

CUSTOMER SATISFACTION TOWARDS FINANCIAL SERVICE QUALITY ON INDIAN BANKING SECTOR

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Abstract

Customer satisfaction is a key of profitability and it implies the retention of the customers for the long term which is better than attracting the new customer. Now a day's banks have realized that cost of attracting a new customer is much more than retaining existing customers. So banks are emphasizing more upon customer satisfaction. These days customers demand for top quality services and products served with minimum wait time. On seeing today's age of banking revolution, in terms of financial services provided by banks the current research paper attempts to make a comparative analysis of the level of customer satisfaction towards financial services. This paper attempts a comparison of financial services among two categories of banks-Public and Private sector banks (only domestic) in Ambala district during December 2011. Simple random sampling technique is adopted and 200 respondents, 50 customers from each Public Sector banks and 50 customers from each Private Sector Banks constitute the sample for the survey. The findings show that Private Sector banks (ICICI & HDFC banks) performed significantly by satisfying its customers with good services and they have been successful in retaining their customers by providing better facilities in terms of communication, employee's behavior and infrastructure than Public sector Banks. On the other hand respondents of Private Banks were not satisfied with high charges and accessibility. The paper reveals that new financial products and services have to be continuously introduced in order to stay competent and that Public sector banks have to build long term strategic relationships with its customers. Public sector banks have to revive more in order to cope up with competitors.

Key Words: Customer, Customer Satisfaction, Financial Services

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Introduction

Satisfaction is a crucial concern for both customers and organizations including banks. The success of any business including banking depends on customer satisfaction as customer is the king. Mahatma Gandhi, Father of Nation, said, "Customer is the most important visitor in our premises. He is not dependent on us. We are dependent on him." Modern management science's philosophy considers customer satisfaction as a baseline standard of performance and a possible standard of excellence for any business organization (Gerson, 1993). Banking is a customer oriented service industry, therefore the customer is the focus and customer service is the differentiating factor. With increasing competition, banks that survive and succeed will be the one that provide quality service. Research studies have repeatedly proved that customers are willing to pay for quality service. Banks that wish to succeed and stay ahead must, therefore, systematically build a structure that aims at providing Total Quality Service. Frantic efforts are being made by banks to offer high quality products and services to their customers also want the best value for their money and are sparing no efforts in searching for high quality services (strategic Direction 2007).

Banking Industry a Financial Services Provider:

The banking industry, belongs to service industry, delivers financial services to their customers. The service industry is that section of the economy that caters to the needs of the consumer but produces no tangible goods. The customers use and depend on the services in one form or another. Generally, the quality of the services given can add much to the quality of life. Banks play a considerable economic significant role 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. An efficient financial sector is an engine for economic growth. It converts the fuel of savings into kinetic energy for the economy. Finance is the life blood of every business. Financial services are a core of the banking system. These are the pedestal on which the edifice of sound economy is laid. Through these every bank creates its customers, on which depends the ultimate economic status of the bank. Financial services includes –

- Arrangement of short-term and long-term funds for financial institutions.
- Mobilization of funds through financial instrument like equity shares, preference shares and debentures.
- Orientation of finance functions with the accounting function and compliance to legal provisions relating to funds procurement use and distribution.

Thus financial services access total funds requirement of firm, assets to be acquired and pattern of financing the assets. The efficiency of the banking sector depends upon how best it can deliver services to its target customers. The banking industry like other financial services is facing a rapidly changing market, new technologies, fierce competition and more demanding customers have presented an unprecedented set of challenges. Banking is a customer oriented service industry. Customer satisfaction is the function of customer expectation level and service quality level provided by the banks. In order to survive in this competitive environment and provide continual customer satisfaction, the providers of banking services are now required to continually improve the quality of services.

