



## Indian Banking Industry- Customer Satisfaction

### KEYWORDS

Conformist Indian Banking, Banking Services, Banking Efforts Customer Satisfaction.

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### ABSTRACT

Researcher outlines the paper with reference to identify the Conformist Banking and their services for the Indian Banking sector. Paper includes the general scenario of Indian banking industry and various services and opportunities adopted by Indian banking industry in Indian indurate. The main aim to Indian banking customer satisfaction reorganization measures, human capital development, technological up-gradation, structural development which helped them for achieving universal benchmarks in terms of prudential norms and pre-eminent practices. This article is a small seed to existing branch of knowledge in banking industry and is useful for prospect customers, existing customers Bankers, strategist, policy makers and researchers and the impact of various market and regulatory initiatives on efficiency improvements of Indian banks. To build on our previous global consumer banking survey in 2011, and to help banks better understand what they must do to build and maintain customer relationships, we surveyed 28,560 banking customers across 35 countries to learn more about their needs and preferences. Our banking teams around the world analyzed the responses. The purpose of this is to compare the public sector bank & private sector bank in terms of customer satisfaction and to find out the various reasons of customer dissatisfaction in these banks. The data was collected by getting the questionnaire filled by the respondents who we using banking services.

### GENERAL BANKING SCENARIO IN INDIA- INTRIDUC-TION AND REFORMS

The general banking scenario in India has become very dynamic now-a-days. The picture of Indian Banking was completely different as the Government of India initiated measures to play an active role in the economic life of the nation.

Another Work done by Parasuraman, Zeithaml andBerry (Leonard L) between 1985 and 1988 provides the between the customers expectation of performance and their perceived experiences of performance. This provide the measurer with a satisfaction Gap which is objective and quantities in nature.

According to Garbrand customer satisfaction equals perception of performance divided by expectation of performance. So we can recognize where we need to make changes to create improvements and determine if these changes, after implemented, have led to increased customer satisfaction.

If you cannot measure it, you cannot improve it.-Lord William Thomson Kelvin (1824-1907).

The Indian banking system is characterized by a large number of banks with mixed ownership. The commercial banking segment comprises 27 public sector banks in which the Government has majority ownership, 40 private sector banks, and 33 foreign banks. Total bank assets constituted a little over 70 percent of GDP in 2003-04. Public sector banks had 75 percent of the assets of the banking system in 2003-04, while private and foreign banks held 25 percent. In 1991, by comparison, public sector banks' share of the total assets of the banking system was a little over 90 percent.

The Reserve Bank of India was nationalized on January 1, 1949 under the terms of the Reserve Bank of India (Transfer to Public Ownership) Act, 1948. In 1949, the Banking Regulation Act was enacted which empowered the Reserve Bank of India (RBI) "to regulate, control, and inspect the banks in India." The Banking Regulation Act also provided that no new bank or branch of an existing bank could be opened without a license from the RBI, and no two banks could have Common directors. By the 1960s, the Indian banking industry had become an important tool to facilitate the speed of development of the Indian economy. The Government of India issued an ordinance and nationalized the 14 largest commercial banks with effect from the midnight of July 19, 1969. A

second dose of nationalization of 6 more commercial banks followed in 1980. The stated reason for the nationalization was to give the government more control of credit delivery. With the second dose of nationalization, the Government of India controlled around 91% of the banking business of India. Later on, in the year 1993, the government merged New Bank of India with Punja.

A brief review of Reforms of Indian Banking of them is as follows:-

Reddy and Yuvaraja (2001) The adoption of international capital adequacy and accounting standards, deregulation of interest rates and entry of private and foreign banks underline that the speed of the financial sector reforms and sequencing of the reforms should take into account the realities of the Indian economy..

Rao (2002) concluded that the Indian banking system has transformed itself from banking to the international banking. Regulations are forcing the banks to adopt better operational strategies and upgrade their skills. The system requires a combination of new technologies, well-guarded risk and credit appraisal, treasury management, product diversification, internal control, external regulation as well as skilled human resources to achieve the heights of the international excellence to play its role critically in meeting the global challenges.

