

**BANKING SERVICES AND CUSTOMER SATISFACTION: A
STUDY ON BANK BRANCHES IN UDAIPUR DISTRICT,
RAJASTHAN**

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Abstract

It is important that banks deliver quality services which in turn results in customer satisfaction in today's competitive banking environment. Customer satisfaction is important to the success of every business organization. Satisfied customers are loyal to their service provider's. They are ready to pay high service charges because they think the services they are receiving is worth the price they pay for it. In the banking sector, the whole range of activity and generation of income swivels around the customer. It is necessary to identify the key success factors in the banking industry, in terms of customer satisfaction. The main objective of this study is to evaluate bank customer expectations of service quality and to assess whether bank services provided by these institutions are satisfactory in Udaipur. A questionnaire for this purpose was designed and different statistical methods were applied to analyze the same. The policy implications derived from such statistical findings concluded that bank's management should focus on strength area to confirm them and area of weakness to overcome them.

Key Words : Banks , Convenience , Consumer awareness , Cost , Satisfaction , General .

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Introduction

Banks play a role of considerable economic significance as intermediaries in mobilizing public savings and channelizing the flow of funds for productive purposes, keeping on the process of the economic growth of the country. In recent years, the banking industry has undergone massive changes in scope and nature of its environment. Technological advances, increased competition, massive increases in income levels, and the expansion in economic activities, as well as the growing diversity of customer needs, have contributed to the increase in the scope of banking services, and to the elevation of the marketing department to the top levels of the organizational structure of the banking firm. In this competitive and ever changing environment, banks can ensure their survival and gain a competitive edge through continued emphasis on service quality as a means of differentiation. Banks need to know how to improve their service encounter. Banks face intense competition, volatile costs of funds, diminished customer loyalty and an expensive technological base. The challenge for banks is to lower costs, increase efficiency, while improving the quality of their service, and increasing customer satisfaction. There is a significant need to create and maintain good banking relationships. Attention has now turned to improving the quality of service encounter, when customers enter the bank and come face-to-face contact with the bank staff.

Review of Literature

Wong and Kanji (2001) discussed and experienced an extended customer satisfaction model in the retail-banking industry in Hong Kong. They built the extended model on the thought that evaluation of customer satisfaction in the retail banking industry is a function of overall customer expectation, perceived value and quality perception, whereas customer loyalty is a function of both perceived value and customer satisfaction.

The survey by **Leeds** (1992), who documented that approximately 40 percent of clients, switched banks because of what they measured to be poor service. Leeds further argued that nearly three-quarters of the banking customers mentioned teller courtesy as a key consideration in selecting a bank. The survey also showed increased use of service quality/sales and professional behaviors (such as formal greetings) for enhanced customer satisfaction and reduced customer attrition.

Reidenbach (1995) argued that customer value is a more viable factor than customer satisfaction because it includes not only the usual benefits that most banks focus on but also a consideration of the price that the customer pays. Customer value is a dynamic that must be managed. Customer satisfaction is merely a response to the value proposition offered in specific products/markets .

Johnston (1997) suggests that satisfaction /dissatisfaction with retail banking does not stem from the similar elements. Rather, some elements of service quality if enhanced, improve customer satisfaction however other elements may not develop satisfaction but merely act to keep dissatisfaction at bay or at best, reduced dissatisfaction alone. This trend of idea emanates from the hygiene factors of Herzberg's motivation theory. Johnston recognized 18 determinants of service quality suggesting that certain actions such as raising the speed of processing information and customers, delighted customers whilst improving the reliability of equipment lessened dissatisfaction.

Reichheld and Sasser (1990) have recognized the benefits that customer retention delivers to a bank. For instance, the longer a customer stays with a bank the more utility the customer generates. This is a result of a number of factors relating to the time the customer spends with a bank. These comprise the higher initial costs of introducing and attracting a new customer, increases in both the value and amount of purchases, the customer's better understanding of the bank, and positive word-of-mouth promotion.

Levesque and McDougall (1996) indicate that customer satisfaction and retention are critical for retail banks. They studied the major determinants of customer satisfaction (situational factors, service quality, service features, and customer complaint handling), and future intentions in the retail bank sector.

