Correlation Between Customer Satisfction and Average Quarterly Balance of Private Sector Bank in Ahmedabad

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ABSTRACT This study examines the nature of relationship between customer satisfaction and maintenance of Average Quarterly Balance in Private Sector Bank. In the first section of the paper the link between the two variables is examined theoretically, it is then tested empirically. Data were taken from one of the Private Sector Bank of Ahmedabad. Relation between both was measured using SPSS software. The sample consisted of 125 Account Holders. The results of this study give insight into the impact of customer satisfaction on AQB which is directly related to each other.

ABBREVIATIONS USED:
- PSB: Private Sector Bank
- AQB: Average Quarterly Balance

INTRODUCTION
Each type of account requires a **Minimum Balance** to be held in that account in order to avail the services offered on the account. It varies as per the account and services being offered from bank to bank and even the same bank could have differing balance requirement depending on the account holder's location (Urban, Semi-urban and Rural). It is not required to be maintained on each day, but only on an average. If account holder does not maintain the required balance charges are applied in their account. Understanding the intricacies of the minimum balance policy will help the customer to manage the funds efficiently. Customer will maintain balance in their accounts only if they are satisfied with the bank.

AVERAGE QUARTERLY BALANCE (AQB)
Under the **AQB** requirement, the bank scrutinizes the account every 3 months. To check if you have adhered to the minimum balance norm, the banker will average the daily closing balance of the account during the 3-month period on the last day of the quarter. This means, you have the leeway to maintain zero balance for some days or even extended periods of say a month, as long as you could ensure the account has the average balance as prescribed by the banker. The bank will levy additional charges only if the average minimum balance over the quarter dips below the required.

For example, from October to December quarter, day end balance for each day in the quarter would be summed up and divided by the number of days in the quarter to arrive at the AQB maintained.

Suppose customer has to maintain Rs. 10,000 in his account quarterly. Let's understand this with a sample bank statement below:

Date	Particular	With-drawal	Deposit	Balance (A)	Days (B)	Product (A*B)
1-Oct-12	Opening Balance			8,000	14	112,000
15-Oct-12	Cash Deposit		10,000	18,000	23	414,000
7-Nov-12	ATM Withdrawal	15,000		3,000	27	81,000
4-Dec-12	Cheque Deposit		9,000	12,000	28	336,000
31-Dec-12	Closing Balance			12,000		
			SUM		92 (C)	943,000 (D)
				AQB = D/C		10,250

Balance maintained is as under:
- Opening balance on quarter beginning, i.e. 1st October is Rs 8,000
- Rs 8,000 are maintained for 14 days from 1st October to 14th October. Thus total balance maintained for 14 days is (8,000 * 14) = 112,000
- Rs 18,000 are maintained for 23 days from 15th October to 6th November. Thus total balance maintained for 23 days is (18,000 * 23) = 414,000
- Rs 3,000 are maintained for 27 days from 7th November to 3rd December. Thus total balance maintained for 27 days is (3,000 * 27) = 81,000
- Rs 12,000 are maintained for 28 days from 4th December to 31st December. Thus total balance maintained for 28 days is (12,000 * 28) = 336,000
- Closing balance on quarter end, i.e. 31st December is Rs 12,000
- Total balance maintained for 92 days in the quarter is 943,000. Thus on an average daily balance maintained is 943,000 / 92 = 10,250.
- Even though balance maintained was below 10,000 for (14+27) = 41 days, still QAB requirement of Rs 10,000 is met.

CUSTOMER SATISFACTION
Customer satisfaction is the state of mind that customers have about a company when their expectations have been met or exceeded over the lifetime of the product or service. The achievement of customer satisfaction leads to company loyalty and product repurchase.

"Satisfaction" itself can refer to a number of different facts of the relationship with a customer such as:

- Satisfaction with the quality of a particular product or service
- Satisfaction with the policies effecting the customer's product or services
- Satisfaction with an ongoing business relationship
- Satisfaction because a product/service met or exceeded the customer's expectations

PURPOSE
The purpose of this study is to theoretically establish the relationship between customer satisfaction and the maintenance of AQB.

PROBLEM STATEMENT
The statement of problem is "**To know the impact of customer satisfaction on AQB**"

Now a days various techniques are being applied by Private Sector Bank (PSB) to generate business, increase customers

retention rate, bringing down the acquisition cost and up-bringing the size of customer. It helps in increasing brand value and customer satisfaction which results into maintenance of AQB, transaction rate, etc.

OBJECTIVES
* To explore the satisfaction level of customers with PSB.
* To analyze the impact of customer satisfaction on AQB.

SCOPE
This study is restricted to 1 PSB of Ahmedabad only.

