

Study of the customer satisfaction level of the Public and Private Sector Banks- A Case of PNB and ICICI Bank

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Introduction

Post the PNB scam of Neerav Modi, the PNB lost its shine up to large extent among the customers. So it becomes apparent to study the customer satisfaction level in the PNB and to compare it with ICICI banks. Punjab National Bank (PNB) was nationalized in July. More than 50 renowned international banks maintain their Rupee Accounts with PNB. At the broadest level, the function of an enterprise's activities is to bring buyer and sellers together to create customer relationship. While getting customers is fundamental to business success, retaining customers is more important. Successful firms work to build long-term relationships with their customers. A principal theme of customer relationship management is that customers who receive more than they expects from an organization are proved to be satisfied. A satisfied customer who develop a history of positive interactions and wants to purchase the same product or a related item will return to the organization that has treated them well in the past. As firms strive to treat to customers in a manner that encourages repeat sales, they maximize lifetime value of the customer relationship. Successful firms know that their customers who purchase promises of satisfaction prefer to do business repeatedly with people and organization they trust. They know that establishing relationship with customers can increase long-run sales and reduce marketing costs. It is the marketer's job to use the resources of the entire organization to create, interpret, and maintain the relationship with the customer. Relationship management addresses the heart of marketing and its desire to profitability as to meet the lifetime needs of the customers better than the competitors. At a tactical level, when inappropriately applied, relationship management uses information technology to spawn short-term loyalty schemes that are often opportunistic and may create loyalty to the incentive. Thus, it is important to understand both the philosophy and the tactics of customer relationship management.

ICICI Bank was originally promoted in 1994 by ICICI Limited, an Indian financial institution, and was its wholly-owned subsidiary. ICICI's shareholding in ICICI Bank was reduced

to 46% through a public offering of shares in India in fiscal 1998, an equity offering in the form of ADRs listed on the NYSE in fiscal 2000, ICICI Bank's acquisition of Bank of Madura Limited in an all stock amalgamation in fiscal 2001, and secondary market sales by ICICI to institutional investors in fiscal 2001 and fiscal 2002. ICICI was formed in 1955 at the initiative of the World Bank, the Government of India and representatives of Indian industry. The principal objective was to create a development financial institution for providing medium-term and long-term project financing to Indian businesses. In the 1990s, ICICI transformed its business from a development financial institution offering only project finance to a diversified financial services group offering a wide variety of products and services, both directly and through a number of subsidiaries and affiliates like ICICI Bank. In 1999, ICICI become the first Indian company and the first bank or financial institution from non-Japan Asia to be listed on the NYSE.

Concept of Service Quality

Service quality refers to collective effort of service performance, which determines the degree of satisfaction of user of all the services. The degree of customer satisfaction bears a direct relation with quality of service where good quality of service gives better customer satisfaction and bad quality of service lead to dissatisfaction of the customers. In a monopoly situation, a customer has no choice but to accept the quality of service of whatever level of standard that the monopoly operator provides. Services marketing are different from product marketing because of inherent differences in services as compared to products. The services are intangible, inseparable, variable and perishable. Quality of services is an elusive concept because of intangible nature of service offering and the definition of quality may vary from person to person and situation to situation. Academicians and researchers have proposed several approaches to service quality. Some of them are; dimensions of service quality, gap analysis, the design approaches and direct application of quality know-how from goods to services. Parasuram, Zeithmal and Berry (1985) identified ten determinants of service quality that relate to service namely assurance, empathy, reliability, responsiveness, tangibility, competence, communication, understanding the customers, access and security. All the ten determinants were considered for this study. Major driver of social changes, which shapes the possibilities and conduct of business, is technology. Every business whether it is manufacturing or service faces large amount of problems in marketing their products in the modern business world.