Dove and Robinson's (2002) study indicated that banking customers have much superior satisfaction levels when they believe their troubles with the bank have been resolved.

Deemas (2002) studied the satisfaction levels of a sample of customers of the Sharjah Co-operative Society (SCS). The primary part asked the respondents to provide universal background information (e.g., gender, age category, nationality and so on). The next part listed the 21 attributes and asked respondents to specify their satisfactions with each attribute using a

5-point Likert-type scale. The outcomes indicate that UAE nationals and Arabs are the most predominant in their contributions to overall satisfaction whereas non- Arabs are the lowest. In addition, the outcomes show no difference in the levels of customer satisfaction between men and women respondents.

Levesque's and his **colleagues'** (1996) survey indicated that the bank's features (e.g. location), competitiveness is the interest rates, customers' judgments about the bank employees' skills and whether the customer was a borrower were all factors that drove customer satisfaction, while bank features and competitive interest rates were important contributors. conversely, this study did not categorically point out which had more influence; rather both core and relational issues were categorized as one for retail banks to consider when satisfying customers.

Ioanna (2002) proposed that product differentiation is impossible in a competitive environment like the banking industry. Banks all over the place are delivering the identical products. Bank prices are fixed and driven by the marketplace. Therefore, bank management tends to distinguish its company from competitors through service quality. Service quality is an imperative factor impacting customers' satisfaction level in the banking industry. In banking, quality is a multi-variable idea, which includes differing types of convenience, reliability, services portfolio, and critically, the staff delivering the service.

Boshoff and Staude (2003) found that satisfaction was impacted positively by communication, explanation, and atonement in that order while loyalty was just associated with communication and atonement through the service recovery.

Statement of the Problem

Customers are the life blood of the banking industry, irrespective of the type and nature of the transactions. They demand value for their money and expect more from the seller. Bank marketing concept focuses on ascertaining customer's needs and satisfying the same by protecting their own market share. There are many players in the market providing the most value-added and efficient services to satisfy the king of the market, the customer. New generation banks have become pioneers in providing quick and quality services to satisfy the customers. It becomes imperative for the researcher to study the performance of banks in providing quality services to the customer and to analyze the level of customer satisfaction.

Objective of the Study

The main objectives of the study are following:

- To analyze the level of customer satisfaction regarding banking services provided by Banks.
- To examine the relationship between service quality and their satisfaction in banking sector.
- To identify what services can be improved in banks to achieve greater customer satisfaction.

The Purpose of the study

Customer satisfaction is a key issue for marketing managers, particularly for those in the service industry. However, it appears that achieving customer satisfaction is often the end target, as evidenced by the stress on customer satisfaction surveys. This research will report the findings from a recently conducted study, which looked into the significance and importance of various determinants of customer satisfaction in the banking sector in Udaipur.

Limitations of the Study

The following are the limitations of the study:-

- The study is limited to Udaipur city.
- All the information furnished by the respondent was treated as correct.
- The raw data was collected with the help of a structured questionnaire technique. Therefore study is bounded by the limitation of this technique.

Research Methodology and Sampling Units

1. Study Area - The study covers Udaipur district of Rajasthan.
2. Sample Size – 100 customers were selected as sample units.
3. Sampling Method Used – Convenience Sampling
4. Data Sources - The study is based on primary data that has been collected using structured questionnaire.
5. The Structured Questionnaire consists of five parts.
6. The first part contains questions on demographic characteristics and some general information about the customers.

7. The remaining four parts consists of questions on various factors like convenience, cost, facilities and general services of banks.
8. Respondents were asked to rate the level of satisfaction based on the five point likert scale ranging from most satisfied to most unsatisfied.
9. Statistical Tool Used- Simple percentage, standard deviation and mean.

Analysis and Interpretation of Data

The questionnaire also consists of customer profile. This was done because an assortment of demographic and other factors were likely to influence the degree of customer satisfaction regard to the products and services offered by the bank. The study of demographic features is also useful in formulating the bank's marketing strategy. The Demographic profile of the respondents is framed in Table 1.