Reddy and Reddy (2003) are of the view that the new challenges faced by the banks are forcing to attempt all new things with the same old rigid structure and system. What required is more managerial and administrative freedom to the management with commensurate and result oriented accountabilities.

### SERVICES IN INDIAN BANKING SECTOR FOR THEIR CUSTOMERS-

#### Real Time Gross Settlement (RTGS)-

Real Time Gross Settlement system, introduced in India since March 2004, is as system through which electronics instructions can be given by banks to transfer funds from their account to the account of another bank

#### Electronic Funds Transfer (EFT)-

Electronic Funds Transfer (EFT) is a system whereby anyone who wants to make payment to another person/company etc. can approach his bank and make cash payment or give

instructions/authorization to transfer funds directly from his own account to the bank account of the receiver/beneficiary.

#### Electronic Payment Services

Nowadays we are hearing about e-governance, e-mail, e-commerce, e-tail etc. In the same manner, India, as harbinger to the introduction of e-cheque, the Negotiable Instruments Act has already been amended to include; Truncated cheque and E-cheque instruments

#### Electronic Clearing Service (ECS)-

Electronic Clearing Service is a retail payment system that can be used to make bulk payments/receipts of a similar nature especially where each individual payment is of a repetitive nature and of relatively smaller amount.

#### Automatic Teller Machine (ATM)-

It is a device that allows customer who has an ATM card to perform routine banking transactions without interacting with a human teller. In addition to cash withdrawal, ATMs can be used for payment of utility bills, funds transfer between accounts, deposit of cheques and cash into accounts, balance enquiry etc.

#### Tele Banking Services-

Tele Banking facilitates the customer to do entire non-cash related banking on telephone. Under this device Automatic Voice Recorder is used for simpler queries and transactions. For complicated queries and transactions, manned phone terminals are used.

#### Electronic Data Interchange (EDI)

Electronic Data Interchange is the electronic exchange of business documents like purchase order, invoices, shipping notices, receiving advices etc. in a standard, computer processed, universally accepted format between trading partners. EDI can also be used to transmit financial information and payments in electronic form.

### THE MAJOR EFFORTS AND ATTRACTIONS OF CONFORMIST INDIAN BANKING INDUSTRY

(A) How can banks rebuild customer confidence-

- Encourage customer self service: - Banks needs to improve the way they provide information and advice to interest and convince self-directed customers, including financial planning tools, ranges of product and pricing bundles.
- Personalized banking. Customers who report a more tailored experience are often most willing to provide their banks with more frequent updates.
- Better value and service. Customers are demanding more control of their relationships and will look around for the most attractive fees and rates for the level of service provided.

(B)Banks are competing for the attention and loyalty of increasingly demanding customers.

The proportion of customers planning to change banks has increased since 2011, with 50% of customers globally citing high fees and charges as the primary reason. But customers appear to want more than a better deal — they want the flexibility to shape the relationship, contacting their bank whenever and however they choose. They may prefer online channels for simple transactions, but demand high-quality, personalized services for more complex transactions.

- Banking customers in more mature economies, such as the US and Latin America, tend to bank with one or two banks, primarily to ensure they receive the best products and services at the most attractive prices.
- Customers in emerging economies, such as China, India and Japan tend to bank with multiple providers mainly due to concerns over potential bank failures.

**(Note-Customers with one bank have fallen from 41% to 31%, while those with three or more have increased from**

**21% to 32% since 2011.)**

**(C)How can banks offer more personalized services to customers?**

- Make pricing and service promises transparent. Pricing is critical to customer satisfaction, but most customers have no idea how much they pay each year.
- Offer tiered levels of customer experience. Customers should have the option to buy into certain products and services, and the ability to earn upgrades through loyalty
- Move from multi-channel to omni-channel distribution. Banks need to look beyond multi-channel distribution towards an omni-channel approach, which uses customer data gathered from branches, website visits, social media and elsewhere.

