



Measuring Customers' Perception in the Banking Industry

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ABSTRACT

The significant changes in economic environment as well as in marketing strategies after globalization have altered the perception of the customers about services rendered by banks. So, banks are in need of devising appropriate marketing strategies to attract, retain and maintain their valuable customer base. But in the competitive market, banks face problems in devising appropriate marketing strategies that can satisfy their entire customers as needs of the customers tend to increase day by day. The present study is undertaken to address such problems faced by the banks.

KEYWORDS

Customers' Perception, Services, Public Sector Banks, Private Sector Banks

Introduction

Banks play a significant role in the economic development of a country. Banks have control over a largest portion of the supply of money in circulation. Nature and character of production in the country can be influenced by the banks. In fact, banks are regarded as the mainstay of the economic development of a country. Banks mobilize the idle and dormant capital of a country and make it available for productive purposes. In fact, banks have designed a number of schemes to attract the prospective customers to encourage the habit of savings among the people.

MEASURING CUSTOMER PERCEPTION IN THE BANKING INDUSTRY

Banking operations are becoming increasingly customer dictated with the phenomenal increase in country's population and the increased demand for banking services; speed, service quality and customer satisfaction are going to be key differentiators for each bank's future success. Thus it is imperative for banks to get useful feedback on their actual response time and customer service quality aspects of retail banking, which in turn will help them take positive steps to maintain a competitive edge.

STATEMENT OF THE PROBLEM

The effective management of faithful and satisfied customers always help the financial institutions improve their performance in competitive situation. Thus the delivering of required services to faithful and satisfied customers has become vital for a bank to maintain long-term relationships with them. However, significant changes in economic environment as well as in marketing strategies after globalization have altered the perception of the customers about services rendered by banks. So, banks are in need of devising appropriate marketing strategies to attract, retain and maintain their valuable customer base. But in the competitive market, banks face problems in devising appropriate marketing strategies that can satisfy their entire customers as needs of the customers tend to increase day by day. The present study is undertaken to address such problems faced by the banks.

OBJECTIVES OF THE STUDY

The present research work has been undertaken keeping in view the following objectives.

1. To evaluate the behaviour of customers in accessing banking services and identify the relationship between accessing banking services and socio-demographic status of the customers.
2. To assess the perceived status of micro level services as well

as loan services of the Public and Private sector banks.

3. To explore the major aspects underlying the quality of general services and compare the sample between public and private sector banks as perceived by the customers.
4. To analyse the relationship between General Service Quality and micro level services of the selected Public and Private sector banks.
5. To measure the customer satisfaction and relate the overall satisfaction with various Banking services (Micro level services, Loan services and Quality of general services).
6. To summarize the findings, give conclusions and provide suggestions.

SCOPE OF THE STUDY

This study is carried out scientifically to investigate the bank customers' opinion about their accessing various banking services provided by public and private sector banks in Nagapattinam district, Tamil Nadu. The primary scope of the present study is to examine bank customers' perception about status of services at micro level, and their quality along with examining the status of loan related services. Finally, the scope of this study ends with ascertaining the service aspects that play significant role in determining the satisfaction of public and private bank customers in study district.

RESEARCH METHODOLOGY

Source of Data

The present study is mainly based on primary data. The primary data are collected from customers of public and private sector banks in Nagapattinam district, Tamil Nadu. This study also relies on the secondary data such as annual reports of public and private sector banks, publications, books, articles in journals and websites relevant for banking services. For collecting data from population of bank customers, interview schedule is used.

Sampling Technique

The researcher has conducted a survey with 500 retail customers of commercial banks, under both public and private sectors, in Nagapattinam district of Tamil Nadu State in India. Customers have been randomly selected at the selected branches of public and private sector banks for their response. Before going for the survey, the researcher has determined the sample size using following formula as suggested by Osisioma *et al.* (1974).

$$n = \frac{Z^2 \alpha 2}{4e^2}$$

In the formula, n is sample size, Z is a value corresponding to a given confidence level (Z value is 1.96 for confidence interval, simply CI, of 95% and 2.57 for CI of 99%). The sampling error ' e ' is in proportion, varying between 0.04 and 0.05 (i.e., maximum allowance of error in sampling is from 4% to 5%). As sample size is 384 for error level of 5 per cent and 600 for error of 4 per cent, the sample size for the present study is fixed at 500, which is between 400 (384 rounded to nearest 100) and 600.