Table 1
Demographic Determinants of the Respondents

S.NO.	DEMOGRAPHIC FACTOR	FREQUENCY	PERCENT
AGE			
1	< 25 years	35	35
2	25- 35 years	47	47
3	35-45 years	7	7
4	45-55 years	11	11
GENDER			
1	Male	68	68
2	Female	32	32
MARITAL STATUS			
1	Married	56	56
2	Unmarried	44	44
EDUCATIONAL QUALIFICATION			
1	Undergraduates	4	4
2	Graduates	30	30
3	Post-graduates	61	61
4	Others	5	5
OCCUPATIONAL STATUS			
1	Service	34	34
2	Business	12	12
3	Student	29	29

4	Professional	20	20
5	Others	5	5
INCOME LEVEL			
1	< Rs 150000	41	41
2	Rs 150000-Rs 250000	12	12
3	Rs 250000-Rs 350000	6	6
4	Rs 350000-Rs 450000	12	12
5	> Rs 450000	29	29
NATURE OF ACCOUNT			
1	Savings account	88	88
2	Current account	7	7
3	Fixed Deposits account	3	3
4	Others	2	2

Interpretation - Of the 100 respondents, majority i.e. 47% belonged to the **age group** of 25-35 years, 35% to the age group of below 25 years, 11% to the age group of 45-55 years and only 7% belonged to the age group of 35-45 years. In case of **gender** majority of the respondents i.e. 68% are male and 32% female. 56% were married, 44% unmarried. The **Education level** shows that 4% were undergraduates, 30% graduates, 61% post graduates and 5% comprise others. Further, in **Occupational status**, 34% were engaged in service related work, 29% were students and 20% professional. 12% of the respondents were in the business and 5% in other jobs. The survey shows that 41% of the respondents came under the **annual income group** of below Rs. 150000, 29% in the group of above Rs.450000, 12% in the group of Rs.150000-Rs.250000 and Rs.350000- Rs.450000 and only 6% in the group of Rs.250000-Rs.350000. As for the **Nature of account**, 88% respondents had savings account, 7% current account and only 3% had fixed deposits account. 2% had other account.

Table 2

Frequency, Mean and Standard Deviation of Customers' Satisfaction Level Regarding Banking Services

Factors	Level of Satisfaction					Mean	Standard Deviation
	Highly Satisfied	Satisfied	Not Sure or No Opinion	Unsatisfied	Highly Unsatisfied		
1 . CONVENIENCE							
Procedure of opening an account	26	61	2	10	1	4.01	.882
System of depositing cash	21	66	1	11	1	3.95	.869
Working hours of bank	22	53	7	17	1	3.78	1.011
Location of branch	42	40	5	11	2	4.09	1.045
Procedure to apply for loan	7	31	33	18	11	3.05	1.104
System to repay loan	9	20	40	17	14	2.93	1.139

INTERPRETATION – The study reveals that 87% of respondents were satisfied regarding the procedure of opening an account with the highest mean 4.01 and SD .882. The higher the value of mean the higher will be the level of satisfaction. Lower the standard deviation higher will be the satisfaction. System of depositing cash in the bank with mean 3.95 and SD .869. 82% of the respondents were satisfied with the location of branches with a mean of 4.09 and SD 1.045. 75% were satisfied with the working hours of the bank with mean 3.78 and SD 1.011. Only 38% were satisfied regarding the procedure to apply for a loan, with mean of 3.05 and SD 1.104. Finally 29% respondents were satisfied with the system to repay loan with a mean of 2.93 and SD 1.139.

TABLE 3

Factors	Level of Satisfaction					Mean	Standard Deviation
	Highly Satisfied	Satisfied	Not Sure or No Opinion	Unsatisfied	Highly Unsatisfied		
2 .COSTS							
Rate of return on SB account	9	49	3	32	7	3.21	1.192
Rate of return on FD account	15	46	10	26	3	3.44	1.122
Processing charges on loan	5	21	30	32	12	2.75	1.071
Interest on new deposit scheme	7	44	35	11	3	3.41	.889
Fees for collecting outside check	8	27	24	29	12	2.90	1.168
Charges on other services	7	26	27	23	17	2.83	1.198

INTERPRETATION - Cost is one of the critical factors that affect the satisfaction level of customer. The study reveals that 44% of the respondents were not satisfied with the bank service, i.e. processing charges on loan with lesser mean 2.75 and SD 1.071. 40% were also not satisfied with the charges on other services with a mean of 2.83 and SD 1.198. 58% of the respondents were satisfied with the interest on savings bank account with a mean of 3.21 and SD 1.192. Highest satisfaction was found for the factor, interest on FD account with a mean of 3.44 and SD 1.122. 51% were satisfied with the interest on new deposit schemes with a mean of 3.41 and SD .889 .Finally 41% of the respondents were not satisfied with the fees for outside check collection, with a mean of 2.90 and SD 1.168.

