

Customer Satisfaction Avenues in Retail Banking Related to Public Sector Banks of India

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ABSTRACT

“Retail banking is typical mass-market banking where individual customers use local branches of larger commercial banks. Services offered include: savings and checking accounts, mortgages, personal loans, debit cards, credit cards, and so.” The Retail Banking environment today is changing fast. The changing customer demographics demands to create a differentiated application based on scalable technology, improved service and banking convenience. Higher penetration of technology and increase in global literacy levels has set up the expectations of the customer higher than never before. Increasing use of modern technology has further enhanced reach and accessibility. The market today gives us a challenge to provide multiple and innovative contemporary services to the customer through a consolidated window as so to ensure that the bank’s customer gets “Uniformity and Consistency” of service delivery across time and at each door step.

This paper throws light on the emergence of selected public sector banks in India and its role in retail banking services. It gives a description of the spread and rating of Public Sector Banks in India and measures the performance of public sector banks in terms of retail banking.

Key Words: Retail advances, ECS, ATM, Internet Banking.

1. INTRODUCTION

Since Independence, the Indian banking sector has been experiencing phenomenal growth. Though the commercial banks were largely confining their activities to urban affluent customers and to industry, trade and commerce, the nationalization of several commercial banks since 1969 have forced these banks to undertake aggressively various programs

including: branch expansion in the rural and semi-urban areas, reallocation of bank credit in favor of priority sectors like agriculture, small-scale industry, transportation, exports and distribution of food and other agricultural products, and fixed interest rates for various types of deposits, thus expanding the horizon of customer interface. The banking industry in India has been a witness to several regulatory changes in the last few decades, which have not only facilitated the entry of private and foreign banks, but also have enhanced the expectations of the customers in regard to service delivery in banks. Global competition has further forced the banks to explore the trade-off between winning new customers and retaining old ones, thus focusing on customer relationship management.

The Indian banking industry is passing through a phase of customers market. The customers have more choices in choosing their banks. A competition has been established within the banks operating in India. The new age IT (Information Technology) is bringing about sweeping changes in the banking industry, forcing them to re-engineer many of their basic processes and systems. Few of the technology-driven electronic banking services being offered are viz. Automated Teller Machines (ATM), Electronic Clearing Service (ECS), Electronic Funds Transfer (EFT), tele-banking, internet banking etc. New technological capabilities could be effectively used to create value and to better manage customer relationship.

2. RETAIL BANKING IN INDIA

Retail Banking is a banking service that is geared primarily towards individual consumers. Retail banking is usually made available by commercial banks, as well as smaller community banks. Unlike wholesale banking, retail banking focuses strictly on consumer markets. Retail banking is a typical mass-market banking where individual customers use local branches of larger commercial banks. The term "Retail Banking" encompasses various financial products viz., different types of deposit accounts, housing, consumer, auto and other types of loan accounts, demat facilities, insurance, mutual funds, credit/debit cards, ATMs and other technology-based services, stock-broking, payment of utility bills, reservation of railway tickets, etc.. It caters to diverse customer groups and offers a host of financial services, mostly to individuals. It takes care of the diverse banking needs of an individual. Retail banking is a system of providing soft loans to the general public like family loans, house loans, personal loans, loans against property, car loans, auto loans etc. The products are backed by world-class service standards and delivered to the customers through the growing branch network, as well as through alternative delivery channels like ATMs, Phone Banking, Net Banking and Mobile Banking. Customers and small businesses get benefited from increased credit access, speedy and objective credit decisions whereas lenders get benefited from increased consistency and compliance. Today's retail banking sector is characterized by three basic characteristics:

- multiple products (deposits, credit cards, insurance, investments and securities);
- multiple channels of distribution (call centre, branch, Internet and kiosk); and
- multiple customer groups (consumer, small business, and corporate).

The aim of retail banking is to provide customers a full range of financial products and banking services, give the customers a one-stop window for all their banking requirements. Retail banking segment is

continuously undergoing innovations, product re-engineering, adjustments and alignments.

3. COMPETITION IN RETAIL BANKING

The entry of new generation private sector banks has changed the entire scenario. Earlier the household savings went into banks and the banks lent out money to corporate. Now they need to sell banking. The retail segment, which was earlier ignored, is now the most important of the lot, with the banks jumping one over another to give out loans. The consumer has never been so lucky with so many banks offering so many products to choose from. With supply far exceeding demand it has been a race to the bottom, with the banks undercutting one another. A lot of foreign banks have already burnt their fingers in the retail game and have now decided to get out of a few retail segments completely. The nimble footed new generation private sector banks have taken a lead in this front and the public sector banks are trying to play catch up. The public sector banks have been losing business to the private sector banks in this segment. Public sector banks need to figure out the means to generate profitable business in the days to come.