LIMITATIONS OF THE STUDY

The present study is not aimed at comparing the perception of the customers either by taluks or by area (Rural and Urban). The findings of this study are completely based on the facts collected from the respondent customers along with their views on various services offered by the selected bank in Nagapattinam district.

MAJOR FINDINGS

Findings relating to Banking Service and Socio-Economic Status of Customers

1. The reason for opening account with current banks is found to be convenient location of the bank followed by good service for both public and private sector bank customers.
2. While serving the customers is the primary service for public sector banks, private sector banks have concentrated more on personalized service. Regarding primary services, there is a significant difference between public and private sector banks.
3. The waiting time is found to be between 6 and 15 minutes as stated by more than 50 per cent of the bank customers. However, the waiting time is significantly less in private banks compared to that of public sector banks.
4. There is significant relationship between customers' socio-economic status and their access to saving bank account service.
5. It is concluded that access to loan services of the banks among customers is significantly related to their socio-economic status.

Findings relating to Status of Banking Service

6. The banking services at micro level are based on five major aspects viz., account opening & maintenance, parking space & rest room, technology based, draft issue & collection and providing seating / writing arrangements.
7. The perception of overall micro level services among private bank customers is significantly higher than that of public bank customers. This envisages that overall micro level services are better in private sector banks.
8. The General banking services of the banks comprises of responsiveness, security of transactions, user friendly website, product-portfolio, reliability of service and employee competency.
9. The customers, in general, have found the overall quality of general banking services as good. However such views differ by gender, age, educational level, occupational status, family income and account holding period of the customers.
10. The jewel loan is the major type of loan followed by home loan, agriculture loan and personal loan borrowed by the customers in the study area. It is further found that availing particular type of loan does not vary between public and private sector bank customers in the study area.

Findings relating to Service Quality and Customer Satisfaction

11. The overall SQ in micro level banking services provided by private sector banks is much better than that of public sector banks in Nagapattinam district.
12. The SQ gap in general banking services in private sector banks is significantly less than that of public sector banks.
13. The SQ gap in respect of 'reduced cost of loan', "issuing loan up to 100% of the property value" and "low initial margin amount" in private sector banks is remarkably less than that of public sector banks.

14. Opinion about the overall performance of the private sector banks is significantly higher than that of public sector banks in Nagapattinam district.

SUGGESTIONS

Suggestions to Banking Sector

(1) Employee Training Programmes

Efficient and knowledgeable employees are always a big asset for any type of organisation. In this respect, irrespective of the banks, employees should be given adequate training on technical and behavioural aspects; as a result banks can deliver quick and prompt services to their customers. Because, the sample respondents perceived that the poor staff attitude is the reason for changing the bank.

(2) Customers Complaints Management

The customer complaint constitutes an important voice of customer. A customer complaint is one of the best opportunity to the banker for turning an unhappy customer into a loyal customer. The customers are tend to be satisfied more with their banks if their banks are speedy in resolving customer complaints. Hence, banks should give more focus on these areas to further improve customer satisfaction and retain them in their fold. Even a small complaint also should be taken as seriously so as to create a feeling in the minds of the complainer that he is not ignored.

(3) Strengthen the CRM System

Banks may concentrate more on CRM. The banks in the study district have to understand the changing needs of customers, their aspirations and expectations to create value. They should also have a strong customer relationship management system to understand customer needs while interacting with them, so as to cross sell their products and retain them.

(4) Implementation of Feed Back System

Banks may implement a feedback system to know the customers' expectations for improving the level of customer satisfaction to the maximum level. This system will helpful to align banks' products and services with customers' needs and expectation.

(5) Organise Customers' Meet

Both the PSBs and PrSBs should organize customers' meet frequently at regular interval with a view to invite suggestions from customers for betterment of services and to improve their relationship. The bank should also utilize this customers' meet to educate them about the various bank products like various deposit schemes, loan products, etc.

CONCLUSION

The findings arrived and suggestions offered in the study are expected to guide PSBs and PrSBs in Nagapattinam district of Tamilnadu, to improve their level of customer satisfaction in order to retain existing as well as attracting new customers. The results of this study would hopefully serve as an eye opener for the concerned banks of the study.

To sum up, Customer Satisfaction is a competitive weapon in any service industry particularly in banking sector. If banks want to sustain customers on a long term basis, banks must works towards 100% customer satisfaction, that automatically foster customer delight and loyalty.

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