Review of literature:

Sarin and Anil (2007) recommended that manpower in service organizations must work with the focus of satisfying the customer. Banking should bring out the areas requiring improvement and further throws light on the measures so that customers feel should be adopted in order to improve the quality of service. **Hummayoun Naeem, Asma Akram and Iqbal Saif** (2009) investigated the impact of service quality on customer satisfaction in the Pakistani banking sector. Results of the analysis indicated that service quality was proved to be a strong predictor of customer satisfaction in case of the foreign bank as compared with the public sector bank. The study concluded that service quality, if managed effectively, can contribute significantly towards customer satisfaction. **Uma Sankar Mishra, Bibhuti Bhusan Mishra, Saroj Kanta Biswal and Bidhu Bhusan Mishra**(2010)concluded that the major reasons for dissatisfaction with Public sector banks is the rigid policy, while for the Private banks it is mostly service related factors like service charges, interest rates on loans & term deposit and matching to concluded that the major reasons for dissatisfaction with public sector banks is the rigid policy, while for the private

customer's attitude. Ushad Subadar Agathe (2010) advocated that there are increasing urgent needs for bankers to meet customer expectations for faster and better service with the number of bank branches growing across the island leading to more price competition. The study also showed that those falling in the highest income groups are more likely to be unsatisfied with the banks' services. It highlighted the need for bankers to gear customer service and quality improvement efforts towards components of reliability and responsiveness.

Objectives of the study

1. To study the proportion of satisfied customer towards various financial services with special reference to SBI & PNB (Public sector banks) ICICI & HDFC (private sector banks).
2. To make an in-depth study of customer's perception regarding quality services of four proposed banks.
3. To study the association between various demographic variables and the choice of banks.
4. To identify the banking sector that is largely availed by the customers.

Research Methodology

Sample: A representative sample of 200 customers has been taken into consideration i.e. 50 each from four financial institutions namely, SBI, PNB, ICICI Bank and HDFC Bank in Ambala District. Simple random sampling has been used for the present study.

Data collection: The study is based on both primary and secondary data. **Secondary data** has been collected by looking into the company profile and product profile of four financial institutions i.e. SBI, PNB, ICICI Bank and HDFC Bank. Information has also been gathered from other sources such as the ICFAI Journal of Marketing Management (Vol. No.1, 2, 3). **Primary data** was gathered to judge the satisfaction level of customers regarding four financial services providers in terms of quality services. The entire research is customer data based; the methodology includes customer's opinion by means of self-administered structured questionnaire.

Statistical technique: Collected data is presented in the form of tables. Each table was accompanied by appropriate analysis and explanations. The responses were examined with the help of statistical tools and techniques such as percentage, average of mean and standard deviation. Mean and standard deviation were applied for those variables where rating scale has been used.

Hypothesis

1. There is no significant association between personal variables such as age, education, gender, occupation, monthly income and choice of banks (Public and Private sector).
2. There is no significant difference between the types of banks (Public and Private sector) with respect to financial services.
3. There is no difference in satisfaction level of customers in public and private banks with respect to financial services.

Analysis of Customer's Profile:

Respondents form an important component of the primary data survey. So it is very essential that the personal profile of the respondents undergoes a study. Descriptive analysis was done to present the demographic information of the respondents. The sample size consists of 200 respondents of four banks including Public and Private sector. In order to have an effective banking policy and marketing strategy, it is required to study the customer profile as the customers are the milestone of banking business. Sound banking system depends upon the sound customers having a good educational ground and having a regular flow of income. So, the first section of questionnaire includes the customer's profile. The basic attributes of the respondents are age, monthly income, education, gender and occupation. Table-1 presents a comprehensive profile of bank customers who had participated in this study.

Table 1: Customer's demographic Profile availing loans from different types of banks

Parameters		SBI Bank (n=50)		PNB Bank (n=50)		ICICI Bank (n=50)		HDFC Bank (n=50)		Total (n=200)	
		f	%	F	%	f	%	f	%	f	%
Age	Below 25 years	07	14	04	08	05	10	03	06	19	09.5
	25- 40years	19	38	20	40	21	42	22	44	82	41.0
	40-55 years	22	44	23	46	23	46	23	46	91	45.5