4. NEED OF THE STUDY

Retail Banking Services has become quite important in the present day situation as competition is increasing among the banks. Everyone is trying to woo the same customer. Retaining the existing customers and attracting new ones has become very difficult especially for Public Sector banks. Because public sector banks have their own limitations as they have to achieve twin objectives of profitability and social objectives. These banks are committed to provide the banking service in urban area as well as in rural areas where banking services are very limited. As a service provider, the role of public sector banks becomes quite important because they are also responsible for lowering the cost of services on the one hand and improving the

quality & productivity of the services on the other for customer satisfaction. At this backdrop, the study on **“Customer Satisfaction in Retail Banking Sector”** becomes quite important for formulating sound policies by the bank for customer satisfaction. Such study will provide the banks with a quantitative and qualitative estimate of their services as perceived by the customers.

5. LITERATURE REVIEW

Amandeep (1991) attempted to estimate profit and profitability of Indian Nationalized banks and to study the impact of priority sector lending, credit policies, geographical expansion, industrial sickness, competition, deposit composition, establishment expenses, ancillary income, spread and burden on bank profitability. For this purpose, trend analysis, ratio analysis and regression analysis were used.

Mohammed Hossain and Shirley Leo (2009) in their study indicated that the highest customers' perceptions are demonstrated in the tangibles area such as infrastructure facilities of the bank, followed by the empathy area such as timing of the bank and returns on deposit. On the other hand, the lowest perceptions are in the competence area, such as the method of imposing service charges followed by reliability, such as customers' guidance and concluded that to be successful, retail banks must provide service to their customers that meets or exceeds their expectations.

R. Magesh (2010) in his study revealed that the banks seemed to have performed better in case of 'Responsiveness' 'Reliability' and 'Empathy' than in other dimensions. Poor scores on tangibles and assurance clearly depict how unimportance had the bank attributed to the infrastructure of the bank and its department which requires improvement at vast level. The study suggested that though the satisfaction level of service being offered is at a acceptable level, the organization has to keep abreast in an ever changing environment to be

competent by identifying strengths and weaknesses pertaining to the dimensions of service quality and by better allocation of resources to provide better service. The results concluded that the performance delivery with respect to the banks has to be enhanced to leverage and improvise the level of service quality dimensions.

Rajyalakshmi Nittala and Vijaya Kameswari (2011) studied the perceptions of customers of State Bank of India regarding the various services provided to them by the bank, in Visakhapatnam city with the main objective to identify and discriminate the satisfied customers from the not satisfied customers. It concluded that the response given to variables customer enquiries, patience of employees towards the customer, handling of complaints, training of employees, Parking facility, Guidance signs showing various counters, Provision of locker facility, Relevance of information being provided, and Performance of banking services appear to be important constructs in the satisfaction context.

Ushad Subadar Agathe (2010) assessed customers' general expectation and perception towards the current performance of bankers in terms of their services offered. The result showed a huge gap for reliability and responsiveness, implying that the customers are not satisfied with the willingness or readiness of employees to provide service as well as with the banks' ability to perform the promised service in a timely manner and with accuracy. However, high scores and lowest gaps were noted for tangibles, indicating that customers are generally satisfied with the banks' physical facilities, equipment and appearance of personnel. Thus, the results of this study underscore the need for bankers to gear customer service and quality improvement efforts towards components of reliability and responsiveness.

6. OBJECTIVES OF THE STUDY

The purpose of this study is to analyze the level of customer satisfaction in retail banking sector of Public Sector Banks. For

this purpose the paper discusses three issues which are as under:

- i. To ascertain the level of the awareness among the respondents about retail banking services provided by the selected Public Sector banks;
- ii. To measure the level of satisfaction regarding retail products and services; and
- iii. To offer suggestions to expand the retail market through improved customer service.

