CUSTOMER SATISFACTION IN BANKING INDUSTRY: A CASE STUDY

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Received: June 09, 2018 Accepted: July 30, 2018

ABSTRACT *This exercise in the context of the banking industry will give us an insight into the parameters of customer satisfaction and their measurement. In the organised segment, banking system occupies an important place in the nation's economy. It plays a pivotal role in the economic development of a country and forms the core of the money market in an advanced country. The commercial banks in India comprise of both Public sectors as well as private sector banks. There are total 28 Public sector and 27 private sector banks are functioning in the country presently. Banks have to deal with many customers every day and render various types of services to its customer. It's a well known fact that no business can exist without customers. Not so long ago, accessing our own money was about setting aside a couple of hours, getting to the bank before closing time, standing in one queue to get a token and then in another to collect the cash. Banking is a customer oriented services industry, therefore, the customer is the focus and customer service is the differentiating factors .The banking industry in India has undergone sea change since post independence. More recently, liberalization, the opening up of the economy in the 90s and the government's decision to privatize banks by reductions in state ownership culminated in the banking reforms based on the recommendations of Narasimha Committee.*

Keywords: *Customer Satisfaction, Banking Industry, Concepts*

INTRODUCTION

A banking company in India has been defined in the Banking Companies Act, 1949 as one "which transacts the business of Banking which means the accepting, for the purpose of lending or investment, of deposits of money from the public, repayable on demand or otherwise and withdrawable by cheque, draft, order or otherwise".

The banking industry like many other financial service industries is facing a rapidly changing market, new technologies, economic uncertainties, fierce competition and more demanding customers and the changing climate has presented an unprecedented set of challenges. Banking is a customer oriented service

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. The banking industry in India has undergone sea changes since post independence. The business depends upon client services and the satisfaction of the customer and this is compelling them to improve customer services and build up relationship with customers. 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 under one roof and their endeavor is to be customer centric. With the emergence of economic reforms in world in general and in India in particular, today's banks have come up in a big way with prime emphasis on technical and customer focused issues.

Keeping the importance of customer satisfaction in mind, banks need to maintain stable and close relationships with their customers. Customer satisfaction levels need to be judged. The application of the knowledge of customer satisfaction is imperative to establishing and maintaining a long-term relationship with customers and long-term competitiveness (Kumar & Reinartz, 2006). Banking is a high involvement industry. Banks recognize the fact that delivery of quality service to customers is essential for success and survival in today's global and competitive banking environment (Wang, Han, & Wen, 2003). Researchers have found that customer satisfaction has a measurable impact on purchase intentions (Carter, 2010), on customer retention (Voss & Voss, 2008) and on a firm's financial performance (Chalmeta, 2006). Customers' wants, needs, and expectations change quickly. Therefore, what would have delighted and surprised them a short while back might not satisfy them at present (Richards & Jones, 2008). Banks may not be able to provide superior services to the customers unless customer expectations are known (Leverin & Liljander, 2006). Customer expectations can be known through the knowledge of satisfaction levels of customers

(Jham & Khan, 2009). This necessitates the measurement of customer satisfaction level. Customer satisfaction cannot be measured unless the factors affecting customer satisfaction are determined. This necessitates an in-depth study about the factors affecting customer satisfaction.

The banking industry in India has undergone a number of major changes in the postindependence era. More recently, liberalization, the opening up of the economy in the 1990s and the government's decision to privatize banks resulted in the banking reforms. Like any other financial services, the banking industry, too, is facing a market that is changing rapidly. New technologies are being introduced and there is always a fear of economic uncertainties. Fierce competition, more demanding customers and the changing climate have presented an unparalleled set of challenges (Lovelock, 2001). This has led the Indian banking industry to experience difficult times. In such a competitive scenario, it is extremely important that banks are able to retain a loyal base of customers. To attain this and to improve their market and profit positions, banks in India have to formulate their strategies and policies towards increasing customer satisfaction levels Customer satisfaction is the key to long term success of any organization (Peppers & Rogers, 2005).

