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CUSTOMER SATISFACTION & RETAIL BANKING: A STUDY OF CUSTOMER SATISFACTION IN RETAIL BANKING

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ABSTRACT

The banking sector in India was regulated to a certain extent in 1935 with reserve bank of India being bestowed with the responsibility to act as a regulator, after the independence of the country in 1947. The government of India realized that lassies faire policy can not be continued for an important sector like banking. Nationalization of banks, thus, can be described as a stepping stone for the development The Indian banking industry has undergone radical changes due to liberalization and globalization measures undertaken since 1991. Today, Indian banking industry is one of the largest in the world. There has been a great surge in retail banking. Retail portfolio, which mainly comprises lending for consumer durables, housing, personal loans and educational loans, etc., constitutes more than one-fifth of total bank advances. Banks are continuously striving to improve their services in different market segments. Nevertheless, there has remained a gap between the services offered by banks in the retail area and the expectations of their customers.

The present study, based on responses received from 300 customers of SBI bank, PNB bank, HDFC Bank, ICICI Bank, IDBI bank, and some other private and nationalized

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banks in kurukshetra city, was undertaken to identify the various types of services offered by banks, the level of satisfaction about different types of services, expectation about these services and the level of segmentation gap among the services offered.

Key Words: *Customer satisfaction, Retail banking, Perception, Market segments.*

INTRODUCTION

If par fall the customers had similar needs, wants, desires, cultural background, education, and experience, there would not have been any need for market segmentation and mass (undifferentiated) marketing would have been a logical marketing strategy. Since man is not merely a cog in the machine and is governed by emotions, values and cultural background, his expectations and level of satisfaction from a product are different. Between planning and execution, there exists a yawning gap and this is increasingly becoming a major problem for retail banking institutions. Therefore, segmentation strategies are designed to discover the needs and wants of specific groups of customers so that appropriate goods and services can be developed and promoted to satisfy their needs. Many new products are developed to fill gaps in the market place, revealed through segmentation research. Such studies are also used for developing strategies for redesigning or repositioning of products and brands.

Basically belonging to the area of marketing, the concept of segmentation has embodied in its ambit different areas of management, including finance, because present or prospective customers are the end target. Segmentation is one of the essential tools needed to make a product and service available to a heterogeneous market which may either be demographically, geographically or socially segment able. Therefore, over the last decade, banks - both large and small have emphasized relationship-based strategies to increase their sales and profits. Segmentation is defined as the process of dividing a

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potential market into distinct sub-sets of buyers with common needs, wants, tastes or characteristics and selecting one or more segments to target with distinct marketing mix. Segmentation frequently provides the opportunity to obtain information about a particular group of the society and expand the market by better satisfying the needs and wants of a particular group of customers. However, the methodology used in segmentation research depends upon the segmentation base used and on a deep understanding of customer behavior. Until the 1990s, banks in India suffered from lack of capital, low capital base, low productivity, minimal role of technology, low quality of service and low profitability. They functioned in an overprotected environment. However, subsequent to the report '95 of the Committee on Financial System (1992) (Chairman M. Narasimham), and Committee on Banking Sector Reforms (1998) (Chairman: M. Narasimham), far reaching reforms were introduced in the banking sector. Greater stress was laid on structural measures and improvement in standards of disclosure and levels of transparency, so as to align Indian standards with best international practices.

The Indian banking industry has undergone radical changes since 1991. Liberalization and globalization of the Indian economy, together with the increasing entry of foreign banks have opened new vistas for the development of banking organization in the Indian perspective. At the end of March, 2005, with a network of 28 public sector banks, 30 private sector banks, 31 foreign banks, 4 local area banks and 196 regional rural banks (total 289 banks out of which 285 banks were scheduled banks and 4 were non-scheduled banks) and 68,251 branches (of which 47 per cent were located in rural areas). With an aggregate deposits of Rs. 17,00,198 crores and bank credit of Rs. 11,00,428 crores, Indian banking system is among the largest in the world. There has been a great surge in retail banking which has occurred due to shift in commercial banks from traditional banking activities to a broad-based lending portfolio and increasingly viewing retail banking as an attractive market segment with opportunities for growth. Retail portfolio constituted 21.5 per cent of total advances as in March 2004 (Report on Trends

