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## Customer Satisfaction in Indian Banking Services: Problems and Solutions

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### Abstract

Customer satisfaction is playing a significant role in all organizations. In products manufacturing organizations, customers should be satisfied with the products especially quality and price of the product. Banking industry is the service industry and providing various financial services to its customers. Indian banking industry is rendering their services according to the directions of Reserve Bank of India. As banking industry is service providing industry and customers' satisfaction is vital in its business. This study tries to get various problems or satisfaction of banking customers in India regarding physical resources, courteous services, committed services and assurance etc. It is observed that mostly customers are satisfied with the banking services but some low satisfaction regarding the responsiveness and individual attention of customers by the banks employees. Customers are dissatisfied because of nature and behavior of the banking employees. There is discrimination in behavior of employees according to the profession of the customers. This leads to provide special training to change attitude of the employees towards customers. The customers are encountering problems might be because of insufficient staff or staff should be behaviourally equipped with to satisfy their needs to enhance satisfaction level.

**Keywords:** Customers satisfaction, Banking services, Banking customers, banking problems.

### Introductions

The Financial Services is the backbone of service sector. This is important not only for the banking sector but for the Indian economy as a whole. This is so because banking is a catalyst and life of modern trade and commerce. It is an integral part of all the businesses and social activities. This rapid transformation of services in the banking system has led to the evolution of a highly competitive and complex market where there is a continuous refinement of services. Hence the increased role of banking in India's economic development on the one hand and the changes in the business climate on the other has put increased pressure on them. These changes are compelling the banks to reorganize themselves in order to cope with the present conditions.

With the current change in the functional orientation of banks, the purpose of banking is redefined. Now, the Financial Institutions are trying to provide all the services at the customer's doorstep. The customer has become the focal point either to develop or maintain stability in the business. Every engagement with the customer is an opportunity to either develop or destroy a customer's faith in the Bank. The expectations of the customers have also increased many folds. 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 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 endeavour is to be customer centric. With the emergence of economic reforms in world in general and in India in particular, private banks have come up in a big way with prime emphasis on technical and customer focused issues.

In India, banking services are playing significant role in the different dimensions of the economy. Banking organizations are rendering their financial services in different fields such

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as education, telecom, real state, medical, hotels, restaurant, transportation, public administration and especially in wholesale and retail trade. Indian banking was started in June 1806 as Bank of Calcutta existing as largest bank namely State Bank of India. Reserve bank of India was established in 1935 as central bank to govern the banking system in India. Indian government nationalizes 14 banks in 1969 and 6 banks in 1980. Now a day, Indian banks are providing financial services in different constituents of economy to accelerate the growth of development (Wikipedia- Banking in India). Deposits, loans, money transferring etc. services are provided by Indian banks. To make easier cheaper and faster banking services, all the banks are applying advanced telecommunication or electronic/ internet facilities and increases level of customers' satisfaction. Customers' satisfaction in Indian banks depend upon the various factors like availability of tangibles, reliability of services, assurance of services, responsiveness or willingness and empathy of employees to serve to the customers. Customers' satisfaction will retain the existing employees and tries to attract new customers and ultimately resulting in improvement of profitability and sound financial position. Customers satisfaction is the main factor and responsible for the growth of any service sector and same applicable in banking sector. Profitability is the relative measurement and measures the earning capacity of an organization. Financial position reveals the financial soundness of the concern. Growth of an organization or company is depending upon the increased turnover which is driven by customer's satisfaction. So, indirectly customer's satisfaction increases profitability and improves the financial soundness of any organization.

### Objective of the study

The main objective of this study is to get customers satisfaction level in Indian banks. The following are the specific objective for this analytical and survey-based study.

1. To define level of customers' satisfaction in banks.
2. To get reasons responsible for low customer satisfaction level.
3. Provide suggestions to improve customers' satisfaction level.

