

CUSTOMER SATISFACTION IN COMMERCIAL BANKS

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Introduction

Success of a service organisation depends upon the effectiveness and efficiency of the services provided to its customers: Banking is a customer-oriented service industry where the customer is in focus and customer service is a differentiating factor. In post nationalization period-there has been a deterioration in quality of service provided to the customers by banks, mainly on account of tremendous growth in volume of business, expansion of branch network and diversified activities without core providing support of infrastructure. Economic reforms cultivated by the environment of India in the early nineties' have brought a sea-change in operational environment of financial sector and fashioning and outlook of Indian banks. Features such as liberalisation, deregulation, globalization, modernisation, etc. witnessed by financial sector in the transition phase of reforms have attached prime importance to the qualitative customer service.

There are various types of banks which operate in our country to meet the financial

requirements of different categories of people engaged in agriculture, business, profession, etc. Commercial Banks are those banks which accept deposits and grant short-term loans and advances to their customers. In addition to giving short-term loans, commercial banks also give medium term and long-term loans to business enterprises. Now-a day some of the commercial banks are also providing housing loan on a long-term basis to individuals. There are also many other functions of commercial banks. Commercial banks are of three types viz.

- **Public Sector Banks:-** These are banks where majority stake' is held by the government of India. Example of public sector banks are: State Bank of India, Corporation Bank, Bank of Baroda and Dena Bank, etc.
- **Private Sector Banks:-** In case of private sector banks majority of share capital of the bank is held by private individuals. These banks are registered as companies with limited liability. For example: ICICI Bank,

Development Credit Bank Ltd, Lord Krishna Bank Ltd., Bharat Overseas Bank Ltd., Vysya Bank, etc.

- **Foreign Banks:** -These banks are registered and have their headquarters in a foreign country but operate their branches in our country. Some of the foreign banks operating in our country are Hong Kong and Shanghai Banking Corporation (HSBC), City bank, American Express Bank, Standard & Chartered Bank, etc. the number of foreign banks operating in our country has increased since the financial sector reforms of 1991.

In a developing country like India the banking sector has played a multi dimensional and multi directional role in overall development. The nature of this role has however, changed significantly over the period since independence. Financial sector has undergone a rapid transformation. The competitive and deregulatory forces have brought about a perceptible shift in the customers' expectations. With the advancement in ICT, the customers expect easy fast, efficient and secure financial services at reasonable costs. The following table shows the progress of Commercial Banks since nationalization:

Table 1: Progress of Banks in India (1969-2018)

INDICATORS	1969	1982	2010	2011	2012	2018
No. of scheduled commercial banks	73	202	163	163	169	151
No. of Bank offices in India	8262	39177	8820	94019	102377	109811
(a) Of which Rural/ (b) Semi urban	1833 3342		32529 21022	33868 23299	36503 26144	39439 28691
Population per branch (in thousands)	64	18	14	13	13	12
Deposits of Scheduled Commercial Banks in India (Rs. Billion)	4646 (crores)	46128	114928.26	52079.69	59090.82	67504.54
Credit of Schedule Commercial Banks per office (Rs. Million)	3599 (Crores)	30180	398	458	498	526
Per capital Credit of Scheduled Commercial Banks (Rs.)	68	428	28431	34187	38874	44028
Credit-Deposit Ratio (percent)	77.5	65.4	73.7	76.5	78.6	79.1

Source: Website of Reserve Bank of India

In the wake of pathbreaking economic reforms leading to increased competitiveness and fast changing social, familial and personal values of people, bank's customers have, of late, become finicky demanding better service and higher value as also personal care and the management's growing realization that retaining existing customers is as important as attracting new customers and for that matter developing long-term relationship with customers is imperative, concept of customer relationship management (CRM) in banks has become cliché for commercial banks the world over. CRM, in fact, involves creating, maintaining and enhancing strong relationships with

customers with a view to delivering long-term value to customers.