**(Note-Worldwide, the proportion of customers planning to change banks has increased from 7% to 12% since 2011).**

**(D)How can banks provide a better customer experience?**

- Make low-cost digital channels customers' preferred choice. Banks should encourage customers to use digital channels whenever possible by using price incentives.
- Prioritize investment on critical customer interactions. Banks should focus operational improvements on customers' most valued interactions, optimizing the resulting impact on attrition, dormancy and loyalty.
- Use innovative technology to deliver the retail bank of the future. The use of technology is crucial to delivering a lower cost, more reliable, more flexible but still personal customer experience.INTERNET SERVICES- Banking in India

Jadhav Anil (2004) described various channels of e-banking services such as ATM, Telephone banking (Tele-banking), Mobile banking, Internet banking and its features.

The focus is also given on e-banking opportunities, challenges and security aspects while performing the banking transactions on the internet. Comparison of public, private, foreign and co-operative banks and barriers to the growth of e-banking in India are also discussed. .

Researcher also describes the advantages of internet banking, The advantages of internet banking are:-

- To save the time
- To increase customer loyalty.
- To attract new customers.
- Development of internet education
- To improve customer access.
- To reduce customer attrition.

#### RESEARCH HYPOTHESIS

Hypotheses development- A research framework has been developed to find out the relationship between Quality and their product (Tangibles, reliability, responsiveness, empathy and major variable customer Satisfaction), the conformist banking sector of India)

The hypotheses designed for this paper is based on the following assumptions:

**Hy1:** There is a positive association between tangibles and customer satisfaction in the conformist banking sector of India.

**Hy2:** There is a positive association between reliability and customer satisfaction in the conformist banking sector of India.

**Hy3:** There is a positive association between responsiveness and customer satisfaction in the conformist banking sector of India.

**Hy4:** There is a positive association between empathy and customer satisfaction in the conformist banking sector of India.

#### Methodology

An empirical study has been designed to meet the objectives of the research. For this purpose, four banks have been chosen as universe randomly, whereas two banks belonged to the private sector (ICICI and HDFC Bank Limited), other

two belonging to the public sector. One of public sector bank (Punjab National Bank and second one is Bank of Baroda).

Appearance of physical facilities), reliability (ability to deliver promised service and accurately), responsiveness (willingness to help customers and providing prompt services), assurance (Knowledge and ability of employees to inspire trust and confidence), and empathy (Caring and providing individual attention to each customer).

Parasuraman et al., (1985) indicates that service quality consists of eleven dimensions: reliability, competence, responsiveness, access, courtesy, communication, credibility, security, competence, tangibles, and understanding of customer. Reliability is considered as essential dimension of service quality.

Stafford (1996), focused on customer services on seven dimensions, such as relationships, bank atmosphere, rates and charges, ATM, available and convenient services, facilities of bank counter (tellers), and honesty/reliability of bank personnel.

For present investigation we have constructed four dimensions:

- 1) Tangibles
- 2) Reliability
- 3) Responsiveness
- 4) Empathy

Permission to carry out the study was obtained from the Area Managers of concerned bank. The questionnaire was sent to different branches of each bank with a brief explanation of the questionnaire, with a copy of permission letter from area manager. The respondents were also given a written guarantee of confidentiality for information. Respondents (Customers) were asked to indicate the level of satisfaction or dissatisfaction which was derived from each of the four dimension of service quality. The scale ranged from A to E representing : a = "Highly satisfied" : b = "Satisfied" : c = "Somewhat satisfied" : d = "Dissatisfied" : e = "Highly dissatisfied".

The questionnaire consisted of 30 items. The questionnaire was split into two sections: demographics and customer satisfaction.

The demographic questions in the survey included Region, age, sex, occupation, Income level (Student, Service provider, Jobholder or Business man), education, Answers to these questions provide a good respondent's (customers) background. The Customer satisfaction questions covered service quality facets such as: bank location, bank environment, delivery of promised services, prompt service, security with respect to transactions, and personal attention from employees, product range and attitude of employees.

The data entry has been done for final analysis at the point of 20 completely filled questionnaires. The data from the returned questionnaire then entered into computer program statistical package for social sciences (SPSS) version.

