

Customer Satisfaction with Banking Sector Services: An Analysis

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Abstract

Customer satisfaction with service quality can be defined by comparing perceptions of service received with expectations of service desired. When expectations exceeded, service is perceived to be of exceptional quality and also to be a pleasant surprise. When expectations are not met, service quality is unacceptable. When expectations are confirmed service quality is satisfactory. Expectations are based on several sources, including word of mouth, personal needs, and past experience. Many authors, journalists have come up with their views, criticisms and suggestions on the multifaceted aspects of customer satisfaction towards the services of a bank.

This paper attempts to recapitulate the outcome of review on customer satisfaction towards the services of a bank from five different perspectives namely, service encounters, waiting time of the customer to get the service, customer relationship management maintained and customer complaints and service quality towards the bank. Attraction, retention and enhancement of the customer relationships are essential to maintain a base of delighted and committed customers who form the basis for the sustainable competitive position of the bank.

Key words: *Customer Satisfaction, Customer Service, Market Segmentation, Marketing Excellence, Service Quality.*

Introduction

Today the concept of customer service in banks assumes greater importance. All the bank have been offering a wide range of services which fulfil the needs of all types of customers. It is notable that customers are of different types with varied educational and economical status. The customers of a bank can easily be classified as depositors, borrowers and other who require some ancillary services from banks.

A customer of a bank may be defined as a person who is already having a deposit account or likely to have a deposit account in a bank. The dimensions of customer classification of commercial banks are many. Some are illustrated below:

- Depositors and borrowers,
- Banker and customers,
- Educated and illiterate customers,
- Urban or Rural Customers,
- Poor or rich customers,
- Partnership, firms, companies, cooperative societies etc.

All customers irrespective of occupation, means and status are provided with the best of personalized service. Commercial banks are offering a spectrum of service to their customers.

Services of Banks

Under the provision of Section 6 of the Banking Regulation Act, 1949, a banking company may engage in any one or more of the following forms of business:

- i. The borrowing, raising or taking up of money.
- ii. Lending or advancing of money either upon or without security.
- iii. Drawing, making, accepting, discounting, buying, selling, collecting and dealing in bills of exchange, hundis, promissory notes, coupons, drafts, bills of lading, railway receipts, warrants, debentures, certificates and other instruments.
- iv. Granting and issuing letters of credit, travellers cheque and circular notes
- v. Buying and selling foreign exchange including foreign banks notes
- vi. Underwriting and dealing in stocks, funds, shares, debentures, bonds, securities and investments of the deposit.
- vii. Providing of safe deposit.
- viii. Acting as agent of any Government of local authority or any other person or persons.
- ix. Collecting and transmitting of money and securities.
- x. Constructing for private and public loans and negotiating and issuing the same.
- xi. Carrying and transacting every kind of guarantee and indemnity business
- xii. Undertaking and executing trusts.

- xiii. Undertaking the administration of estates as executor or trustees or otherwise
- xiv. Any other form of business, which the Central Government may specify by notification in the official gazette.

Classification of Services

The service of commercial banks can broadly be classified as

- I. Services to depositors,
- II. Services to borrowers, and
- III. Ancillary services (including remittances, collection and others).

Services to depositors

- Savings Account
- Current Account
- Fixed Deposits
- Recurring Deposits

Services to borrowers

Banks are providing loan facilities to various types of borrowers such as Agriculturists, Small- Scale industrialists, Road transport operators, Retail traders, small businesses, enterprises, professionals, self-employed persons and economically weaker sections. They will have the benefit of financial assistance on a priority basis at a concessional rate of interest.

Ancillary Services

- Nomination Facility
- Safe custody of term deposit receipt
- Transfer of Account
- Passbook and statement of accounts
- Standing Instructions
- Pension Payments

Remittance Services

- Issuance and payment
- Issue of duplicate drafts
- Transfer of money

Collection Service

- Collection of Bills/Outstation cheques
- Courier Services
- National clearing

Miscellaneous Services

- Issuance of Gift Cheques
- Safety Locker
- Teller system

General

- May I help you counters
- Customer Service Centres
- Complaints/Suggestion box

Customer Satisfaction

Sharma and Kaur, G (2004) studied the strategies of customer satisfaction in rural banks. This study is concerned with Hoshiarpur District of Punjab. They used five-point likert scale and found that the rural customers are not satisfied from the strategies adopted by Gramin Bank. **Vaishist, A.K. (2004)** observed that in the era of liberalization and globalization, the leading banking players have quickly shifted their focus to provide prompt and efficient customer service and offering variety of hi-tech banking products and services.