Concept of Customer Satisfaction Customer satisfaction is one of the important outcomes of marketing activity (Oliver, 1980; Mick & Fournier, 1999; Spreng, Mackenzie, & Olshavsky, 1996; Surprenant & Churchill, 1982). It links processes resulting in purchase and consumption with post-purchase phenomena such as attitude change, repeat purchase, and brand loyalty (Surprenant & Churchill, 1982). This opinion has also been supported by Jamal and Naser (2003) and Mishra (2009). Substantial research has been done in the field of customer satisfaction. Various researchers have defined customer satisfaction in different ways Customer satisfaction is a person's feelings of pleasure or disappointment that result from comparing a product's perceived performance (or outcome) to their expectations. (Oliver, 1980) Satisfaction is the consumer's response to and evaluation of the perceived discrepancy between prior expectations (or some other norm of performance) and the actual performance of the product as perceived after its consumption. (Tse & Wilton, 1988) Satisfaction can be broadly characterized as a post-purchase evaluation of product quality given pre-purchase expectations. (Anderson & Sullivan, 1993).

REVIEW OF LITERATURE

A significant level of customer satisfaction is among the most critical indicators of the business's who future are satisfied. Also Customers loyal and this ensures a consistent cash-flow for the business in the future. In addition, satisfied customers are often characterized as less-price sensitive and they are more partial to spend more on the products they have tried and tested before. Moreover, stability in business relations is also beneficial where the positive quality image minimizes the cost for a cur-rent customer (Matzler, Hinterhuber, Bailom & Sauerwien, 1996).

Singh and Kaur (2011) determined the factors that have an impact on customer satisfaction as regards the working of select Indian universal banks. The study was conducted using the survey method. Data were collected through a well-structured questionnaire from a sample of respondents. The major findings of the study show that customer satisfaction is influenced by seven factors – employee responsiveness, appearance of tangibles, social responsibility, services innovation, positive word-of-mouth, competence, and reliability. The results of multiple regression showed that three variables: social responsibility, positive wordof-mouth, and reliability have major influences on the overall satisfaction of the customer. Ganguli and Roy (2011) studied the factors affecting customer satisfaction in the Indian retail banking sector. Online structured questionnaire developed to determine the factors for customer satisfaction was distributed among the respondents. The dimensions were identified using an exploratory factor analysis (EFA). Next the reliability and validity of the factors for customer satisfaction were established through confirmatory factor analysis (CFA). The paper identifies four generic dimensions in the technology-based banking services – customer service, technology security and information quality, technology convenience, and technology usage easiness and reliability. It was found that customer service and technology usage easiness and reliability have positive and significant impact on customer satisfaction.

According to Hom (2000), satisfaction refers to a feeling or a short term attitude that can change owing to various circumstances. Observable behaviors like product choice, complaint or repurchase. In another study, Bennett (1992) claimed that the key to obtaining competitive advantage in the banking business is to be customer-driven. Also, Mothey (1994) revealed that in order to achieve customer satisfaction, it is imperative for banks to make use of different tools that varies from re-engineering of service to focusing on specific tasks.

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Methodology

The methodology would include two primary steps: 1. Specifying the domain of the construct of customer satisfaction. 2. Exploration of the factors contributing to customer satisfaction in Indian banking Specifying the domain of the construct Customer satisfaction by their definition seems to be attitude of the customers. Further, in order to measure customer satisfaction, the researchers found necessary to measure the expectations of the customers before the purchase and actual use of the product and reactions of those customers after the purchase and after the actual use of the product. If actual consequences equal or exceed expected consequences, the customer is satisfied, but if actual consequences fall short of expected consequences, the customer is dissatisfied. So, the domain of the construct of customer satisfaction would include pre-purchase expectations of the customers, perception of the customer about the product or service during the actual use, and the evaluation of the product or service after its use. If the post-purchase evaluation exceeds the pre-purchase expectations, the customer is satisfied. If the post-purchase evaluation falls short of the pre-purchase expectations, the customer is dissatisfied. The researchers also found it necessary to consult the existing literature to conceptualize the construct of customer satisfaction and specifying its domain.

Exploration of the factors contributing to Customer Satisfaction

After the researchers specified the domain of customer satisfaction, they found it necessary to explore the factors which capture the specified domain of customer satisfaction. In this situation, exploratory research becomes helpful. Generation of factors can be done through conducting depth interviews, focus groups, and critical incident methods. Qualitative analysis needs to be done. One of the qualitative tools available for this type of analysis is Grounded Theory.