7. METHODOLOGY

The study is mainly based on two sources of data: Primary data & Secondary data. The secondary data was collected from various possible records like books, magazines, periodicals and websites. The primary data was collected from customers of different Banks. The major players of Public Sector in retail banking are State Bank of India (SBI), Punjab National Bank (PNB), Central Bank of India, Oriental Bank of Commerce (OBC) and Allahabad Bank. Branches of these banks at Dehradun District only are chosen for the survey. The sample size is 250. Fifty customers each

from these 5 banks are selected by convenience sampling method. In order to gauge the extent of customers awareness towards retail banking services, 20 retail banking services ranging from tradition to ultra modern are listed out. Twenty services which are identified, are listed below – Deposits, Locker, Personal loan, Education loan, Schemes for women, Schemes for children, Schemes for retired, ATMs, Credit/Debit card, Housing finance, Guarantee, Collecting bill/cheque/ draft, Payment of insurance premium, Home banking, Tele banking, Mutual funds, Stock investment, Electronic fund transfer, Mobile banking and Institutional financing.

8. LIMITATIONS OF THE STUDY

Three limitations have been identified in this study. First, the research work covers only Public Sector Banks and does not cover Private Sector and Foreign Banks. Second, the limited number of banks (only five banks) covered under the study. Third, the sample size do not ensure representative and conclusive finding and finally, a more robust analysis is needed to reach a strong conclusion.

9. ANALYSIS AND INTERPRETATION

9.1 Level of Awareness of Retail Banking Services

TABLE – 9.1 LEVEL OF AWARENESS OF RETAIL BANKING SERVICES

S. N.	Retail Banking Services	SBI		PNB		CB		OBC		AB		TOTAL	
		No. of Res.	% of Res.	No. of Res.	% of Res.	No. of Res.	% of Res.	No. of Res.	% of Res.	No. of Res.	% of Res.	No. of Res.	% of Res.
1	Deposits	45	90	44	88	40	80	42	84	40	80	211	84
2	Locker Rent	30	60	22	44	15	30	15	30	14	28	96	38
3	Personal Loan	24	48	20	40	18	36	22	44	15	30	99	40
4	Education Loan	20	40	15	30	25	50	22	44	12	24	94	38
5	Schemes for women	10	20	12	24	6	12	10	20	15	30	53	21
6	Schemes for children	8	16	6	12	4	8	5	10	5	10	28	11
7	Schemes for retired	5	10	4	8	2	4	1	2	3	6	15	6
8	ATM	48	96	45	90	45	90	47	94	46	92	231	92
9	Debit/Credit Card	45	90	45	90	40	80	35	70	42	84	207	83
10	Housing finance	20	40	18	36	12	24	15	30	18	36	83	33
11	Guarantee	5	10	3	6	1	2	3	6	4	8	16	6
12	Collecting bill/cheque/ draft	20	40	25	50	15	30	20	40	18	36	98	39
13	Payment of insurance premium	5	10	10	20	7	14	25	50	15	30	62	25
14	Home banking	3	6	2	4	3	6	1	2	2	4	11	4
15	Tele banking	15	30	12	24	20	40	22	44	22	44	91	36
16	Mutual funds	4	8	3	6	3	6	2	4	2	4	14	6
17	Stock investment	5	10	3	6	2	4	4	8	2	4	16	6
18	Electronic fund transfer	15	30	20	40	15	30	25	50	20	40	95	38
19	Mobile banking	35	70	30	60	30	60	25	50	22	44	142	57
20	Institutional financing	5	10	3	6	1	2	3	6	2	4	14	6

Source: Primary Data

The table depicts the awareness amongst the respondents regarding retail banking services. The level of awareness amongst the respondents regarding retail banking services is greatest in SBI. The average percentage of awareness regarding all the 20 services for SBI accounts 36.7% followed by OBC 34.4%, PNB 34.2%, Allahabad Bank 31.9% & the least % is found in CB i.e. 30.4%. The analysis of individual retail banking services reveals that for most of the items viz., deposits, locker facility, personal loan, schemes for children, schemes for retire persons, ATM, credit/debit card, housing finance, guarantee, mutual funds, stock investment, mobile banking & institutional financing; customer's awareness is greatest in SBI as compared to the other five banks whereas in some services like collecting bill/cheque/draft awareness is more in PNB and services like education loan, home load holds more awareness in Central Bank, payment of insurance premium, electronic fund transfer OBC holds a better position whereas few services like schemes for

women and telebanking awareness is greatest among Allahabad Bank customers. On the whole, as the awareness regarding retail banking services is satisfactory, retail banking has immense opportunity in a growing economy like India.

