

Study the Customers' Perception towards Banking Services: A Research Report on Indian Public Sector Banks

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Abstract: The aim of this study is to measure the customer satisfaction and to identify the shortfall areas for improving the services of public banking sector. For this research paper past research survey were studied. The main concept is measuring customer satisfaction by customer satisfaction index method. All the factors related to banks were taken by personal interview with the banks' manager which influences customer satisfaction. To collect the information non-probability sampling method is used. 100 services users of two different banks in bardoli region were contacted with face-to-face personal interview method through questionnaire. "Customer Satisfaction Index" method was used to measure the customer satisfaction. The study represents the result of a survey among the customers in the bardoli region of two public sector banks. Study proved that the STATE BANKS OF INDIA'S customers are more satisfied (82.55 > 81.79) than BANK OF INDIA'S customers. There were parameters are found out which are more important to increasing the satisfaction rate. The results of this study provide very important information in formulating competitive marketing strategies. It shows the critical points where the limited resources of the banks should be allocated to improve satisfaction and loyalty and provides information about the weaknesses and strengths of the banks from the eyes of its customers. With getting the valuable information and found out the reason of dissatisfaction these banks can put more efforts to improving the standards of services and make the customers more satisfied.

Keywords: Customer satisfaction; CSI (Customer Satisfaction Index); Public sector banks

JEL Classification: M31

1. Introduction

Recently the concept of customer satisfaction has more valuable and prior for every organization. Customers are viewed as a group whose satisfaction with the organization must be incorporated in strategic planning efforts. With better understanding of customers' perceptions, companies can determine the actions required to meet the customers' needs. Organization can identify their own strengths and weaknesses, where they stand in comparison to their competitors, chart out path future progress and improvement. Customer satisfaction

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measurement helps to promote an increased focus on customer outcomes and stimulate improvements in the work practices and processes used within the company. The purpose of this paper is to measure the performance of banks' on customer satisfaction by customer satisfaction indices (CSIs) and show the results of a CSI study carried out on Indian public banks.

2. Brief about Banking Industry

The banking industry like many other financial service industries is facing a rapidly changing market, new technologies, economic uncertainties, competition, more demanding customers and the changing climate has presented an unprecedented set of challenges. Banking is a customer oriented services industry, therefore, the customer is the focus and customer service is the differentiating factors. Banks have also started realizing that business depends on client service and the satisfaction of the customer and this is compelling them to improve customer service and build up relationship with customers.

With the current change in the functional orientation of banks, the purpose of banking is redefined. The main driver of this change is changing customer needs and expectations. Customers in urban India no longer want to wait in long queues and spend hours in banking transactions. This change in customer attitude has gone hand in hand with the development of ATMs, phone and net banking along with availability of service right at the customer's doorstep. With the emergence of universal banking, banks aim to provide all banking product and service offering less than one roof and their endeavor is to be customer centric. Banks have been broadly divided into private and public sector. A private bank is that in which there are but few partners, and these attend personally to its management. A public bank is that in which there are numerous partners or shareholders, and they elect from their own body a certain number, who are interested with its management.

3. Literature Review

Fornell, (1992) defined customer satisfaction as a customer's post-purchase evaluation of or experience with a product or service. Researcher argued that higher customer satisfaction can lead to a strong competitive position into the market that result in increasing in market share and profit, make price inelastic, reducing business cost, reduce failure cost, and reduce the cost of attracting new customers. Researcher also argued that customer satisfaction is also a significant determinant of repeat sales, positive word-of-mouth, and customer loyalty (CL). Satisfied customers return and buy more, and they tell other people about their experiences. (Fornell, 1996)

Fornell et al., (1996) defined cumulative satisfaction as customer's overall experience with a product or service provider. This approach to satisfaction provides a more direct and comprehensive measure of a customer's consumption utility, subsequent behaviors and economic performance. CSIs were built upon a cumulative view of satisfaction.

Li et al. & Takala et al., (2006) argued that it is self evident that companies should listen to and satisfy their customers. Numerous studies have shown that the long-term success of a firm is closely related to its ability to adapt to customer needs and changing preferences.

Johnson et al., (2001) argued that the CSI model is a structural model based on the assumptions that customer satisfaction is caused by some factors such as perceived quality (PQ), perceived value (PV), expectations of customers, and image of a firm. Research proved that these factors are the antecedents of overall customer satisfaction. The model also estimates the results when a customer is satisfied or not. These results of customer satisfaction are consequences factors such as complaints or loyalty of customer.