Service Quality

Service quality has been recognized as the single most researched area in services marketing to date and it is maintained that for service-based companies. Quality is the lifeblood that brings increased patronage, competitive advantage and long term profitability **Mohammed Hossain and Shirley Leo (2009)** stated that in order to achieve higher levels of quality service in retail banking, banks should deliver higher levels of service quality and in the present context customers' perceptions are highest in the level of infrastructure facilities of the bank, followed by timing of the bank and return on deposit. Owing to the increasing competition in retail banking, customer service is an important part and bank managers should be rethinking how to improve customer satisfaction with respect to service quality. **Vimi and Mohd. (2008)** suggested that the determinants of presentation in the Indian retail banking industry based on sensitivity of customer satisfaction. The finding of the study reinforces that customer satisfaction is linked with performance of the banks. The customer

satisfaction is studied with the variable intermediaries' behaviour, quality of service, waiting line strategy, handling of customer complaints and service encounters. **Nadiri, H Kandampully, J and Hussain, K (2009)** suggested that increase in service quality of the banks can satisfy and develop attitudinal loyalty which ultimately retains valued customers.

Customer Relationship

Good customer service is a prerequisite for maintaining customer relationships. Customer service covers all sequences of service provision, i.e. service actions that take place before, during and after a purchase. Customer service is the primary end of any bank. A customer always wants something and expects that the bank should come up to the level to fulfill those needs. Good customer service is a prerequisite for maintaining customer relationships. Customer service covers all sequences of service provision, i.e., service actions that take place before during and after a purchase. **Massey, A., Montoya-weiss. M. Holcom. K (2001)** believes that customer relationship management is about attracting, developing, maintaining and retaining profitable customers over a period of time. **Lau K, et al (2003)** highlighted that the challenge before the banks is not only to obtain updated information for each customer, but also to use the information to determine the best time to offer the most relevant products. It is also important to understand that if customers bring in profits for the bank, it becomes imperative for the bank to provide excellent services to those customers, otherwise they switch to other banks. **Parvatiyar, A and Sheth, J.N. (2001)** observed that CRM is a comprehensive strategy and process of acquiring, retaining and partnering with selective customers to create superior value for the company with the customers.

Complaint and Shift

Customer complaint behaviour represents a breakdown or weakness in the exchange process, an understanding of which is essential for rectification of the problem. Reducing the number of dissatisfied customers and increasing the number of satisfied customers will Increase the sales by Improving the customer loyalty. **Zhu, Zhen (2004)** proposed a conceptual framework of service failure and recovery strategies and transformed it into a mathematical model to assist managers in deciding on appropriate resource allocations for outcome and process recovery strategies based on customer risk profiles and the firm's cost structures. **Stewart, Douglas M and Chase, Richard B. (1999)** stated that a substantial portion of service failures is the result of human error in the delivery process.

Service Encounter

Service encounter is the time taken by the customer to interact with the service. It includes face- to-face, telephone communications, automated systems, e-mail and the like. This is the first stage where the customers judge the quality of service provided to them. **Banwet, Devinder K. and Datta, Biplab (2000)** indicated that service performance generally lags behind user's expectations. Improvement in the quality of services increased the level of satisfaction of the user. A multicompany empirical study examining relationships from the model concerning customers' behavioural intentions show strong evidence of their being influenced by service quality. **Parasuraman, A (2002)** proposed a framework for understanding the inter-linkages among service quality and the various components of the company-customer perspective of productivity. **Zeithaml, Valarie A., Parasuraman, A. and Malhotra, Arvind (2002)** stated that to deliver superior service quality, managers of companies with Web presences must first understand how customers perceive and evaluate online customer service. **Hasanbanu, S (2004)** studied customer services in rural banks. He found that the rural customers are not aware for what purpose the loans are available and how they can avail. Customers do not know the complete rules, regulations and procedures of the banks as they preserve them for themselves and do not take interest in educating them.

Marketing Excellence in Banking

Marketing is talk of the town amongst bankers today. Marketing is, of course, a new focus for them. They should understand thoroughly what is marketing before they set out on road for the purpose. Marketing is all about developing products or services which satisfy wants, communicating to existing and potential customers the benefits of the products or services on offer to them and ensuring that demands are fulfilled to the satisfaction of both the customers, because they get what they want and the business, because it achieves its financial and growth objectives.

Market Information

Gathering information is the first step in marketing excellence. This is one of the important facilitating functions which mainly involve transfer of view, information, opinion etc. of customers to bank management. In the present day technologically-sophisticated and result-oriented competitive banking world, designing and servicing of products are carried out in anticipation of demand. Any product would become fruitless if designers do not have any knowledge about customers' need, the ways and means and strategies to meet the demands of prospective customers. The demands will also have to be quantified for useful

economical servicing precisely through various means of information gathered. These are all provided by market information.