	55years and above	02	04	03	06	01	02	02	04	8	4.0
Education	Up to HSC	18	36	15	30	22	44	23	46	78	39.0
	Graduate	20	40	20	40	18	36	17	34	75	37.5
	Post graduate	08	16	10	20	06	12	04	08	28	14.0
	Professional	04	08	05	10	04	08	06	12	19	09.5
Gender	Male	38	76	35	70	35	70	40	80	148	74.0
	Female	12	24	15	30	15	30	10	20	52	26.0
Occupation	Self employed	22	44	25	50	30	60	26	52	103	51.5
	Govt. service	17	34	16	32	15	30	19	38	67	33.5
	Student	07	14	05	10	03	06	02	04	17	08.5
	Retired	03	06	02	04	01	02	02	04	08	4.0
	Housewife	01	02	02	04	01	02	01	02	05	2.5
	Monthly income	Less than Rs. 5,000	16	32	15	30	18	36	22	44	71
	5,000-25,000	18	36	20	40	15	30	18	36	71	35.5
	25,000-35,000	09	18	10	20	09	18	06	12	34	17.0
	More than Rs.35,000	07	14	05	10	08	16	04	08	24	12.0
All sample		50	100	50	100	50	100	50	100	200	100

- Among the customer survey, it was found that people in the age category of 40 to 55 years are inclined towards taking loans. The reason could be that the financial companies are targeting this customer profile well, while people who are less than 25 years of age are least inclined in taking loans, because the reason is maximum respondents below 25 years were either students or were economically not eligible for loans. The reason behind this could be that people of this age group are either not targeted well by the loan providing financial companies or they are not burdened of many financial responsibilities and requirements.
- It was found that customers having the education up to HSC and Graduate take more loan from the banks for carrying self employed business unit while the no. of educated customer for taking loans are less because they indulge either in private services, Govt. services or professions.
- Analysis reveals that in both types of bank the percentage of taking loan in case of male is more in comparison of female.

- Among the loan taking customers, more people belonging to self employed and people in private sector have taken more loans as compared to Govt. service employees. It shows that there are a good percentage of people who have availed loans in private service and those who are self employed.
- Customers having monthly income ranging between Rs.5000-25,000 tend to take more loans as compared to those having monthly income less than Rs. 5000. People falling the monthly income category of Rs.25, 000 to 35,000 and more than 35,000 hold only a small percentage showing that there is a need.

Table 2: Distribution of banks customers by availing different services of banks

Services	SBI(n=50)		PNB(n=50)		ICICI Bank(n=50)		HDFC Bank(n=50)		Total(n=200)	
	f	%	f	%	f	%	f	%	f	%
Locker	10	20	20	40	5	10	2	4	37	18.5
Traveler cheques	-	-	-	-	-	-	-	-	-	-
Loan	20	40	15	30	25	50	20	40	80	40
Mail transfer	10	20	8	16	-	-	-	-	18	9
Cash credit facility	4	8	5	10	-	-	-	-	9	4.5
Gift cheques	-	-	-	-	-	-	-	-	-	-
Cheque deposit	50	100	50	100	50	100	50	100	50	100
Cheque clearing	50	100	50	100	50	100	50	100	50	100
	15	30	10	20	-	-	-	-	25	12.5

Issuance of demand draft	10	20	15	30	-	-	-	-	25	12.5

All the respondents in each bank were availing facility of cheque deposit and cheque clearing as this is the primary functions of all types of banks. It is revealing that the no. of loan taking respondents are less in public sector banks in comparison of private sector bank. Moreover ICICI Bank (private sector banks) caters the need of customer's in loan taking is more in comparison of HDFC bank. All the respondents in ICICI deposited and cleared cheque, while half of the respondents had taken loan from the bank. No other facility like cash credit facility and gift cheque were availed by any of the respondent. ICICI bank was found to be the largest money lending bank among all the banks. Easy lending of loan and customer friendly approach might be attributed as one of the reason for this finding.