So as to nurse and develop long-term relationship with customers and to generate customer loyalty, a banker has to draw up strategic plan focusing on long-term course of action to be taken at the organizational level. With deepening competitive pressures, concept of CRM has been found lacking in retaining customers. It is, therefore, being realised that if a bank intends to retain one's premium positioning and higher margins, one is left with only one option: deliver a really powerful and pleasant customer experience and reinforce it in as many ways as possible so that the customers no longer cares if the rival product is cheaper or has no frills.

Relationship banking involves creating, maintaining and enhancing strong relationships with customers. It is the process of attracting, maintaining, enhancing and commercializing a relationship between a buyer and a seller. Attracting customers is only the first step in relationship management, while it is the be-all and end-all in a transaction approach. In fact, the actual relationship starts when transaction ends. A sale merely consummates the courtship at which point the marriage depends on how the seller managers the

relationship. Thus, relationship banking emphasizes on building and maintaining profitable long-term relationships with customers by creating superior customer value and satisfaction. Relationship banking is oriented toward the long-term. The objective is to deliver long term value to customers and the measure of success is long-terms customer satisfaction.

Relationship banking based on philosophy of nurturing and building long-term relations with customers is significantly useful to banking institutions in as much as it enhances their competitive advantages through revenue growth and cost savings. Retention proves more profitable as current customer place frequent orders and buy more. It is much easier to discover client needs and concerns in an existing client setting. With growing confidence of clients, and so also increasing image, more of new business opportunities may emerge.

Regarding CRM operations by commercial banks in India, it has been noted that during the past decade the banks have been striving hard to improve customer relationship management operations and spending enormous funds yearly on CRM initiatives. They have, of late, taken several steps to improve services to their customers.

The importance of customer service for capturing business in banks has become a focus point in all stages of marketing of banking services, since almost all banks are offering more or less the same products with little changes in nomenclature. In the present day situations, customers becoming more and more demanding, bankers have had to evolve new approaches, new and innovative products to keep pace with growing expectations. With the opening up of the economy customer satisfaction has acquired new meaning and different dimensions as banks are discovering more and more innovative products to meet increasing competition among themselves (**Goyal and Thakur, 2007**).

Customer Relationship Management is emerging as the core marketing activity for service firms operating in a fiercely competitive environment (**Shainesh and Mohan, 2001**). The available researches show that successful and continuing relationships are characterised by trust, commitment and satisfaction (**Morgan and Hunt, 1994**). Driven by the challenges of competition, rising customer expectations and shrinking margins, banks have been using technology to reduce cost and enhance efficiency, productivity and customer convergence (**Shainesh and Choudhary, 2001**).

Realising the inadequacy in banking services, the RBI issued in recent times specific guidelines to the banks. Even the Banking Ombudsman Scheme has been revamped in 2006 in order to enlarge its extent and scope of the authority and make the scheme more effective. The RBI has also directed the banks to build adequate institutional machinery, for formulating policies and executing them to the benefit of customers. Lately, the RBI permitted banks to deliver cash and drafts to the individual customers at their doorsteps on request. At this juncture, the present study has been undertaken to compare customer satisfaction in commercial banks in Bihar.

Objectives of Study

The present study has been carried out with the following objectives:

- To outline characteristics and dynamics of customer satisfaction in the banking sector,
- To analyse recent developments in Indian Banking Sector after nationalization and in the Post Liberalization era,
- To elaborate effective customer relationship management system which leads to satisfaction of customers and finally becomes core competency,

- To identify the challenges ahead in the banking sector,
- To consider any other related problems.

Importance of Study

A cursory look the marketing strategies of various commercial banks in India reveals that they are more keen on attracting new customers rather than retaining existing ones. As a matter of fact, their approach to marketing is transaction-oriented, the aim of which is to help sales people to close a specific sale with a customer. The focus of transaction banking is on customer creation, and product-orientation with little emphasis on building long-term relationship with customers, limited customer care and commitment.