While getting customers is fundamental to business success, retaining customers is more important. Due to change in the economic, business, cultural and political environment, the customers resort to change in their preferences. These changes on the part of customers may provide either positive or negative impact on the business of modern firms. Accordingly, these firms have to make their business plans more comprehensive and effective. Obviously, the business firms have to use adequate and appropriate tools for the service quality without more interruptions. As customers vary in age, income, educational level, mobility patterns, taste, etc. it is necessary for the marketing managers to understand the behavior of customer groups and develop products that can cater to their needs. This will help managers to have an advantage over its competitors and make prediction to suit their preferences.

Service Quality in Banking Industry

The quality of banking service is the end result of network designing, planning, engineering, operation, maintenance and the management of services delivered by the use of network and human resources to a customer. It depends on technical standards of various network components, serviceability, accessibility, and service management functions. Customer is the core component in the banking industry. The business of banking cannot function without customers, nor does just acquiring a certain number of customers do the business. It is a continuing process of transactions culminating in a long-term banker-customer relationship. Banking institutions thrive more on keeping old customers happy, rather than getting new customers. No banks can possibly meet all the needs of its customers given to the diversity of their wants. In such a situation, the secret key factor of the bank's success is service quality. With the hot winds of competition blowing across the Indian banking industry, developing a close symbolic relationship with customers has become more important than ever before. Banks have to come out with innovative measures to satisfy the needs of the present customers, to acquire new customers and at the same time adopt procedures to win back and retain lost customers. With the developing of information and technology and Internet, banks can aim at meeting the expectations of customers by adopting a strategy that is commonly known as customer relationship management. Most of the banks in India are now turning to service quality as they are increasingly realizing that cost of acquiring new customers is far higher than the cost of retaining existing customers. The banks must realize that all

customers are not equal, customer profitability varies from person to person, not all customers are evenly desirable for the banks, the banks must differentiate their customers based on the value criteria, value is the profit that the customer adds to the bank and a more profitable customer is a 'high value customer' and a less profitable customer is a 'low value customer'. The concept of service quality needs to make its impact in the banking scenario, particularly in the nationalized banks in India.

Statement of the Problem

In a service industry like banking, the quality of customer service holds primal significance in the context of sustained business growth. Lack of customer service in public sector banks, has been the topic of vehement criticizing during the post nationalization phase. The appointment of the R.K.Talwar Committee in 1975 and the Goiporia Committee in 1990, which although were the steps taken in the right direction, have failed to bring about a perceptible improvement in the service quality. Zooming customer complaints at an alarming pace have made banks cautious about containing the mounting tide of customer dissatisfaction. Outdated and cumbersome system and procedures and undue apathy towards technology have taken their toll in the form of the poor quality of superior vehicle for growth. Lack of resources, absence of appropriate attitude, vision and planning, strong resistance from trade unions and indifferent attitudes of employees has made these banks slowly in adopting the new technology. Banking has today become an extremely competitive business. However, the essential strength of a bank lies in its service quality. Banks in the pell-mell rush for achieving efficiency and gaining technology are facing the danger of forgetting this fundamental premise. For years, banks have been guilty of five interpersonal skills, that have caused tremendous irritation to customers; inability to cross sell long queues, poor service attitude, lack of information and lack of modesty that prevent them from maintaining good customer relationship. Banks are concentrating only on acquiring new customers. They seldom understand the importance and profitability of creating loyalty and retaining customers. For the last decade most banks have been so absorbed in their own internal issues, particularly merger-drives, cost cutting and re-engineering that customers and their relationship often received short shift. Banks have to come out with innovative measures to satisfy the needs of both the present and the potential customers at the same time adopt

procedures to win back the lost customers. In the light of the development, it seems pertinent to focus on the study of the quality of banking service, and the banker-customer relationship. Service quality can help companies to create customized product marketing, helping them increase sales and decrease marketing expenses simultaneously. Therefore, the service quality is currently much followed and it is very vital for companies in the present competitive scenario. With this background, the researcher has made an attempt to study the service quality of the select commercial banks in NCR Region.

Objectives of the Study

1. To study the need and importance of service quality in general
2. To review the established practices of the service quality of commercial banks in NCR Region
3. To study the perception of the customers towards service quality of the commercial banks in NCR Region
4. To offer suitable suggestions to improve the service quality of the commercial banks in NCR Region.