Table 3: Distribution of bank customers by availing different types of loans from the bank

Type of loan	SBI(n=50)		PNB(n=50)		ICICI Bank(n=50)		HDFC Bank(n=50)		Total(n=200)	
	f	%	f	%	f	%	f	%	f	%
Personal loan	18	36	17	34	08	16	8	16	51	25.5
Home loan	06	12	08	16	14	28	22	44	50	25
Car loan	10	20	09	18	8	16	6	12	33	16.5
Two wheeler loan	07	16	08	16	13	26	8	16	36	18
Other	09	16	08	16	07	14	06	12	30	15

	50	100	50	100	50	100	50	100	200	100
Total										

The results presented in table-3 revealed that the % of taking other loans (Education loans) in case of SBI is more followed by PNB. The public sector bank gives more personal loans and car loans while the ICICI bank gives property loan & two wheeler loans for providing medium term and long term project financing to Indian business. While HDFC bank is to enhance residential housing stock in the country through the provision of housing finance in a systematic and professional manner and to promote home ownership. The purpose of both the private sector banks is to give loans more for productive purpose or for housing as the basic necessity of life rather than for consumption. ICICI bank was the largest bank under the study in providing productive loan to the customers.

Table4: Distribution of bank customer by their opinion on charges levied by the bank for different services

Services	SBI(n=50)		PNB(n=50)		ICICI Bank(n=50)		HDFC Bank(n=50)		Total(n=200)	
	f	%	f	%	f	%	f	%	f	%
High Charges	5	10	5	10	40	80	30	60	80	40
Normal Charges	45	90	45	90	10	20	20	40	120	60
Total	50	100	50	100	50	100	50	100	200	100

The table 4 revealed that the customer’s have the opinion that the private sector banks charges more for services rendered in comparison of public sector banks. Provide better quality services to the customers, proper communication channel with customers and providing the facility of IT

in banking sector might be the reasons for charging high services fees in comparison of public sector banks.

Table 5: Distribution of bank customer by using IT enabled services

IT Services	SBI(n=50)		PNB(n=50)		ICICI Bank(n=50)		HDFC Bank(n=50)		Total(n=200)	
	f	%	f	%	f	%	f	%	f	%
Electronic clearing services	5	10	-	-	15	30	10	20	30	15
Electronic Fund transfer	2	4	1	2	2	4	1	2	06	03
Credit and Debit card	7	14	1	2	8	16	2	4	18	09
ATM	40	80	35	70	20	40	10	20	105	52.5
Internet Banking	-	-	-	-	02	04	-	-	02	01

Financial sector reforms bring rapid innovation, introduction of new financial product and services, changing in preference of customer demands, explosive growth in information technology and shift in personnel banking to E- banking. This is the era of technological advancement. To provide a wide range of services with efficient delivery system and provide good quality services to the customers banks have to introduce revolutionary technology. ATM was the most common among these IT enabled services among customers of every bank. Well computerized private banks have gone far ahead than the public sector banks.

Table6: Distribution of bank customers by satisfaction with quality of services

Quality of Services	SBI(n=50)	PNB(n=50)	ICICI Bank(n=50)	HDFC Bank(n=50)	Total(n=200)

	f	%	f	%	f	%	f	%	f	%
Employee Behavior										
Satisfied	20	40	15	30	40	80	30	60	105	52.5
Un- Satisfied	30	60	35	70	10	20	20	40	95	47.5
Communication										
Satisfied	10	20	20	40	45	90	40	80	115	57.5
Un- satisfied	40	80	30	60	5	10	10	20	85	42.5
IT Services										
Satisfied	25	50	20	40	45	90	40	80	130	65
Un-satisfied	25	50	30	60	5	10	10	20	70	35
Infrastructure										
Satisfied	20	40	20	40	35	70	30	60	105	52.5
Un- satisfied	30	60	30	60	15	30	20	40	95	52.5
Accessibility										
Satisfied	35	70	30	60	25	50	20	40	110	55
Un-satisfied	15	30	20	40	25	50	30	60	90	45
Working Hour										
Satisfied	20	40	25	50	40	80	40	80	125	62.5
Un- –Satisfied	30	60	25	50	10	20	10	20	75	37.5
Response For Complain										
Satisfied	10	20	15	30	40	80	40	80	105	52.5
	40	80	35	70	10	20	10	20	95	47.5

Un- satisfied										
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The table shows that majority of the respondents were not satisfied with employees behavior in SBI and PNB. On the contrary, majority of customer’s were satisfied with employee’s behavior in private sector banks.