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and Progress of Banking in India, 2003-04; p. 59). Apart from diversification objective various other factors have influenced banks' lending to the retail sector in India. These relate to lower interest rates, fiscal incentives from the government, various reform measures as brought about by the Securitization Act, lower default rates, low credit off-take from the commercial and corporate sector, lower costs of housing, consumer durables, etc., due to competition and technological innovations--- resulting in increased use of credit/debit cards, ATMs, direct debits, the Internet banking, mobile banking, phone banking, etc. Technology has enabled a significant reduction in the cost of external finance for borrowers and banks have benefited from product innovations and lower transaction costs, associated with collection, processing and use of information. While the new generation private-sector banks (especially the ICICI Bank and the HDFC Bank) have invested in creating and sustaining retail brand, their public sector counterparts too have kept pace with. Efforts were renewed in 2004-05 for facilitating improvements in customer service in banks by constituting Customer Service Committees. Banks are also using data sharing as a means of improving the selection of customers. The use of advanced and user-friendly technology has been largely successful in bridging the gap between the services promised and the services offered in tune with the changing expectations of customers. Analogous tailoring of marketing inputs, in line with the changing business environment, has also been helpful in increasing the market share of varying sectoral banks.

Nevertheless, there has remained a gap between the services offered by retail banks and the expectations of the customers. The major problem with the banks has been that they have typically gone for standardization of products across a mass market. In fact, even in the mass market there are different needs affected by customer life-style. Market segmentation, therefore, requires analytical tools which would differentiate among the mass markets.

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Segmentation gap, therefore, depicts a line tuatkB1 where studies are undertaken to find out the gap between what the banks have been offering and what customers expect from them. So far, banks have been trying to provide all things to all the people. Customer segmentation has so far laid emphasis on income, age, and gender. However, in the fast-changing scenario, specialization is required because banks have not been successful in delivering consistent, independent, unbiased advice and personalized treatment that customers now expect. The focus in branches must shift to a much improved and personalized customer service and providing customers with solutions, not products and addressing their needs. Further, bank managers must bear in mind that customers' expectation change rapidly over a period of time. Therefore, they must create positive attitudes towards the identification of needs and wants of the target customers.

In the age of hyper competition, things are changing very fast. The important issue among the marketers is how to increase their share of the wallet and this, in the present scenario, is difficult to overcome. It is high time that the sectoral banks in India attempt to identify customer, life-time value and truly practice relationship marketing, supported with the use of technology-based tools to deliver the highest possible customer satisfaction to its target customers.

With that end in view, the present study was undertaken.

OBJECTIVES OF THE STUDY

The study was undertaken in respect of 300 bank customers of Kurukshetra city, with the following objectives:

- To ascertain from the customers the type of bank they would prefer for operating their accounts.
- To identify the various types of services offered by banks which the customers are presently availing and which type of services are preferred over others.

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- To check the level of satisfaction about the different types of services offered by the banks.
- To ascertain the ideal level of services which they expect from the bank.
- To identify the extent of segmentation gap among the services offered.

METHODOLOGY

Random sampling technique has been used to select the sample size of 300 respondents, from whom responses through questionnaire were collected. An overview of perception gap and customer profile gap has been obtained in the study.

DATA COLLECTION

To attain the above objectives of the study, primary data as well as secondary data have been used. Source of secondary data- State level banker's committee (SLBC), PNB zonal office, Chandigarh sector 17-b, SBI and HDFC bank, Sector-8 Chandigarh. Primary data is collected with the help of questionnaire which was prepared to have an overview of the perception gap. It was filled in by 300 respondents. The information so obtained has been compiled in a tabular form and has also been presented through charts and graphs.

LIMITATIONS OF THE STUDY

Geographical scope of the study was limited to Haryana state and does not represent the whole of India. There can be many interpretations and explanations to the data collected. This is an empirical study and the research provides explanation as understood by the researcher only.

Data from 300 customers was collected on a random basis. It was not feasible and practicable to divide the respondents among different banks. Therefore, the majority of

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respondents were those who had an account with the HDFC Bank. However, this did not, in our opinion, influence or alters the results because the majority of such respondents also had accounts with other private-sector banks and nationalized banks. Further, the number of respondents selected was only 300, whereas the total number of customers of different banks runs into lacs. Therefore, the results obtained would give only the trend or opinions and it is difficult to make any generalization.

FINDINGS

In order to obtain first-hand information about the segmentation gap in retail banking, a questionnaire was prepared and responses were obtained from 300 customers having accounts in different banks such as HDFC Bank, ICICI Bank, IDBI Bank, SBI Bank, PNB Bank and other nationalized banks. These responses were obtained on a random basis. Therefore, the number of respondents was not the same in each bank. Hence, there might have been some bias in the number of respondents who had accounts with a particular bank. Nevertheless, the information so obtained has been adequate to obtain an idea about the different types of services that customers were availing from these banks, and their scale regarding the degree of satisfaction in respect of the retail services being offered by these banks. These responses helped in ascertaining an idea about the segmentation gap in respect of the retail services offered by these banks.

CUSTOMER'S PREFERENCE OF BANK.

The respondents were asked whether they would prefer a private bank or a nationalized bank for keeping their accounts. They were also asked whether they would like to have an account both in the private and the nationalized bank. These responses are presented in Table 1.