Satisfied customers are central to optimal performance and financial returns. Placing a high priority on customer satisfaction is critical to improved organizational performance in a global marketplace. With better understanding of customers' perceptions, organization can determine the actions required to meet the customers' needs. Organization can identify their own strengths and weaknesses, where they stand in comparison to their competitors, chart out path future progress and improvement. Customer satisfaction measurement helps to promote an increased focus on customer outcomes and stimulate improvements in the work practices and processes used within the company. The working of the customer's mind is a mystery which is difficult to solve and understanding the nuances of what customer satisfaction is, a challenging task. This exercise in the context of the banking industry will give us an insight into the parameters of customer satisfaction and their measurement. This vital information will help us to build satisfaction amongst the customers and customer loyalty in the long run which is an integral part of any business. With the phenomenal increase in the 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. The customer's requirements must be translated and quantified into measurable targets. This provides an easy way to monitor improvements, and deciding upon the attributes that need to be concentrated on in order to improve customer satisfaction. We can recognize where we need to make changes to create improvements and determine if these changes, after implemented, have led to increased customer satisfaction.

Customer Satisfaction Index (CSI)

The CSI represents the overall satisfaction level of that customer as one number, usually as a percentage. Plotting this Satisfaction Index of the customer against a time scale shows exactly how well the supplier is accomplishing the task of customer satisfaction over a period of time.

Since the survey feedback comes from many respondents in one organization, the bias due to individual perception needs to be accounted for. This can be achieved by calculating the Satisfaction Index using an importance weighting based on an average of, Calculate the average importance score assigned by all respondents for each parameter of all the weightings given by the customer. Find out the weighting factor (divide the average importance score assigned by all respondents for each parameter by the sum/total of the importance score). Multiply the weighting factor with corresponding satisfaction score you can get the weighted score. Sum of the weighted score gives total customer satisfaction. Thus Customer Satisfaction can be expressed as a single number that tells the supplier where he stands today and an Improvement plan can be chalked out to further improve his performance so as to get a loyal customer. To understand the calculations consider following example in table 1:

Table 1

Parameter P	Importance score a	Weighting factor b (b=a/T)	Satisfaction score c	Weighted score d (d=b*c)
P1	a1 = 9	0.39	8	3.12
P2	a2 = 8	0.35	10	3.50
P3	a3 = 6	0.26	6	1.56
T = Total	T = 23			8.18 81.8%

a = Average importance score assigned by all respondents for each parameter

b = weighted factor (a/T)

c = Average satisfaction Score assigned by all respondents for each parameter

d = Weighted score (b*c)

Here the attempt is made to measure “customer satisfaction” of the customers belonging to private and public banks with a using of CSI method.

Objectives of the Study

Primary Objective:

“To know the satisfaction level of different customers who have the account(s) in the State Bank of India and Bank of India in Bardoli region.”

Secondary Objectives:

- To know the most important parameters from the point of view of the individual banks' customers.
- To find out the most important area, which require immediate improvement to provide the maximum service to the customers?

Research Methodology

Research design: Research design is a master plan specifying the method and procedure for collection and analyzing needed information. The research design in this project is descriptive. Descriptive research includes surveys and fact-finding inquiries of different kinds. For this study, descriptive research design is used where the data is collected through the questionnaire. The information is gathered from the different customers of the two different banks. Hundred bank respondents from two banks were contacted personally in order to seek fair and frank responses on the various bank attributes which are leads to overall customers' satisfaction.

- Sampling Design:* Non-probability sampling method has been used. Sample size is 200 customers.
- Sampling Element:* Existing customers of “public sector banks”.
- Sampling unit:* Service users of “public sector banks”.
- Extent:* Surat region- Gujarat- India.
- Choice of Survey Method:* Here face-to-face personal interview method used.

Data Collection Method

Primary Data Sources

Primary data were collected by using of survey method of data collection. Primary data was collected to know the customers' preferences and beliefs.

Secondary Data Sources

Secondary data were collected from the magazines, websites and other such sources like internet, published reports and the fact sheets.

Types of questions: In the questionnaire, both close-ended questions and open-ended questions were included. There was 1 Ordinal Question, 29 Interval Scale Questions, 1 Open Ended Question, and 3 Close Ended Question & 5 Questions for Demographics.

Research Instrument: Questionnaire was used for the purpose of the data collection as the research instrument. This Questionnaire consisted of closed ended questions and opened ended questions including rating scales.

Pre-testing of research instrument: It is necessary to check the questionnaire before actual research is done. Therefore pre-testing is done. Here 30 respondents included in pre-testing and on the basis of feedback, questionnaire was finalized.

4. Findings

Primary objective

Primary objective of this project is to know the satisfaction level of the customers of private and public banks in Bardoli region.