Scope of the Study

The scope of the study was NCR Region only. The service quality is the vast subject; therefore more importantly the in-depth study for the 500 respondents were focused its attention on key and vulnerable areas only. Given the time constraints and the specified scope of work, this endeavor is intended to be neither exhaustive nor comprehensive, but a modest step in the direction of pinpointing the customers' problems were delimited to study.

Research Methodology

It is an empirical study based on survey method. This study was based mainly on primary data. The primary data was collected from the customers of the commercial banks in NCR Region with the help of questionnaire. The secondary were collected from the books, records and journals. By adopting convenience sampling, 500 customers i.e. 250 customers from State Bank of India and 250 customers from ICICI Bank were selected for this study. A pilot study was conducted with 50 sample customers. The information contained in the questionnaire has been tested and the necessary changes were incorporated in the revised questionnaire in the light of experience gained in the pilot study. The questionnaire used in this

study was based on 5-point scale (very good= 5 good=4, fair=3, poor=2 and very poor = 1). The customers' perception towards the service quality of the select commercial banks was ascertained and analysis has been made based on the scores only.

Framework of Analysis

In order to study the attitude of the customers, various statistical tools such as chi-square test, analysis of one-way variance and percentage analysis were employed. The chi-square test and analysis of one-way variance were used to study the relationship between the demographic variables of the sample customers towards service quality of the select commercial banks in NCR Region.

Findings

While going through the responses of the 500 respondents on the quality of services of commercial banks with specific reference PNB and ICICI Banks it was observed that out of the 500 respondents, 62 per cent of the respondents were male and 38 per cent were female. The predominant age group of the respondents is 41-50 years. A good majority of the remaining respondents were distributed in the age group 31-40 years. Further it was also observed that predominant literacy group of the sample customers (55.00 per cent) was distributed in post graduation and above qualifications. A good majority of the remaining respondents were distributed in the 10+2 and above. It was also found that out of the 500 respondents, 50 per cent were belonging to Punjab national bank and 50 per cent were belonging to ICICI Bank. The 44 per cent of the respondents were belonging to profession. 30 per cent of the respondents belong to business. 15 per cent and 11 per cent of the respondents were other and employed category respectively. It was also revealed that 30%, 46%, 13% and 11% of the respondents were in the income groups up to Rs.20000, Rs.20001-15000, Rs.15001-20,000 and above Rs.20000 respectively.

Further researcher has also found that there is no significant relationship in the attitude of respondents belonging to different age groups, income and occupation towards service quality of the banks in NCR Region. However, a significant relationship is found in the attitude of respondents belonging to different gender and bank towards the service quality of the commercial banks. The total 37 per cent of the respondents were holding current account whereas 63 per cent of the respondents were holding savings bank account. Further the survey has revealed that Out of the 500 respondents, 40%, 35% and 25% of the respondents had good, fair and poor

attitude respectively towards service quality of the commercial banks. In the analysis it was observed that about 43%, 37% and 20% of the respondents had good, fair and poor attitude respectively towards assurance of service. About 22 per cent of the sample customers of Punjab national Bank and 21 per cent of the respondents of ICICI Bank had good attitude towards assurance of service. The responses explained that about 55%, 26% and 19% of the respondents had good, fair and poor attitude respectively towards individual attention. About 26 per cent of the sample customers of Punjab national Bank and 29 per cent of the respondents of ICICI Bank had good attitude towards individual attention.