Grounded Theory

Glaser and Strauss (1967) developed the idea of Grounded Theory (GT) out of an urgent need in the field of social research to discover theories as opposed to merely testing existing theories. In the particular case, the researchers considered GT as the most suitable approach because it is more suitable to researching problems that do not allow for pre-conceptualized theory (Glaser, 1995). GT is also a suitable approach in generating factors for different constructs (Parry, 2003). The use of GT approach in this study allows for the development of a conceptual understanding of the factors affecting satisfaction for the retail banking customers of India. The investigation examines the respondent's experiences in an attempt to understand the factors affecting customer satisfaction for Indian retail banking customers. The idea of emergence is one of the strengths of **qualitative research and GT (Charmaz, as quoted in Puddephatt, 2006).**

Analysis Based on Grounded Theory

Grounded Theory emphasizes the idea of emergence of concepts based on the responses of the respondents. So, standard structure of questionnaire which is usually followed for collecting data in other types of research is not followed in Grounded Theory. In the present context, the questions asked depended on the responses given by the respondents. Nevertheless, some of the sample questions asked to the respondents are mentioned below: 1. Can you describe an incident when you were highly satisfied with the services of any bank? 2. Why did you feel satisfied with the services provided by the bank? 3. Can you describe an incident when you were highly dissatisfied with the services of any bank? 4. Why did you feel dissatisfied with the services provided by the bank? 5. How do you think the bank should have handled the situation? 6. Do you still visit the bank after the incident? 7. How did the bank behave after the incident? The researchers performed the analysis and collection of data through interviews and focus groups simultaneously.

Findings

During the research the respondents have talked about the various characteristics of core products and services. Here, core products and services is the category. In one particular case, the subcategories were fast processing, proper security checks, minimal documentation and interest rates. The above are the sub-categories under core products and services because they are directly related to core products and services and they define core products and services. Fast processing, proper security checks and minimal documentation may be considered as processes and actions or interactions of the respondents with banks. Fast processing will also come under the category, service delivery. So, the two categories, core products/services and service delivery get linked with each other. Better and faster is the processing of services better is the perception about the service delivery. Also, since fast processing is also a property of

the category, core products/services, the two categories – core products/services and service delivery, get linked with each other. Better is the fast processing of services better will be the perception about the characteristics of core products/services. The consequence might be higher customer satisfaction for the respondents. Fast processing, proper security checks and minimal documentation are also related to another category, service delivery. Faster the processing better might be the delivery of services. Proper security checks are also related to delivery of services. It seems that better the security measures inbuilt in the core products and services, better will be the sense of security about the delivery of services in the mind of the respondents and higher will be the faith about the delivery of services provided by the bank in the mind of the respondents. Similar logic applies to the amount of documentation required for opening accounts. Lesser the documentation better is the perception about the delivery of services in the mind of the respondents. The dimensional range of processing of services varies from fast to slow. The dimensional range of security checks varies from highly secured to unsecure and the dimensional range of documentation varies from minimum to maximum. The dimensional range of delivery of services will vary from poor to best. All the above sub-categories will dimensionally cut service delivery. Here the consequence is better customer satisfaction for the respondents.

Conclusion

Customer satisfaction is one of the major parameters for the service providers in the Indian banking sector. Indian retail banks would be able to face the competition better if the requirements and the expectations of the customers are known. This necessitates the understanding of the factors contributing to customer satisfaction. Although existing studies have tried to understand the factors, the determination of the factors has been done based on existing models of customer satisfaction. This required an exploratory study to find the factors contributing to customer satisfaction in retail banking. From the existing literature, none of the previous researchers seem to have done it for the retail banking sector. The paper tried to address this research gap. In this paper the authors have made an attempt to understand the construct of customer satisfaction in Indian banking and to explore the factors which might affect customer satisfaction. It is expected that the study would help to understand customer satisfaction in Indian banking better. The qualitative approach adopted based on Grounded Theory Method has enabled to understand the concept of customer satisfaction starting from the basic principles. In our view, this study is the first attempt to understand the construct of customer satisfaction and the factors affecting customer satisfaction in the Indian banking through a qualitative approach.

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