LITREATURE REVIEW
* ## CUSTOMER SATISFACTION
A customer satisfaction is an ambiguous concept. Actual manifestation of the state of satisfaction will vary from person to person, product to product and service to service. Customer satisfaction measurement allows an organization to understand the key drivers that create satisfaction or dissatisfaction; and what is really driving their satisfaction during a service experience.

According to Kevin Cacioppo, 1995 and Kumbhar, 2010 Customer satisfaction is the state of mind that customers have about a company when their expectations have been met or exceeded over the lifetime of the product or service. When customers pay money to buy a service he has some minimum expectations from the transaction.

According to Akbar and Parvez, 2009 Satisfaction is a state in which customer's expectations are met. These expectations from the purchase have to be met substantially, if not entirely for the customer to become a loyal customer of the service.

According to Kumbhar, 2010 Customer satisfaction develops attitudinal loyalty which ultimately retains valued customers.

* ## CUSTOMER LOYALTY
According to Anderson and Sullivan 1993, Bearden and Teel 1983, Yi 1991 A variety of studies find that higher level of customer satisfaction lead to greater customer loyalty.

Customers who shift banks mainly do so because they are dissatisfied with service. At the same time, customers who are satisfied with their banks' service stay loyal, even if they have to pay a little more for it. Over time, loyal customers turn into advocates, recommending their banks to others.

Therefore, few things are more important than ensuring customer loyalty in today's competitive banking environment. While the only way to garner loyal customers is through service, banks can also show their appreciation by devising attractive programs that reward customers not only for the size of their bank account, but also for the length of the relationship, referrals provides, number of products held and so on.

RESEARCH FRAMEWORK
* ## TYPE OF RESEARCH
The research design used in this project report is the **DE-SCRIPTIVE RESEARCH.** Descriptive Research is undertaken to describe the situation, community, phenomena, outcome or programme. The main goal of this type of research is to describe the data and characteristics about what is being studied.

* ## RESEARCH METHODOLOGY
It is a blueprint for completion of project work.

* ### DATA TYPE
Primary Data is original and collected first hand for the problem under study. There are a variety of primary data methods available to the researcher ranging from subjective, non-quantifiable interviews, group discussions, personal/tel-ephonic interviews, mail survey and questionnaires.

Secondary Data is information that has been collected and compiled earlier. For example company records, sales records, customer's feedback.

* ## DATA COLLECTION METHOD
For the purpose of preparation of this project report Primary Data Collection method is used in the form of telephonic interviews. In this telephone is used as a method of collecting data in both qualitative and quantitative manner.

* ## SAMPLE UNIT
Account Holders of 1 of the PSB in Ahmadabad.

* ## SAMPLE SIZE
125 Customers

* ## SAMPLING TECHNIQUE
In this project report Probability Sampling Method is used. In this each and every element of the population has a known chance of being selected in the sample and each individual is chosen randomly and entirely by chance, such that each individual has the same probability of being chosen at any stage during the sampling process.

DATA ANALYSIS
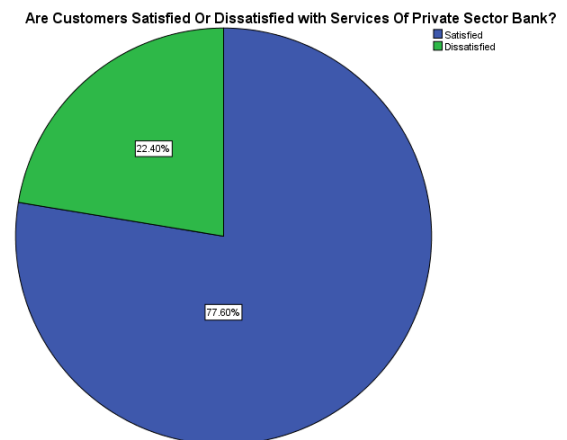### 1. Are Customers Satisfied Or Dissatisfied with Services Of PSB?

Are Customers Satisfied Or Dissatisfied with Services Of Private Sector Bank?
- Satisfied
- Dissatisfied
- 22.40%
- 77.60%

Figure 1

Interpretation:
In figure 1 i.e. 77.6% of the account holders are satisfied with the services of Bank and 22.4% are dissatisfied.

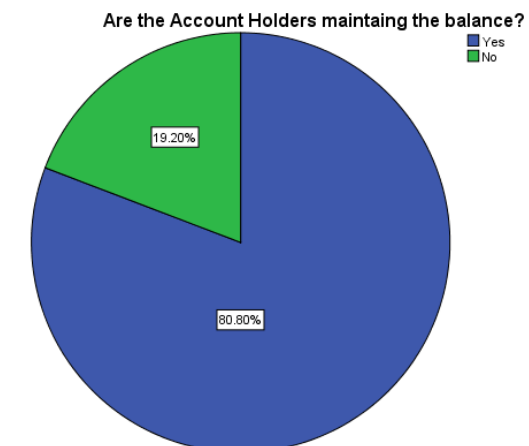### 2. Are the Account Holders maintaining the balance?