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Table No. 1

Customer's Preference of Bank

Sr. No.	Type of Bank	Preference of Respondents	
		No.	%Age
1.	Private	64	21.33
2.	Nationalized	170	56.66667
3.	Both	66	22
	Total	300	100

The above table no. 1 reveals that majority of respondents (57 per cent) preferred to have accounts in public sector banks, probably to take advantage of the services offered by public sector banks. Further out of the remaining 130 respondents, majority (43 per cent) preferred to both public and private sector bank. This might be because of the various and newer products/ services offered by private banks as well as nationalized banks.

Customer's Preference for Banks by Age-group

A further analysis of customers' preference for a type of bank was done according to their age group. The results are presented in Table no. 2.

The Table shows that younger persons prefer to have an account either exclusively with a private bank or both in the private and nationalized banks. As age advances, preference for nationalized bank increases. In the age group of 40-50 years, out of 48 respondents, 14 had their account only with nationalized banks and 10 had account with both types of the banks, whereas 24 customers had account with private banks. Further, beyond 50 years of age. Out of 39 customers, 20 had accounts with nationalized banks, 12 customers had accounts with both types of banks and only 7 had an account exclusively

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with private-sector bank. This phenomenon is most probably due to the late entry of private-sector banks in the Indian banking industry and the existence of nationalized banks for a long time. This might be due to the general human behavior of not frequently changing their account from one bank to the other.

Table No. 2

Customers Preference for Banks by Age

Age Group (in Years)	Private Bank	Nationalized Bank	Both Types of Banks	Total
20-30	34	29	64	127
30-40	18	24	44	86
40-50	24	14	10	48
Above 50	7	20	12	39
Total	83	87	130	300

Customer's Preference for Banks according to Occupation

Responses received from customers depending upon their occupation revealed the preferences, as shown in Table 3.

Table No. 3

Customer's Preference according to Occupation

Occupation	Private Bank	Nationalized Bank	Both Types of Bank	Total
Service	32	34	81	147
Business	31	41	39	111

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Self-Employed	-	10	4	14
Others	8	11	9	28
Total	71	96	133	300

It is examined from the above table no. 3 that 147 per cent of the respondents belonged to the service class because in their cases salary is generally credited to the bank account. Further, private sector employers have a preference for opening the salary account of their employees in private sector banks on account of faster and better services offered. Out of 300 customers, 31 belonged to business class and 14 belonged to self employed category.

Customers Preference for Banks according to Income Groups

Information through the questionnaire was also collected in respect of the level of monthly income to which these 300 customers belonged to. Table 4 presents the responses received from these respondents.

As shown in Table no. 4, the level of income is not a very important determinant of the customer's preference for a particular type of bank. During the discussion with several respondents, it was learnt that the proximity to the place of residence and the place of work was, an important consideration while opening an account with the bank because this saved time and energy for them in operating their account.

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*International Manuscript ID : ISSN23194618-V2I1M12-012013***Table No. 4****Customer's Preference for Banks according to Income-Group**

Occupation	Private Bank	Nationalized Bank	Both Types of Bank	Total
0-15	30	16	67	113
15-30	86	19	44	86
Above 30	23	37	41	101
Total	66	36	120	300

SATISFACTION LEVEL FOR DIFFERENT SERVICES

In order to assess the extent of satisfaction which the customers derived from different services/ products offered by the banks, respondents were asked about the actual level of satisfaction from different services, namely mobile banking, net banking, phone banking, ATM /Debit card, level of documentation, ambience, service delivery, query-handling and the turn-around time. They were requested to rank their level of satisfaction on a 7-point scale: 7 being highly satisfactory and 1 being highly unsatisfactory. Further, they were also requested to give an account of the ideal level of services which they expected from these services from banks-again on a 7-point scale. These two questions were considered necessary for ascertaining the gap between the customers' expectations and the actual level of services which they were getting. This study will give, to some extent, an idea about the efforts required for reaching near the expectation level of customers. Further, such information would also help the banks to modify their approach towards prospective customers and retain them with their bank.

The responses received in respect of the level of satisfaction from the respondents in respect of different services provided by the banks are summarized in Table 5.

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In respect of Mobile Banking, only 31 respondents expressed their full satisfaction. Eighty nine ranked such services at the scale of 6, 23 at the scale of 5 and 50 at the scale of 4 in the seven-point scale. It can be inferred that those who provided the 4th rank on the 7-point scale derived average satisfaction, those who gave the rank of greater than 4 were well-satisfied and those who gave rank below 4 were not satisfied with these services.