To achieve this objectives there are 29 parameters have taken, which are important for clients to make a decision for evaluate the services of the different banks. Asked two questions, one for important level and other for satisfaction level with same parameters and used customer satisfaction index method. On the basis of test inferred that,

See overall interpretation in table no-2 (*Refer table no: 5 & 6 for detailed study*)

Table 2

BANK	CSI
State Bank of India	82.55%
Bank of India	81.79%

- According to total customer satisfaction method overall satisfaction level of THE STATE BANK OF INDIA'S customers is **82.55%**. Overall satisfaction level of the BANK OF INDIA'S customers is **81.79%**. So that study proved that the state bank of India has more customer satisfaction rate than bank of India.
- Particular bank wise total overall satisfaction figure are also found out in which criteria SBI have high level of customer satisfaction and where BOI have lowest level.

Secondary objective:

First secondary objective is to know the most important parameters from the point of view of the banks' customers.

- Parameters are found out which are more important for customers of banks to evaluate the performance of the banks and with extreme focus on it banks can increase their customers' satisfaction by spending more resources on it. In the table no-3 factors are including which have the importance rate nearer the 5.

Table 3.

State Bank of India	Bank of India
Responsibility of the staff to customer	Willingness of the staff to customer
Willingness of the staff to customer	Sympathetic staff with customer
Sympathetic staff with customer	Understanding power of the staff
Understanding power of the staff	Behavior of the staff with customer
Behavior of the staff with customer	Easy ,safe and quick transaction
Easy ,safe and quick transaction	Long operating hours of bank
Long operating hours of bank	Interest rates of borrowing & lending money
Interest rates of borrowing & lending money	Service charges
Service charges	Parking facilities
Parking facilities	Provides written documents & receipts
Provides necessary information in appropriate language	Quick problem solving
Provides written documents & receipts	Good communication with the customer while problems occurs
Quick problem solving	Security facility in the banks
Good communication with the customer while problems occurs	
Security facility in the banks	

Second secondary objective is to find out the most important area, which require immediate improvement to provide the maximum service to the customers?

- On the basis of CSI method there are various parameters found out (in table no-4) in which both the banks does their activities below the satisfaction level and are needed more resources to improve the service which leads to increase overall satisfaction level of the customers. Rest of the parameters in which bank does well are including in table given below.

Table 4.

State Bank of India	Bank of India
ATM service is available everywhere	Phone banking & Net banking facility are available
Home services facilities are available	Home services facilities are available
Long operating hours of bank	Long operating hours of bank
Interest rates of borrowing & lending money	Interest rates of borrowing & lending money
Service charges	Service charges
Advisory services	Provides necessary information by telephone/post/mail
Telephone facility in the bank	Advisory services
	Provides drinks and beverages in the bank

5. Recommendation

From the findings, the following suggestions are being made to banks, to get optimum benefit by knowing the customer satisfaction level from the customers of Bardoli town.

1. Each type banks can attracts more customers by knowing the reason what customer thinks for use the banks for the getting benefits from the banks. Bank of India has to spend more resources to attract customers who are looking for take economic benefits.
2. Banks have to increase more facilities to current account holder. Also with spending more resources on customers, customers become more satisfied who have positive word of mouth and effective opinion leaders.
3. With focus on some parameters in which the customers' satisfaction of state bank of India's customer is greater than bank of India's customer, BOI become also successful to getting maximum satisfaction. Banks also increase the level of satisfaction by knowing the lacking areas. And also with extreme focus on the parameters which are more important for the customers. So that these efforts become leads to maximum customer satisfaction.
4. Most of the customers who uses banks having household income of less than 1, 50,000. So take all economic decision (like service charges) as per taking care of those customers.
5. Major customers of the banks are businessman and farmers. So banks have to taking economic decision to attract those customers. Businessman wants accounts for day to day transaction. So that all matter a lot to choosing bank for the businessman. And farmers are attracts with ancillary services and facilities.

6. Bank of India has to introduce some of the new schemes and extra services so that more customers are attract towards banks.

6. Conclusion and Future Research Direction

Customer satisfaction is the key to keep the existing customers. Customer satisfaction must be matching or greater than the importance level. From this research study, conclude that the overall satisfaction of the state bank of India's customers (82.55%) is more than the bank of India's (81.79%). Yet there are some aspects are noted in the recommendation, where both types of banks need to focus more in order to achieve optimum customer satisfaction. So if the banks focus on these aspects, there is no doubt about company's success in satisfying customers and thereby maintaining long term healthy relationships with customers. This study is done only for the Surat region, a small geographical area. Hence future research may be done for broader area. Further, application of CSI method can also be explored for other products or services by future researchers.