Are the Account Holders maintaing the balance?
- Yes
- No
- 19.20%
- 80.80%

Figure 2

Interpretation:
In figure 2 i.e. 80.80% of the account holders are maintaining the balance and 19.20% are not maintaining the balance.
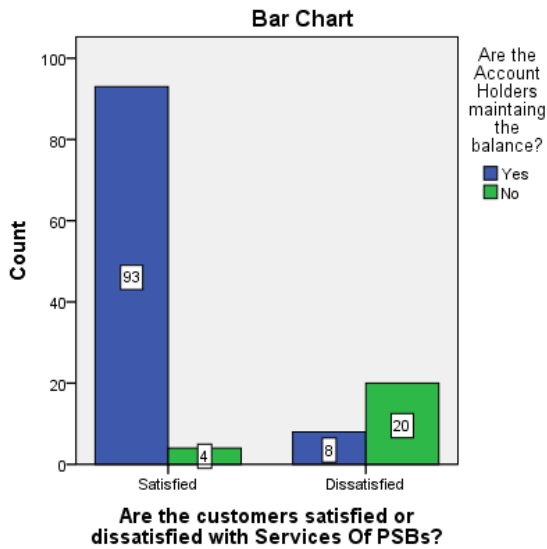
CROSSTAB

Figure 3

Interpretation:-
In figure 3 it is interpret that the proportion of satisfied customers who are maintaining the balance is more than as compare to dissatisfied customers.

CORRELATION

Descriptive Statistics			
	Mean	Std. Deviation	N
Are Customers Satisfied or Dissatisfied with Services of bank?	1.22	.419	125
Are the Account Holders convinced for maintaining the balance?	1.19	.395	125

Correlations		Are Customers Satisfied Or Dissatisfied with Services Of Bank?	Are the Account Holders convinced for maintaining the balance?
	Pearson Correlation	1	.712**
	Sig. (2-tailed)		.000
	Sum of Squares and Cross-products	21.728	14.624
	Covariance	.175	.118
	N	125	125
Are the Account Holders convinced for maintaining the balance?	Pearson Correlation	.712**	1
	Sig. (2-tailed)	.000	
	Sum of Squares and Cross-products	14.624	19.392
	Covariance	.118	.156
	N	125	125
**. Correlation is significant at the 0.01 level (2-tailed).			

INTERPRETATION
As the correlation is significant at the 0.01 level (2-tailed) it is interpreted that there is a positive relation between Customer Satisfaction and AQB.

FINDINGS
- Customers with PSB are satisfied with its services.
- Satisfied customers are maintaining balance as compared to dissatisfied customers.
- There is a wide impact of customer satisfaction on maintenance of AQB.
- There is a positive correlation between customer satisfaction and AQB.

RECOMMENDATIONS
- Proper training should be given to employees so that they can convince the dissatisfied customers.
- Employees should try to create a trustworthy relationship with customers.

CONCLUSION
Banks want those customers who transact frequently and customers will transaction only if they are satisfied with bank. If a customer is not transacting it implies that he is doing his transactions with other banks which means that our bank is not the primary bank for them. Moreover customers will maintain balance in that bank from where they are transacting. So only a satisfied customer will transact and maintain the balance.

A bank's main aim is to satisfy customer. Customer satisfaction also increases the loyalty and thus increases the retention rate and impacts the bottom line positively.

REFERENCE   • Akbar M. M. and Parvez Noorjahan (2009), "Impact of Service Quality, Trust and customer Satisfaction on Customers Loyalty, ABAC Journal Vol. 29, No. 1 (January-April 2009, pp.24-38). | • Anderson, Eugene W. (1994), "Customer Satisfaction and Word-of-Mouth," Working Paper, National Quality Research Center, University of Michigan Business School, Ann Arbor, MI. | o –and Mary Sullivan (1993), "The Antecedents and Consequences of Customer Satisfaction for Firms," Marketing Science, 12, 2, 125-143. | • Bearden, William O. and Jesse E. Teel (1983), "Selected Determinants of Consumer Satisfaction and Complaint Reports," Journal of Marketing Research, 20, February, 21-28. | • Kevin Cacioppo, (1995) Measuring and Managing Customer Satisfaction: "The gulf between satisfied customers and completely satisfied customers can swallow a business." Harvard Business Review, November/December 1995. | • Kumbahr Vijay M. (2010). Reliability and validity of ‚eBankQual' Scale in ATM Service Settings: A Study, in VINIMAYA, Vol. XXXI No. 4 January – March 2011, Published by National Institute of Bank Management, Pune. | • Yi, Youjac (1991), "A Critical Review of Customer Satisfaction," in Review of Marketing 1989, Valarie A. Zeithmal (Ed.), Chicago, IL: American Marketing Association.