Marketing Personnel

Banks for the purpose should employ an army of smart and intelligent people. These people should go around the field gathering information on selling of products, competitors' products etc. They should informally try to find out the strategies adopted by their competitors whose products and services are successful and most appreciated by customers. Field staff should have the knowledge about the market, ability to forecast potential, catch leads and exploit them for the benefit of the organization. Erratic information gathering would be of no use to the management. Therefore, they should try to evolve a questionnaire containing critical and important information required in the market, according to the products and services designed by banks. This would ensure that no vital information is left out by the marketing staff. Apart from the filling up of questionnaire, field marketing personnel should apply their own common sense and intelligence to grasp the chunk of market information. Questionnaire or any such kind for that matter cannot be relied cent per cent. It is only a kind of method to gather information. Reliable information may be sucked by intelligent scrutiny of information gathered and by interacting meaningfully with the customers in the market. On the basis of reliable data collection, it will be easy for bank managements to evolve suitable marketing strategies to take wind in their side. Their sociability and public relation qualities must bear ability to project a proper and good image of the bank. They should also have the ability to maintain good social and business contacts and take effective steps for popularising/publicising the bank's schemes.

Market Segmentation

Customers' behaviour varies from one market segment to another - geographic, demographic and psychographic. Effective market segmentation is based on three groups viz. measurability, accessibility and substantiality. The object of market segmentation being effective direction of marketing efforts to specific segments, the segments themselves should be accessible through channels of distribution, advertising media, banks' sales force etc. Market segmentation will become meaningless if the access to the market is cumbersome. Segmentation being costly and involve separate programme is not to affect the contractual agreements between the company and the trade unions or change the organisational grievance procedure. The worker involvement programme is to be conducted in an atmosphere of co-operation and trust and should represent team work.

In worker involvement programme, the employees discuss what went wrong within their work areas and then give their suggestions. After thorough group problems identification and problem-solving, new information, suggestions, alternatives and action plans are thought of. These are presented to the management of the organisation. This gives the management a comprehensive understanding of the actual needs and difficulties of the organisation. Once the suggested plans, programmes and improvements are followed up and implemented, the satisfaction, trust and identification of the employees with the company increases.

The workers' involvement programmes can be successful, if initial training is imparted to the involving participants on the philosophy and principles of participation and human motivation. The training and development of the workforce is a vital necessity. The training is essential for meeting the demands of work place viz, changes in design, quality of material processed, individual adjustments, promotions, career development, job and personnel changes and changes in the volume of production. These changes will be completely successful only if employees are fully trained. The orientation training provides a model of openness and information sharing and identifies those who are interested and readily available to contribute to participation process. The training should focus on attitude change, participation, problems solving process and skill development. The exercises demonstrating problem-solving strategies should be designed and made use of during the training. The training should also help the team members who are supposed to participate in the worker involvement programmes to develop and understand the organisational structure needed to support planning and improvement and to implement the solutions. Part of each training sessions should be devoted to workshops where new teams may discuss problems and practice using their problem-solving skills.

The organisations should evolve a training philosophy in line with the strategic plans. Training must be consistent with what the business leaders are trying to achieve and training emphasis should be focussed on business related issues for the future. The training objectives and strategies should be integrated with the business plans of the organisations so as to enhance over all organisational effectiveness. The trainers and the coordinators organising the training should also be familiar in facilitation of group learning. The trainers should ask questions and reinforce learning among themselves. They should organise and present material. Even a third party help can be taken in developing training programmes and in training of coordinators as trainers. The third party/consultant role will contribute and shall be effective in imparting training because of his prior experience and neutrality. The advantage

of using inhouse trainers is that they are familiar with production processes, operations and problems. They know the sources from where the information and assistance can be obtained.

The participation cannot flourish in an environment of directives and therefore the organisation culture should also be conducive to involvement. The organisations where labour management relations are not good, should begin workers involvement programmes in safe and non- controversial areas. The workers involvement programme may begin with issues most important to employees like making work-place safer and more pleasant, quality improvements, etc. These issues may also be important to management but tend to seem less critical to them. A group chosen should be representative and involve individuals who have input and information needed by the group or those who have a stake in the outcome and/or have to implement the final recommendations. The organiser of the participative group should incorporate a set of guidelines or principles to assist in anticipating problems so that all types of organisational problems can be handled within the framework. Groups may be created to accomplish a particular objective and upon achieving it, they may be disbanded. They may be brought together again to tackle a new objective with same or different memberships.

Summing-up

The financial services is the backbone of service sector. This is important not only for the banking sector but of the Indian economy as a whole. Now, the financial institutions are trying to provide all the services at the customer's doorstep. Every engagement with the customer is an opportunity to either develop or destroy a customer's faith in the bank. Intense competition among the banks has redefined the concept of the entire banking system. The banks are looking for new ways not only to attract but also to retain the customers and gain competitive advantage over their competitors. The banks like other business organizations are deploying innovative sales techniques and advanced marketing tools to gain supremacy. The domino effect obtained from the study will help the organisations to take essential actions to improve the service quality and to achieve the customer satisfaction.

Banks are providing the customers what they wants. Banking is a service industry where the human factor plays a vital role added with material factor. We may opine that success of banks largely depends on the range and quality of service offered to their customers with speed, time, accuracy, courtesy and concern which are called as five elements of customer service.

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