Customer Satisfaction level towards Indian Commercial Banking Sector

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ABSTRACT

Service sector contribute near to 60% of Indian GDP. Banking sector is an important part of service sector. In current modern corporate world, there is an intense competition between private banks, public banks and foreign banks. Every bank is in the race in increasing CASA (Current account saving account) deposit. But along with raising deposit, banks should focus on its effective and efficient delivering of services. They should try to know the need and satisfaction level of customers towards its services. In order to know the current customer satisfaction level towards private and public Indian commercial banks, this primary study has been conducted on the customer satisfaction level towards services offered by Punjab National Bank and HDFC Bank. The analysis clearly shows that there exists wide perceptual difference among Indian (public sector) banks regarding overall service quality with their respective customers, when compared to Private sector banks.

Key Words: Customer Satisfaction, HDFC Bank, PNB, Banking Sector, SERVQUAL

Introduction to Retail Banking

The issue of Retail Banking is extremely significant. In the whole world, retail lending has been a tremendous innovation in the commercial banking sector in recent years. The growth of retail lending, especially, in emerging economies, is attributable to the rapid advances in information technology, the evolving macroeconomic environment, financial market reform, and several micro-level demand and supply side factors.

India too experienced an increase in retail banking. Retail loan is estimated to have accounted for nearly 20% of all bank credit. Housing sector is experiencing a boom in its credit. The retail loan market has decisively got transformed from a sellers' market to a buyers' market. Gone are the days where getting a retail loan was somewhat difficult. All these emphasize the momentum that retail banking is experiencing in the Indian economy in recent years.

Retail banking is, however, quite broad in nature - it refers to the dealing of commercial banks with individual customers, both on liabilities and assets sides of the balance sheet. Fixed, current / savings accounts on the liabilities side; and mortgages, loans (e.g., personal, housing, auto, and educational) on the assets side, are the more important of the products offered by banks. Related ancillary services include credit cards, or depository services. 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).

Retail Banking in India

Retail Banking in India is not a new phenomenon. It has always been prevalent in India in various forms. For the last few years it has become synonymous with mainstream banking for many banks.

The typical products offered in the Indian retail banking segment are housing loans, consumption loans for purchase of durables, auto loans, credit cards and educational loans. The loans are marketed under attractive brand names to differentiate the products offered by different banks. Credit card is another rapidly growing sub-segment of this product group.

The overall impairment of the retail loan portfolio worked out much less then the Gross NPA ratio for the entire loan portfolio. Within the retail segment, the housing loans had the least gross asset impairment. In fact, retailing make ample business sense in the banking sector.

While new generation private sector banks have been able to create a niche in this regard, the public sector

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banks have not lagged behind. Leveraging their vast branch network and outreach, public sector banks have aggressively forayed to garner a larger slice of the retail pie. By international standards, however, there is still much scope for retail banking in India. After all, retail loans constitute less than seven per cent of GDP in India in 2013 *vis-à-vis* about 35 per cent for other Asian economies — South Korea (55 per cent), Taiwan (52 per cent), Malaysia (33 per cent) and Thailand (18 per cent).

Retail banking in India has seen a dramatic change over the years. It has evolved from a time when the mindset of a traditional middle class Indians used to be debt averse, which preferred managing under their thrifty means to the current mindset which doesn't hesitate in taking loans for spending. To keep in pace, the retail banking environment today is changing fast. The changing customer demographics compel to create a differentiated platform based on latest technology, improved service and banking convenience.

The Indian economy is on a robust growth trajectory and boasts of a stable annual growth rate, with rising foreign exchange reserves and flourishing capital markets among other factors. World Bank estimates the Indian economy to be amongst the top 3 economies in the world by 2050.

In the Retail Banking category, the banks were judged on some of the following parameters:

- Outstanding annual performance of the retail banking unit

- Sustainability as a franchise over a long period of time and across economic cycles

- A well-defined franchise in the chosen marketplace

- Transparency and accountability of business model

- Ethical banking

- Clear sales and execution skills at the product level

- Rigorous risk management capabilities

- Superior business and operational processes and technology

- Strong penetration and efficiency of distribution channels

- Focus on developing human resources to support the bank's strategy

Objectives of the study:

1. To study the customer satisfaction level towards Indian Commercial Banks with special reference to Punjab National Bank and HDFC Bank.

2. To make the comparative study on services provided by public and private sector banks

3. To study the dimensions related with Servqual model of banking sector.

Research Design:

Descriptive research design is used and the data is collected through the questionnaire. The service quality model developed by Zeithamal, Parsuraman and Berry (1988) has been used in the present study. The 19 statements have been grouped under five dimensions i.e. Tangibility, reliability, responsiveness, assurance, emapthy. In order to ascertain the perceptions of service quality, Likert's 5-point scale has been used. Rating scale (Likert), 1-5 represents '5' as strongly agree and '1' as strongly disagrees.

Sampling area was Amritsar region. Non- Probability Convenience Sampling is used for the study and has been restricted to time period from September 2013 to October 2013. Sample size of 100 respondents is taken from both PNB and HDFC Bank separately.