Communication implies whether the bank informed the customers about any new services launched by bank or not. Communication includes-

1. Advertisement from banks
2. Getting information through friends and relatives

It is observed that public sector banks did not inform customers about any service introduced by bank. On the other hand, private sector banks informed their customers for any new services introduced by the bank.

ATM is the most important IT enabled service. Customer’s satisfaction depends upon the following facilities provided by banks through ATM’s. these are-

1. Promptness of the delivery of ATM Card
2. The services quality/behavior of ATM personnel/ guard
3. Safety –security- privacy
4. Cash availability in ATM
5. Quality of notes
6. Availability of power back up/ generator/ inverter
7. Complaint book availability
8. Overall performance of ATM

The analysis of data shows that half of the respondents were satisfied with the IT services of SBI, while a little less than half of the respondents in PNB bank were satisfied with the IT Services of bank. On the other hand, majority of the respondents, that is 75 percent respondents were satisfied with the IT facilities in Private sector banks.

Another factor of quality of service, measured by the investigator, was infrastructure of the banks. It includes-

1. Parking facility is available for the customers
2. Sitting facilities/toilet/ drinking water/ fans etc. provided to customers.

3. Interior appearance

Most of the respondents of private sector banks were satisfied with infrastructure of their banks in comparison to nationalized banks.

Accessibility involves approachability and ease of contact. It includes-

1. Location of branch is easy to reach and convenient
2. Location aspects of ATM
3. Sufficient no. of ATM's
4. E-Banking services are accessible via Internet banking, mobile banking and EFT.

Almost all the respondents that are 70% were satisfied with the accessibility of SBI next to PNB. The reason of the above finding might be SBI is the only Indian bank to find a place in the fortune global 500 list, with its 10,000 branches and another 5100 branches of its associate banks. Today it offers the largest banking network to Indian Customers. The bank has over 8500 ATM's and other electronic channels. The reason behind that public sector bank has come closer to the people and there has been a transformation of banking from "Class Banking" to "Mass Banking".

The table shows that majority of the respondents that is 60% were satisfied with working hours of the SBI, while half of the respondents in PNB were satisfied with working hours of the bank. On the other hand majority of respondents, that is 80% were satisfied with working hours of ICICI followed to HDFC bank. Working hours are longer in the private sector rather than nationalized bank.

Conclusion

Satisfaction is the sum total of customer's expressions of service quality and depends upon customer's own perceptions and expectations. Service Satisfaction of the customers is a most valuable asset for the modern organizations, providing unmatched competitive edge. It helps in building long term relationship as well as brand equity. Anderson and colleagues (1994, found out those firms with higher reported satisfaction levels also show significantly higher returns. They say that an annual 1% increase in customer satisfaction is worth an 11.4% improvement in current return on investment.

- Various financial services used by customers are studied in the present paper. In addition, customer's satisfaction was also measured with dimensions of quality services. It is observed that cheque deposit and cheque clearing were the most common banking services used by the customers of all four banks.
- From the present study it is revealed that public sector banks give more loans for consumption purposes on the other hand ICICI gives loans to the respondents for small & medium term projects rather than consumptions. HDFC bank mainly provides loans for the provision of housing finance in a systematic manner to promote home ownership.
- The customers of public sector banks were not satisfied with the employee behavior, infrastructure, communication and working hours of the banks on the other hand the charges levied by the private sector banks on different services were perceived higher by the customers in comparison of public sector banks. Respondents of private sector banks were not satisfied with high charges & accessibility.
- A small number of respondents were using IT enabled services other than ATM. Security, lack of facility and improper awareness were found to be the reasons for not using IT enabled services.
- The study shows that only a few respondents made complain to their respective banks. The nature of complaints was mostly delay in transaction and extra charges.

Limitations of the Study

1. This study is geographically restricted to Ambala District only. Limited numbers of banks (only two Public sector and two Private sector banks) were covered under the study.
2. The sample of the study consisted of only 200 respondents due to time constraints.
3. The sample size do not ensure representative and conclusive finding and finally, a more robust analysis is needed to reach a strong conclusion.

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