In an age of decreasing customer loyalty, bankers have to place greater emphasis on managing customer relationships so that they can sell more products to their existing customers. Beyond designing strategies to attract new customers and create transactions with them, they have to go all out to retain current customers and build lasting customer relationships. They must build strong economic and social ties by promising and consistently delivering high-quality products, good service and reasonable cost. Indian bankers need to shift from trying to

maximize profit on each individual transaction to maximizing mutually beneficial relationship with customers.

The efficiency of a banking sector depends upon how best it can deliver services to its target customers. 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. The globalization of Indian economy has truly called for much more disciplined approach on the part of Bihar's banking sector to improve the overall quality of customer services through smart use, adoption of flexible and appropriate information technology. It is seen that 5% increase in customer retention can increase profitability by 35% in banking business, 50% in insurance and brokerage and 125% in the consumer credit card market. Therefore, banks are now stressing on retaining customers and increasing market share. A favourable climate for excellent service manifests itself in employee behaviour, for example, being attentive to customers, speaking favourably about the organization and its services. With frequent employee-customer contact, customers are more often exposed to such positive Behaviours, which in turn, affect customer satisfaction. The present study attempts to identify lacunae, if

any, that exists which might hamper good customer service and in turn, affects customer's satisfaction.

Hypothesis

The present study is based on the following hypotheses:

1. By using knowledge of the customer, banks can turn customer relationship into a key competitive advantage.
2. Customer satisfaction can be achieved by adopting effective customer relationship management system.
3. Customer relationship management is a key element of differentiation that leads the Banks to develop its base and sales capacity in order to increase their profits.
4. The banking industry needs innovative strategies for customer retention and new customers.

Research Methodology

Research methodology deals with a systematic and scientific methods that can be adopted to solve research problems. The study is based on both primary and secondary data. Personal interviews have been conducted with the depository personnel of various public and private sector banks to elicit the relevant

information. Administering self-made questionnaire to the sample units generated the primary data with regard to customer satisfaction level of public and private sector banks. Direct interview technique has also been adopted in the process of collecting primary data. So for the analysis of data, different statistical tools have been used according to the nature of data and requirement of the study. Thus, the research work has been completed with deductive, inductive and scientific methodology in statistical and empirical framework.

For our study we have collected secondary data form different

- Books,
- Journals,
- Magazines,
- Newspapers,
- Economic Dailies,
- Central and State Government Reports,
- RBI Bulletins,
- Websites etc.

Plan of Work

The study has been divided into the following seven chapters:

Chapter-1 Introduction

The first chapter is introductory in nature. The chapter contains a brief elaboration on problem to be studied, justification of the study, hypothesis made, research methodology, plan of the study etc.

Chapter-2 Banking Sector in Post Liberalization Era

In this chapters, we have made discussion on the landscape of Indian Banking Sector in Post Liberalization era.

Chapter-3 Commercial Banks- A Service Organization

This chapter has been devoted to discuss different types of services being offered by the commercial banks to the customers. The commercial banks are organizations offering financial services and have been playing pivotal role in Indian Financial System.

Chapter-4 Customer Satisfaction: A Conceptual Framework

Customer is the king. Customers' satisfaction affect organizational existence and sustained growth. This chapter has been devoted to have a conceptual framework of customer satisfaction in banking sector.

Chapter-5 Customers' Satisfaction in Commercial Banks in Bihar : A Comparative Study

In this chapter, on the basis of collected data and information, an appraisal has been made on the customers' satisfaction in Nationalized Commercial Banks vis-à-vis Private Banks in Bihar.

Chapter-6 Emerging Trends and Challenges Ahead

This chapter highlights on emerging trends and challenges ahead in the context of banking sector in India. Our focus is on customer relationship management area.

Chapter-7 Findings, Conclusion and Suggestions

The last chapter contains the summary of the study and a number of suggestions have been

put forth to woo new customers and retain the existing ones. Customers' satisfaction is the core competence tool and the level can be enhanced.

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