Table 4

Factors	Level of Satisfaction					Mean	Standard Deviation
	Highly Satisfied	Satisfied	Not Sure or No Opinion	Unsatisfied	Highly Unsatisfied		
3. FACILITIES							
Loan facility	11	38	21	24	6	3.24	1.120
O/D facility	10	44	31	12	3	3.46	.937
Cash credit	18	47	24	7	3	3.71	.950
Travelers Cheques	9	35	47	7	2	3.42	.831
ATM	66	33	0	1	0	4.64	.542
New deposit schemes	21	49	27	3	0	3.88	.769
Mobile banking	40	36	17	5	2	4.07	.977
Credit card	23	51	14	10	2	3.83	.965
Internet banking	51	34	10	5	0	4.31	.849
WUMT(western union money transfer)	12	18	61	8	1	3.32	.827
RIGS(real time gross settlement)	10	20	64	3	3	3.31	.813
EFT(electrical fund transfer)	30	38	23	7	1	3.90	.953
Demat account	22	37	30	7	2	3.71	.963
Safe custody	25	44	26	3	2	3.87	.895
Mutual fund	4	34	36	24	2	3.14	.899
Telephone bill	22	54	19	4	0	3.95	.761

INTERPRETATION - This is one of the prime factors in which the highest level of satisfaction lies. The study reveals that satisfaction level in the case of ATM facility was very high, followed by Internet Banking and Mobile Banking with the highest mean of 4.64, 4.31 and 4.07 respectively. Next ranking was given to Telephone bill, followed by EFT, where customers were more satisfied with a mean of 3.95 and 3.90 respectively. As compared to different type of facilities such as mutual fund, loan facility, RIGS and WUMT were very poor with a mean of 3.14, 3.24, 3.31 and 3.32 respectively. Satisfaction level of new deposit schemes shows positive results with a mean of 3.88 and SD .769. Nearly 70% were satisfied with the facilities of safe custody and credit card, which show a mean of 3.87 and 3.83 and SD of .895 and .965 respectively.

TABLE 5

Factors	Level of Satisfaction					Mean	Standard Deviation
	Highly Satisfied	Satisfied	Not Sure or No Opinion	Unsatisfied	Highly Unsatisfied		
4 .GENERAL FACTORS							
Courtesy at the counter	18	41	10	27	4	3.42	1.182
Promptness in transactions	15	56	6	18	5	3.58	1.103
Prompt redressal of grievances	6	40	22	27	5	3.15	1.048
Modernization	27	45	7	19	2	3.76	1.111
Communication	22	44	4	28	2	3.56	1.175
Providing guidance	18	36	4	37	5	3.25	1.266

INTERPRETATION – Customers were more satisfied with the modernization, with the highest mean of 3.76 and SD 1.111. Nearly 65% to 70% of the respondents were satisfied with the

communication and the facility of promptness in transactions with a mean of 3.56 and 3.58 and SD of 1.175 and 1.103 respectively. Only 46% were satisfied with prompt redressal of grievances, which shows the lowest mean of 3.15 and SD 1.048. 54% of the respondents were satisfied with the service of providing guidance with a mean of 3.25 and SD 1.266. Finally 59% were satisfied with the courtesy at the counter with a mean of 3.42 and SD 1.182.

Conclusions

The research findings clearly suggest that the drive towards ease of banking and convenience is favored by the customer.

- The current study suggests that general customers in Udaipur are satisfied with services provided by the banks.
- Customers are mostly satisfied with: Availability of ATM in several locations, Mobile Banking, safety of funds and procedure of opening an account.
- The study also reveals that majority of the customers are not satisfied with the cost generated in banking services.

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