## Findings in SPSS

### Respondents Background

The questionnaire (survey) was designed to seek information about the respondents, age, sex education, and their occupation. Present analysis shows that 72.7% of the respondents are male and 27.3% are female. The detailed breakdown of the customer's background has been given below:

(Chart showing Customer's Background on the basis of Gender)

Age Group	No. of Respondents	Percentage of Respondents
21-30	30	22.7%
31-40	39	29.5%
41-50	46	34.5%
51-60	11	8.3%
Above 61	6	4.6%

Table A1(Table Showing Customer's Background on the basis of Age Groups)

(Chart Showing Customer's Background on the basis of Age Groups)

Qualification	No. of Respondents	Percentage of Respondents
Bachelors	60	45.6%
Masters	51	38.9%
MS/M..Phil	16	11.9%
PhD	5	4.2%

(Table Showing Customer's Background on the basis of Qualification)

(Chart Showing Customer's Background on the basis of Qualification)

Occupation	No. of Respondents	Percentage of Respondents
Business	64	48.6%
Job Holders	55	41.7%
Students	6	4.2%
Others	7	5.5%

(TableA2 Showing Customer's Background on the basis of Occupation)

(Chart Showing Customer's Background on the basis of Occupation)

### Analysis & Interpretation:

In the above Tables &Charts 34.9% of respondents are in the age group of 41-50 years. The next largest group of the respondents is in age group of 31-40 years (29.5%). About 22.7% respondents are from the age group of 20-31 years. 8.3% of respondents are from age group of 51-60 years. Only 4.6% respondents are in age group of 61 and above. In terms of qualification, there is a wide variation, Bachelors (45.6%), Masters (38.9%), MS/M.Phil (11.9%), and PhD (4.2%). Among the 132 respondents, the highest numbers of the respondents are running their own business (48.6%). However, Job holders, students, and other service providers represent 41.7%, 4.2%, and 5.5%, Respectively.

Table A.2- Tangibility ranges from 1 to 4 with the Mean of 2.38, and the Standard Deviation of 0.825. Reliability ranges from 1 to 5 and the Mean and Standard Deviation is 2.49 and 1.095, respectively. For Responsiveness, Mean and standard Deviation is 2.48 and 0.895 respectively with the minimum and maximum value ranges from 1 to 4. Empathy ranges from 1 to 5 and the Mean is 2.70, and Standard Deviation is .924. the minimum and maximum value for overall satisfaction is 1 to 4, the Mean and Standard Deviation is 2.45 and 1.095 respectively.

Hypothesis Test	Mean	Standard Deviation	Correlation
Tangibility	2.38	0.825	0.461
Reliability	2.49	1.095	0.505
Responsiveness	2.48	0.895	0.646
Empathy	2.70	0.924	0.491

(TableA3 Showing Customer's Hypothesis Test)

(Chart Showing Customer's Hypothesis Test)

Table A.3 that almost all the Mean are similar. High standard deviation indicates that the data is wide spread, means that customer give a variety of opinion, whereas, low standard deviation means that they express close opinion.-

a) Hypotheses test A correlation coefficient is a statistical tool used to summaries the relationship between two variables with a single number that falls between -1.00 and +1.00 stated th at: -1.0 (Welkowitz et al., 2006). Morgan et al. (2004) indicates perfect negative correlation, 0.0 indicate no correlation, and + 1.00 shows perfect positive correlation. The Pearson correlation analysis obtained from the five intervals scaled variables.

### Table A.3

The sample size (N) is 20 and the significant level is 0.01 ( $p < 0.01$ ).

**Hypothesis –****HY1- TANGIBLE-**

A) Table A.3, it can be seen that the correlation ( $r$ ) of tangibles is 0.461 and the significant level is 0.01.

B) Table A.3 that the  $p$ -value is 0.000, which is less than 0.01. Therefore, we accept the null hypothesis, and concluded that there is moderate but positive ( $r = 0.461$ ) relationship between tangibles and customer satisfaction in the Conformist banking sector of India .

**HY2- REALIBILITY**

The Table A.3 shows that the correlation ( $r$ ) is 0.505 for reliability and the  $p$ -value is 0.000, which is less than the significant level 0.01. Hence, the null hypothesis is accepted and concluded that there is large positive correlation between reliability and customer satisfaction in the conformist banking sector of India.