Data source

The data is collected from 200 respondents (100 customers from both banks separately). These include general people of the Banks, Doctors, Businessmen, Professors and other respondents from self employed category. The respondents were contacted personally in order to seek fair responses on quality of bank service. Secondary data has been collected from the various websites, books and magazines. Statistical tools used were weighted mean and percentage analysis.

Limitations of the Study

1) Due to time and cost factor only 200 (100 customers from each bank) customers were surveyed.

2) The study is limited to Amritsar city.

3) All the information furnished by the respondent

was treated as correct.

4) The results of the study cannot be generalized due to small survey base.

Analysis and Interpretation
Table No.-1, Overall Service Quality

Servqual Dimension	PNB Mean	HDFC Bank Mean
Tangibility	11.8	13·1
Reliability	12.8	11.9
Responsiveness	11.7	12.1
Assurance	11.2	11.7
Empathy	8.4	9.3
Total	55.9	58.1

The analysis of table number 1 shows that HDFC Bank service quality level is better than Punjab National Bank. The total mean of HDFC Bank is 58.1 higher than the mean of 55.9 of Punjab National Bank. Punjab National Bank is lacking in tangibility, responsiveness, assurance, empathy while HDFC Bank is lacking in reliability aspect.

Dimension wise analysis
Table No.-2, Tangibility

Servqual Dimension	PNB Mean	HDFC Bank Mean
Sophisticated Equipments	2.8	3.2
Appearance of Employees	2.9	3.4
ATM with latest technology	3.2	3.3
Servicescape	2.9	3.2
Total	11.8	13.1

The analysis of table number 2 shows that customers of HDFC Bank are more satisfied with sophisticated equipments, appearance of employees, ATM and servicescape of bank. Punjab National Bank tangibility mean is 11.8 which is far less than the mean of HDFC Bank.

Table No.-3, Reliability

Servqual Dimension	PNB Mean	HDFC Bank Mean
Bank will deliever right service first time	2.9	2.8
Error free transaction	3.2	3.1
No difference between promised and actual service delivery	3.1	2.9
showing interest in solving problem	3.6	3.1
Total	12.8	11.9

The analysis of table number 3 shows that customers of Punjab National bank rely on the services of Punjab National Bank as compare to the customers of HDFC Bank. PNB is much ahead of HDFC Bank in terms of delivering the right service first time, error free transaction, delivering the promised service and showing keen interest in solving the problems of its customers.

Table No-4, Responsiveness

Servqual Dimension	PNB Mean	HDFC Bank Mean
Applying Turn around time effectively	2.9	3.1
Quick Employee response towards customer enquiry	2.8	3.2
Employees always ready to help	3.1	3
Employees are never busy to respond to customer request	2.9	2.8
Total	11.7	12.1

The analysis of table number 4 shows that HDFC Bank is quick in responding the queries of its customers. HDFC Bank is quick in applying its turnaround time while solving the customer complaints or any request. Punjab National Bank responsiveness mean is 11.7 which show that its customers are less satisfied with the responses given by the staff.

Table No-5, Assurance

Servqual Dimension	PNB Mean	HDFC Bank Mean
Courteous with customers	2.8	3.1
Customer feel safe while doing transaction with bank	2.6	2.9
Behaviour of employee instill confidence in customer	2.7	2.9
Knowledge of employees	3.1	2.8
Total	11.2	11.7

The analysis of table no-5 shows that HDFC Bank delivered assured services to its customers. Its mean is 11.7 much higher than the mean of Punjab National Bank. HDFC Bank staff is courteous with customers, customer feel safe while doing transaction with HDFC Bank. HDFC Bank employees instill confidence in its customers. Only the customers of Punjab National Bank are satisfied with the knowledge of its employees.

Table No.-6, Empathy

Servqual Dimension	PNB Mean	HDFC Bank Mean
Banks try to know the need of customer	2.8	3
Banks gives customer individual attention	2.9	3.2
Convenient operating hours	2.7	3.1
Total	8.4	9.3

The analysis of table number of 6 shows that HDFC Bank is providing convenient operating hours to its customers, it gives individual attention to its customers and always try to know the need of its customers. Punjab National bank having the mean of 8.4 is lagging behind HDFC Bank in terms of empathy.

Conclusion:

1. The overall analysis shows that HDFC Bank is performing better than Punjab National Bank in terms of tangibility, responsiveness, assurance, empathy.

2. Customers want to operate their accounts 24X7. For this, HDFC Bank and PNB are offering NET Banking, mobile banking etc. HDFC Bank has also started its mobile banking website i.e. www.m.hdfcbank.com.

3. Indian commercial banks need to extent the customer operating hours in order to get more customers.

4. Banks should continue to know the customers need and should build the products which are convenient to customers. They should also build a strong brand and should deliver the effective service.

5. Banks should also focus on service recovery as it is better to retain the current client than to get the new customer.

6. Public sector banks need to catch up with the services offered by Private sector banks and foreign banks.

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