.8	31.0
Agree	132	26.4	57.4
Strongly agree	213	42.6	100.0
Total	500	100.0	

Source: field study

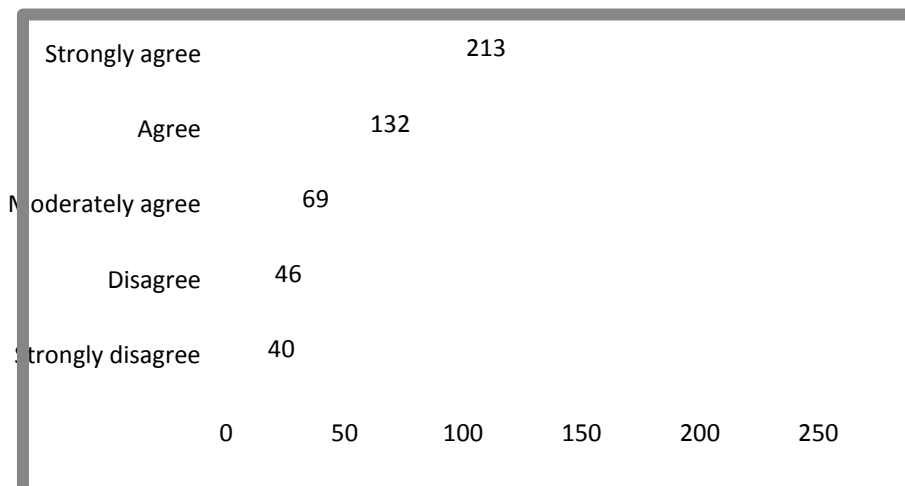


Table-5 refers to the distribution of the sample customers of the select banks by their response about their satisfaction towards technologically well-equipped ATMs in the sample banks. It is observed that 42.6 percent of the sample customer respondents have stated that they strongly agree that technologically well-equipped ATMs are there in the select banks and the same is just agreed by 26.4 percent, moderately agree by 13.8 percent, disagree by 9.2 percent and strongly disagree by 8 percent of the customer respondents.

#### VI. FINDINGS

1. Customers' satisfaction with regard to the use of modern equipment in SBI and ICICI is tested with help of Z score at 99 percent significance level. The acceptance of the null hypothesis implies that there is no significant difference in the customers satisfaction between SBI and ICICI with regard the use of modern equipment.
2. Customers' satisfaction with regard to the appealing physical facilities in SBI and ICICI is tested with help of Z score at 99 percent significance level. The rejection of the null hypothesis implies that there is a significant difference in the customers satisfaction between SBI and ICICI with regard the appealing physical facilities.
3. Customers' satisfaction with regard to the neat appearance of employees in SBI and ICICI is tested with help of Z score at 99 percent significance level. The acceptance of the null hypothesis implies that there is no significant difference in the customer's satisfaction between SBI and ICICI with regard the neat appearance of employees.

#### VII. CONCLUSION

Thus, it is concluded that there is significant difference levels of customers' satisfaction between public and private sector banks with reference to all the dimensions of SERVQUAL including tangibles, reliability, responsiveness, assurance and empathy.

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