Table 5. Calculation of Total Customer Satisfaction Index for State Bank of India (SBI)

Parameters	Importance Score a	Satisfaction score b	Weighting factor c = (a/T)	Weighted score d = (b*c)
ATM service is available everywhere	4.58	4.78	0.034359	0.164234
Phone banking & Net banking facility are available	4.12	4.02	0.030908	0.124249
Home services facilities are available	4.18	4.32	0.031358	0.135466
Responsibility of the staff to customer	5	4.08	0.037509	0.153038
Willingness of the staff to customer	5	3.52	0.037509	0.132033
Sympathetic staff with customer	5	3.98	0.037509	0.149287
Understanding power of the staff	5	3.76	0.037509	0.141035
Behavior of the staff with customer	5	4.22	0.037509	0.15829
Easy ,safe and quick transaction	5	4.52	0.037509	0.169542
Long operating hours of bank	4.88	5	0.036609	0.183046
Interest rates of borrowing & lending money	5	5	0.037509	0.187547
Service charges	5	5	0.037509	0.187547
Sitting facilities in the bank	4.24	3.68	0.031808	0.117053
Cleanliness of the bank	3.72	3.64	0.027907	0.101581
A.C. & Atmosphere of the bank	3.9	3.76	0.029257	0.110008

Availability of the Magazine and News paper	3.74	3.42	0.028057	0.095955
Parking facilities	4.98	3.36	0.037359	0.125527
Provides necessary information by telephone/post/ mail	5	4.36	0.037509	0.163541
Provides necessary information in Appropriate language	5	3.78	0.037509	0.141785
Provides written documents & receipts	5	4.46	0.037509	0.167292
Quick problem solving	5	3.66	0.037509	0.137284
Good communication with the customer while problems occurs	5	4.44	0.037509	0.166542
Taking opinions for providing maximum services	4.8	4.02	0.036009	0.144756
Advisory services	3.18	3.66	0.023856	0.087313
Telephone facility in the bank	3.9	4	0.029257	0.117029
Provides drinks and beverages in the bank	5	4.28	0.037509	0.16054
Availability of the toilet & washrooms in the bank	4.16	4.13	0.031208	0.128888
Availability of the medical facility in the bank	3.92	3.62	0.029407	0.106455
Security facility in the banks	5	4.56	0.037509	0.171043
Total	T = 133.3			$\sum d =$ 4.127907
				[4.12790 *2=8.255]
			CSI	82.55%

For State Bank of India

Overall customer satisfaction index= 82.55

Table 6. Calculation of Total Customer Satisfaction Index for Bank of India (BOI)

Parameters	Importance Score a	Satisfaction score b	Weighting factor c = (a/T)	Weighted score d = (b*c)
ATM service is available everywhere	4.32	2.44	0.033682	0.082183
Phone banking & Net banking facility are available	3.52	3.96	0.027444	0.108679
Home services facilities are available	3.46	4	0.026976	0.107906
Responsibility of the staff to customer	5	3.98	0.038983	0.155154
Willingness of the staff to	4.92	3.86	0.03836	0.148068

customer				
Sympathetic staff with customer	4.96	3.74	0.038671	0.144631
Understanding power of the staff	4.94	4.1	0.038516	0.157914
Behavior of the staff with customer	4.96	3.58	0.038671	0.138444
Easy ,safe and quick transaction	4.92	4.22	0.03836	0.161877
Long operating hours of bank	4.8	5	0.037424	0.18712
Interest rates of borrowing & lending money	5	5	0.038983	0.194917
Service charges	5	4.96	0.038983	0.193357
Sitting facilities in the bank	3.36	3.38	0.026197	0.088545
Cleanliness of the bank	3.74	3.98	0.02916	0.116055
A.C. & Atmosphere of the bank	4.14	4.04	0.032278	0.130404
Availability of the Magazine and News paper	3.98	3.42	0.031031	0.106125
Parking facilities	4.98	3.96	0.038827	0.153756
Provides necessary information by telephone/post/ mail	4.02	4.06	0.031343	0.127251
Provides necessary information in Appropriate language	4.72	4.22	0.0368	0.155297
Provides written documents & receipts	4.98	4.72	0.038827	0.183265
Quick problem solving	4.78	4.2	0.037268	0.156526
Good communication with the customer while problems occurs	4.94	4.62	0.038516	0.177942
Taking opinions for providing maximum services	4.22	4.14	0.032902	0.136214
Advisory services	4.02	4.04	0.031343	0.126624
Telephone facility in the bank	4.04	3.8	0.031499	0.119694
Provides drinks and beverages in the bank	3.96	4.56	0.030875	0.140789
Availability of the toilet & washrooms in the bank	4.18	3.98	0.03259	0.129708
Availability of the medical facility in the bank	3.4	3.03	0.026509	0.080321
Security facility in the banks	5	4.64	0.038983	0.180883
Total	T = 128.26			$\sum d =$ 4.089649
				[4.08964 *2=8.179]
			CSI	81.79%

For Bank of India

Overall customer satisfaction index= 81.79%

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