Further it was found that about 48%, 23% and 29% of the respondents had good, fair and poor attitude respectively towards reliability of service. About 27 per cent of the sample customers of Punjab national Bank and 21 per cent of the respondents of ICICI Bank had good attitude towards reliability of service. Further about 29%, 47% and 24% of the respondents had good, fair and poor attitude respectively towards responsiveness. About 26 per cent of the sample customers of Punjab national bank and 21 per cent of the respondents of ICICI Bank had fair attitude towards responsiveness. About 48%, 35% and 17% of the respondents had good, fair and poor attitude respectively towards tangibility of service facilities. About 22 per cent of the sample customers of Punjab national bank and 26 per cent of the respondents of ICICI Bank had good attitude towards tangibility of service facilities. In survey found that about 43%, 32% and 22% of the respondents had good, fair and poor attitude respectively towards competence of employees. About 20 per cent of the sample customers of Punjab national bank and 23 per cent of the respondents of ICICI Bank had good attitude towards competence of employees. Further revealed that about 38%, 26% and 36% of the respondents had good, fair and poor attitude respectively towards communication. About 22 per cent of the sample customers of Punjab national Bank had good attitude and 22 per cent of the respondents of ICICI Bank had poor attitude towards communication. It was observed that about 47%, 30% and 23% of the respondents had good, fair and poor attitude respectively towards understanding of the customers. About 24 per cent of the sample customers of Punjab national bank and 23 per cent of the respondents of ICICI Bank had good attitude towards understanding of customers in select commercial banks. Survey has also revealed that about 52%, 32% and 16% of the respondents had good, fair and poor attitude respectively towards access of service. About 24 per cent of the sample customers of Punjab national Bank and 28 per cent of the respondents of ICICI Bank had good attitude

towards access of service. Out of the 500 respondents, 56%, 26% and 18% of the respondents had good, fair and poor attitude respectively towards security. About 30 per cent of the sample customers of Punjab national bank and 26 per cent of the respondents of ICICI Bank had good attitude towards security.

Customer care programme, establishment of customer complaints monitoring cell, customer satisfaction audit, home bank and appointment of trained relationship managers were the suggestions of the sample customers to improve the service quality of the commercial banks in NCR Region.

Conclusion and Suggestions

The long-term vision for 'Indian banking system' to transform itself from being a domestic one to the global level may, at present sound far-fetched. Taking the banking industry to the heights of international excellence will require a combination of new technologies, better and quicker processing of credit, appraisal, product diversification, internal control, and human resource. The researcher has suggested suitable measures to improve the service quality of the select commercial banks. If this study provokes the people concerned to take some positive measures in order to improve it, the researcher will feel amply rewarded.

The average Indian's growing demand for personalized, quick and cost-effective services is pushing banks to innovate further. The following are some smart new offerings of other banks which are not offered by the ICICI Bank. As ICICI Bank is one of the leading private sector banks in India, the researcher suggest the management of the bank to implement these offerings within a quick span of time to its customers in all districts. The IDBI Bank has launched its Magic Card for salary account holders. This debit card masquerades as a credit card with much lower interest rate than regular credit cards for cash withdrawals up to three times of salary. When 'instant culture' has taken over everything, from coffee to the way we communicate, why should banking remain impervious? Say hello to instant loans which was unveiled by the Axis Bank recently for instant car loan facility. Based on the finding of the survey reports, it can be said there are following suggestions can be given for better services by the public and private banks:

- Database on various aspects of customer profile such as the type of account, the frequency of transaction, the period their association with the bank and the purpose of account

holding should be created by the customer care department which should function in every bank and it must develop an excellent total customer care programme to suit the specific requirements of its target customers. It will definitely strengthen the service quality of the select commercial banks NCR Region.

- The select commercial banks should establish a separate 'Customer Compliant Monitoring Cell'. The function of the cell must be to receive, register and classify customer complaints and forward them to the respective departments to initiate action, and follow up until the complaint is attended to the satisfaction of the customer concerned.
- Regular 'customer satisfaction audit' is to be carried out by the select commercial banks to find areas of discrepancies and try to improve the customers' perception level.
- Round the clock banking facilities on phone i.e. tele-banking and free home service to open a bank account and to withdraw deposit or cash, 'home bank' is yet a dream to come true. Improvement if made in the above technological aspect will definitely strengthen customer relationship in select new generation banks.
- The select commercial banks may appoint young, well educated, dedicated, highly trained and motivated 'relationship managers' to improve customer relationship management.

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