9.2 Level of Satisfaction Regarding Retail Banking Services

To determine the level of satisfaction amongst the respondents regarding retail banking activities, vital activities of the banks are covered viz., Good personal services & Smooth/ efficient banking operations, Credibility & Accessibility, Ease of account opening, Computerization of services, Introduction of innovative services, Duty conscious staff & Courteous behavior, Expeditious service and Wide range of services with less cumbersome procedures. The customers are asked to rank their level of satisfaction regarding these vital banking activities. Garrett's Ranking technique is applied to rank the responses.

Activities	SBI		PNB		CB		OBC		AB	
	Score	Rank	Score	Rank	Score	Rank	Score	Rank	Score	Rank
Good personal services & Smooth/ efficient banking operations	75.32	I	71.25	II	58.67	II	64.25	I	54.68	III
Credibility & Accessibility	63.22	III	73.17	I	57.25	III	58.25	III	57.25	II
Ease of account opening	61.57	IV	67.67	III	62.25	I	61.67	II	60.10	I
Computerization of services	70.85	II	62.20	IV	48.68	V	52.25	V	51.98	IV
Introduction of innovative services	58.0	V	58.92	V	40.96	VII	50.50	VI	48.65	V
Duty conscious staff & Courteous behavior	57.65	VIII	47.85	VIII	51.25	IV	54.65	IV	44.45	VI
Expeditious service	55.12	VII	55.25	VI	36.25	VIII	45.65	VIII	38.75	VIII
Wide range of services with less cumbersome procedures	54.90	VI	61.75	VII	43.25	VI	48.25	VII	40.20	VII

Source: Primary Data

The respondents of SBI are most satisfied regarding its personal services & smooth/ efficient banking operations whereas the same scored the III place amongst the respondents of Allahabad Bank. Credibility & accessibility scored III rank amongst the SBI respondents, the same scored I place amongst the PNB respondents. Final ranking is for duty conscious staff & Courteous in SBI as well as in PNB, for expeditious service in other three banks.

9.3 FACTORS INFLUENCING SATISFACTION REGARDING RETAIL BANKING

Factor analysis technique is used to group the variables of the retail banking services influencing the level of satisfaction among the respondents. Rotation component matrix, the most commonly used factor analysis technique is applied for analysis.

TABLE – 9.3 ROTATED COMPONENT MATRIX FOR THE VARIABLES INFLUENCING THE LEVEL OF SATISFACTION REGARDING RETAIL BANKING SERVICES

Sl. No	Variables	Component						
		F1	F2	F3	F4	F5	F6	F7
1	Working hours of the bank	.819	-.035	.147	.170	.021	.004	-.044
2	Speed of deposit of money	.816	.054	-.044	.040	.025	-.166	-.071
3	Time taken to update the pass book	.785	.059	-.011	.157	.079	.192	-.101
4	Time taken for sanction of loan	.696	.96	.143	-.020	-.014	.317	.063
5	Lay out of the bank	.157	.771	.120	.020	-.151	.047	.069
6	Atmosphere of the bank	.147	.708	.156	-.254	.107	.162	-.008
7	Bank's publicity regarding its services and performance	.095	-.031	.831	-.047	-.103	.116	.039
8	Staffs' attitude & approach towards the customers	.475	.097	.775	-.103	-.047	.098	-.058
9	Service charges	.024	.201	.014	.586	.436	-.272	-.032
10	Schemes for IT relief	.0580	.271	.038	.580	-.105	-.210	.227
11	Unambiguous procedures & systematic execution	.152	.205	.304	-.140	.805	-.015	-.023
12	Computerization in the bank	.644	.356	-.027	.184	.644	.418	-.201
13	Expertise of bank employees regarding the bank services	.159	.033	.085	-.020	.138	.795	-.016
14	Quick response for queries	.264	.100	-.287	0.70	.119	.684	-.098
15	Location of the bank	.108	.041	.088	-.239	.023	.073	.612
16	Bank's innovation	.417	.167	.050	-.142	.244	.018	.578

Source: Primary Data

Extraction method: Principal Component Analysis

Rotation method: Varimax with Kaiser Normalization

The above table indicates the rotated factors for 16 variables. Actually 20 variables of the bank services are chosen for the rotated matrix. 4 variables of low values on the basis of respondents' perception are ignored. Thus 16 variables of retail banking services are identified as the factors which affect the level of satisfaction of the respondents regarding retail banking services. All these 16 variables are short listed into 7 factors such as Routine operation factor, Ambience factor, Interactive factor, Situational factor, Mechanization factor, Staff factor and General factor.