**HY3- RESPONSIVENESS**

That Table A.3 the correlation ( $r$ ) of responsiveness is 0.646 and  $p$ -value is 0.000, which is less than 0.01. Therefore, the null hypothesis is accepted and concluded that there is strong positive correlation between responsiveness and customer satisfaction in the conformist banking sector of India.

**HY4 EMPATHY**

Table A.3 that correlation ( $r$ ) for empathy is 0.491 and  $p$ -value is 0.000. Hence, the null hypothesis is accepted and it can be concluded that empathy is positively (moderate) related to customer satisfaction in the conformist banking sector of India.

**FINDINGS-**

The hypotheses test confirms that all service quality attributes (Reliability, Responsiveness, Empathy, and Tangibles) are positively associated with customer satisfaction. Responsiveness shows the highest positive correlation ( $r = 0.646$ ) with satisfaction and reliability demonstrates the second highly positive correlation ( $r = 0.505$ ) with customer satisfaction. Tangibles reveals the least but positive correlation ( $r = 0.461$ ) with customer satisfaction. A moderate but positive relationship ( $r = 0.492$ ) between customer satisfaction and empathy was demonstrated in the hypotheses test. The discussion of the following service quality attributes are as follows:-

**Tangibles:** The hypotheses test of this study confirms that there is positive correlation between tangibles and customer satisfaction. Data shows that customers are satisfied with infrastructure facilities, modern equipment

**Responsiveness:** Responsiveness refers to the ability and willingness of the service provider (Banker) to meet customer needs. This study shows that responsiveness and customer satisfaction are highly positively correlated. The bank customer of (Public and Private) in India prefers a friendly bank, which is striving to help their banking operations. This willingness of banks to facilitate their customers is likely to have a significant and positive effect on customer satisfaction.

**Reliability:** Reliability refers to the extent to delivered services according to standards expected and promised by service provider, means the customer should get what they feel they have paid for. According to present study, there is a positive association between reliability and customer satisfaction.

Data shows that customers are satisfied with customer support services, hospitality services and handling of customer's grievances. Consequently, customers are confident that their banks are fulfilling the promised terms and conditions which will not go against their expectations.

**Empathy:** The core concept of empathy is to understand customer needs and provide individual attention. This study indicates moderate but positive relationship between empathy and customer satisfaction. Means customers of banks are somehow satisfied with banking hours, personal attention given to them by bank staff, and information provided to them (Customer).

**Limitation of the study**

1. The study was only focused on Services and customer satisfaction public and private banks in India, The Global banking and Micro financial institutions that have role in banking industry in India were excluded from this study.
2. The limited numbers of banks (only four) were covered under the study.
3. The sample size and number of actual respondents are limited. The researcher may use a bigger sample size to find out more about customer satisfaction and service quality.
4. Time

**CONCLUSION**

- The Researcher found in their research the highest customer satisfaction is demonstrated in the responsiveness area such as willingness to help customer, friendly attitude of staff, followed by the reliability area such as customer guidance, customer support and other hand, the moderate satisfactions are in the tangibles area, such as infrastructure facilities, décor, followed by empathy area such as banks business timing and return on investment. Due to the wide variation of the responses, both public and private banks need to consider the weak areas in order to meet customer requirements.
- To be successful in banking sector, banks must provide service to their customer that at least meets or better if exceeds their expectations, and the present study will provide some sort of guidelines to the policy makers (managers) of banks to take appropriate decision to improve the quality of services in Indian banking.
- People should take more and more advantage of latest technology adopted by banks like e-banking, net-banking and doorstep banking. Banking, mobility and GDP ratio are in the equally proportional i.e. synonymous. If the banking facilities will increase, mobility will also increase and GDP ratio will also increase. Bank staff should also learn this equation by heart.
- Private Banks are also reliable and users should take more and more services of Private Banks.
- The banking today is re-defined and re-engineered with the use of Information Technology and it is sure that the future of banking will offer more sophisticated services to the customers with the continuous product and process innovations
- This article discusses the Services and Customer Satisfaction and Banks are striving to combat the competition. The competition from Indian banks (Private and public sector).

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