Table No. 5**Level of Customer Satisfaction from Different Banking**

Services	Services Level of Satisfaction							Total
	1	2	3	4	5	6	7	
Mobile Banking	29	32	53	42	34	76	34	300
Net Banking	22	46	39	50	23	89	31	300
Phone Banking	26	39	51	57	68	32	27	300
ATM/Debt Pin	34	17	9	39	42	52	107	300
Level of Documentation	15	35	26	44	28	96	56	300
Ambiance	0	0	34	41	45	69	111	300
Service Delivery	2	14	17	30	39	103	95	300
Query Handling	14	23	0	19	52	105	87	300
Turn Around time	11	13	0	21	34	98	123	300

Note: Scale 1 indicates highly unsatisfactory and Scale 7 indicates highly satisfactory level of services.

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From the responses received in respect of level of satisfaction relating to Net Banking, similar results can be inferred. Out of 300 respondents, 107 respondents gave a rating of less than 4 and 143 respondents indicated a rating of higher than 4. This implies that nearly 36 per cent customers were not satisfied with the level of services, whereas 48 per cent were well-satisfied. Only 50 respondents (17 per cent) derived average satisfaction.

With regard to Phone Banking, the distribution of respondents according to the level of satisfaction was nearly the same as in respect of net banking. 127 (42 per cent) respondents gave a rating of greater than 4 and 116 (39 per cent) a rating of less than 4 on the 7- point scales. Only 57 respondents (19 per cent) provided the average rating of 4.

However, the results were significantly different in respect of other services of the banks. A rating of greater than 4 was given by a large majority (67 per cent) of respondents for ATM/ Debit Card, by 180 (60 per cent) respondents for level of documentation, by 225 (75 per cent) respondents for ambience, by 237 (79 per cent) respondents about service- delivery, by 244 (81 per cent) customers in respect of query handling and by 255 (85 per cent) respondents in respect of turn- around time. It appears that ATM has become quite popular with the bank customers who are generally satisfied with the different types of services, such as amount of documentation, ambience and service delivery provided by the banks.

However, these results should not be interpreted to imply that the customers are fully satisfied with different types of services offered by the banks because the level of services provided is still below the level of their expectation. The difference between the expected level of satisfaction and the actual level of satisfaction is a measure of the segmentation gap between the services provided.

The responses received from tile sample with regard to the desired level of satisfaction, on a 7- point scale, in respect of different services are summarized in Table 6.

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It would be clear from the table that the majority of customers expect quite a good standard of services from the banks. There is not a single service in respect of which the actual satisfaction is very close to the desired satisfaction.

Table No. 6

Desired level of satisfaction on a 7-point scale in respect of different services

Services	1	2	3	4	5	6	7	Total
Mobile Banking	0	0	16	22	48	46	168	300
Net Banking	0	0	19	58	57	88	78	300
Phone Banking	0	0	18	36	69	76	101	300
ATM/Debt Pin	0	0	0	12	36	85	167	300
Level of Documentation	0	0	0	32	33	97	138	300
Ambiance	0	0	12	0	18	92	178	300
Service Delivery	0	0	9	13	29	88	161	300
Query Handling	0	0	2	0	33	87	178	300
Turn Around time	0	0	0	0	38	106	156	300

Note: Scale 1 indicates highly unsatisfactory and Scale 7 indicates highly satisfactory level of services.

However, the segmentation gap is quite high in respect of mobile banking net banking and phone banking, moderate in respect of ATM/ Debit card, level of documentation and ambience and again fairly high with regard to service delivery, query handling and turn-around time.

A very high segmentation gap in respect of mobile, net and phone banking may be due to the fact that although these services have been introduced but many people are not yet aware about these services, they are not conversant with all the functions and users of

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mobile phones and very few of them have computers and the Internet connection. Further, one needs to be well-versed with computer techniques to make proper use of net banking

CONCLUSION

The findings of the study documented that the majority of customers prefer to have accounts both with private and public-sector banks, that relatively younger people prefer private-sector banks, majority of service-class customers have accounts with nationalized banks, income is not a very important determinant of the preference for a particular type of bank, savings account is the most popular product of banks but current account is more popular with business entities. The study has further revealed that the level of customer satisfaction varies across different type's services offered by banks and the level of expectations of the customers. There is not a single service in respect of which the actual satisfaction is close to the expectations and the segmentation gap exists across services. Therefore, commercial banks need to improve their services in different areas. However, banks, which work on public funds, must also safeguard against sustainability of private consumption. (Thus, commercial banks need to improve their customer services). While mobile, net and phone banking services need to be popularized, they need to improve their service-delivery and query- handling and reduce the turn-around time. The amount of documentation required also needs to be re-examined. Furthermore, despite their zeal for increased retail lending; banks must have to guard themselves against the sustainability of private consumption and implications for banks asset quality. They should provide customized, cost-effective and courteous banking service to their customers.

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