Routine operation factor includes working hours of the bank, speed of deposit of money, time taken to update the pass

book and time taken for sanction of loan. Ambience factor comprises of layout of the bank and its atmosphere. Interactive factor includes bank's publicity regarding its services & performance and staffs' attitude & approach towards the customers. Service charges and schemes for IT relief are covered under situational factor. Mechanization factor includes unambiguous procedures & systematic execution and computerization in the bank. Staff factor includes expertise of bank employees regarding the bank services and quick response for queries. General factor includes location of the bank and bank's innovation.

The table below depicts the number of variables in each factor, Eigen value and the percentage of variance.

TABLE – 9.4:MEIGEN VALUE - LEVEL OF SATISFACTION REGARDING RETAIL BANKING SERVICES

Sl. No	Factors	Number of variables	Eigen value	Percentage of variance explained	Cumulative percentage of variance explained
1.	Routine operation factor	4	4.225	21.123	21.123
2.	Ambience factor	2	2.156	10.782	31.905
3.	Interactive factor	2	1.564	7.822	39.727
4.	Situational factor	2	1.417	7.086	46.813
5.	Mechanization factor	2	1.216	6.081	52.894
6.	Staff factor	2	1.139	5.697	58.591
7.	General factor	2	1.097	5.486	64.076

Source: Primary Data

Eigen value is computed to ascertain the degree of influence of the factors. Higher the Eigen values, higher is the intensity of the factors influencing the level

of satisfaction of the respondents towards retail banking services. Eigen value is the highest at 4.225 for the routine operation factor. Thus the routine operation factor

which comprises of the four variables viz., working hours of the bank, speed of deposit of money, time taken to update the pass book and time taken for sanction of loan, highly influence the level of satisfaction of the respondents. The least influencing factor is 'general factor' whose Eigen value is 1.097 and the percentage of variance explained by this factor is 5.486.

10. SUGGESTIONS TO EXPAND THE INDIAN RETAIL MARKET

- Now, the time has come for the customer to demand a product that is not currently available in the Banker's kitty and the Bank has to literally create customer-specific products. Banker is expected to assume the role of a Financial Engineer.
- Banks should allow the earlier facilities to sink into the culture of the customers before any new facilities are launched. Also, the earlier facilities should be embedded with services so that customers not only appreciate new technology, but are also in a position to operate.
- For the efficient management of a large and diverse retail portfolio, the most important pre-requisite is the skilled and well-versed employees. Only experienced man power can withstand the rigor of administering a diverse and complex retail credit portfolio.
- It is time to break the myth that public sector banks are not customer friendly. Banks should follow customer friendly approach to enhance the marketing of their retail banking products. Banks should deliver the products and services rapidly in a dynamic market.
- Banks should leverage effectively on multiple delivery channels (internet, ATMs etc) to reduce the cost of operations. Banks should ensure innovative products to suit the needs and requirements of different types of customers.
- With the effective usage of the cell phone technology, coupled with web

developments, service providers can innovate and offer rich, user-friendly mobile banking applications.

- Simplified processes and alignment around delivery of customer service impinging on reduced customer touch-points are of essence to enhance the sale of retail banking products.
- There is a need for constant innovation in retail banking. In bracing for tomorrow, a paradigm shift in bank financing through innovative products and mechanisms involving constant up gradation and revalidation of the banks' internal systems and processes is called for. Banks now need to use retail as a growth trigger. This requires product development and differentiation, innovation and business process reengineering, micro-planning, marketing, prudent pricing, customization, technological up gradation, home / electronic / mobile banking, cost reduction and cross-selling.
- The scope of generating profit through retail banking rather than through any of the traditional methods has become one of the attractive options to the bank. However, it could be stated that while there are so many layers in the fray, only those capable of addressing the above suggestions in the most efficient way would emerge successful.

11. CONCLUSION

With much scope in the avenues for operations, the challenge for the public sector banks in India in the current scenario is to stand out in the midst of hard-hitting regulations of the apex body. Globalization, consolidation and demanding need of expertise are drastically redefining the banking industry. Thus the retail banking sector, be it the Indian financial player or a foreign entrant has to adopt a different approach in all fields viz., products, services to hold the Indian market share, as a popular saying goes as variety is the spice of life.

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How to cite this article: Varshney PK. Customer satisfaction avenues in retail banking related to public sector banks of India. Galore International Journal of Applied Sciences & Humanities. 2017; 1(2): 1-8.