### Literature review

Customers' satisfaction is playing a very significant role in all organization either goods producing or service rendering and increase earning capacity and market coverage (Rust, Zahorik, 1993). The satisfied customers are the best means for building a positive image of the organization in the market that will attract more and more customers and exiting customer's remains in the business. Anantha Raj A. Arokiasamy explained that there is positive relationship between satisfaction level of customers' and earning capacity of the organization. Satisfied customers from the initial level of any successful business and customers satisfaction leads to frequent purchase, brand loyalty, and positive mouth advertisement (Hoyer MacInnis, 2001). NevineSobhy, Abdel Megeid (2013) has also revealed the importance service quality and positive correlation between service quality and customers' satisfaction, ultimately improves financial performance. Quality of service is to be considered as main factor responsible for customers' satisfaction (Parasuraman *et al.*, 1994). Now a days, banking is to be considered as a customer based services

industry, the customer is the center-point and customer service has to be the prime factor and leads to maximum profitability and smooth operation of the business activity. The challenges for banks is to control and reduce costs, increase operational efficiency and market share and it is possible only improving the quality of services to enhance customers' satisfaction. Attention has now turned to improving the quality of service encounter, when customers enter the bank and come into face-to-face contact with bank staff (Chakravarty, 1996). Service quality is considered as one of the basic factors responsible in customer satisfaction (Parasuraman *et al.*, 1994). Customers' satisfaction is affecting earning capacity of banks and to helps to achieve repeat purchase by customers in the saturated competitive banking business, Organizations should organize their services according to expectations (express or implied) of their customers. Organizations should provide more than expected service to get higher customer satisfaction level. To get customers again and again, organizations should provide services according to their express or implied expectations. They should provide services and products to meet or even exceed customers' expectations (Mesach G. Goyit, Teresa M. Nmadu, 2016) <sup>[3]</sup>. Atteia A. Marrie, Mohamed E Ibrahim, Amjad D al Nasser, 2014) <sup>[5]</sup>. revealed Strong positive relationship between quality of services and bank's performance (Islamic Banks) and that bank's internal operations mediate the relationship for external customers group. Elizabeth Duncan and Greg Elliott (2004) observed in his study that apart from direct correlation between customers service and financial performance, lack of uniform relationship between operational efficiency and financial performance or operational efficiency and customer service.

Customer satisfaction is an important theoretical as well as practical issue for most marketers and consumer researchers. Customer satisfaction is increasingly becoming a corporate goal as more and more companies strive for quality in their products and services Customer satisfaction is the feeling or attitude of a customer towards a product or service after it has been used and is generally described as the full meeting of one's expectations. Customer satisfaction is a major outcome of marketing activity whereby it serves as a link between the various stages of consumer buying behaviour. For instance, if customers are satisfied with a particular service offering after its use, then they are likely to engage in repeat purchase and try line extensions. A study conducted by Levesque and McDougall confirmed and reinforced the idea that unsatisfactory customer service leads to a drop in customer satisfaction and willingness to recommend the service to a friend. This would in turn lead to an increase in the rate of switching by customers.

To measure customer satisfaction with different aspects of service quality, Parasuraman, Valerie Zeithaml and Berry developed a survey research instrument called SERVQUAL. It is based on the premise that the customers can evaluate a firm's service quality by comparing their perceptions of its service with their own expectations. SERVQUAL is seen as a measurement tool that can be applied across broad spectrum of service industries. In its basic form, the scale contains 24 perception items and a series of expectation items, reflecting the five dimensions of service quality. Their findings suggest that, in reality, SERVQUAL scores measure only two factors: intrinsic service quality (resembling what is termed functional quality) and extrinsic

service quality (Which refers to the tangible aspects of service delivery and "resembles to some extent what Gronroos refers to as technical quality"). Generic dimensions customers use to evaluate service quality are credibility, security, access communication, understanding the customer, tangibles, reliability, responsiveness, competence, courtesy.

### **Service quality scale**

The SERVQUAL scale includes five dimensions: tangibles, reliability, responsiveness, assurance and empathy. Within each dimension are several items measured on a five-point scale from strongly agree to strongly disagree, for a total of 24 items.

### **Service quality questions**

For actual survey respondents, instructions are also included, and each statement is accompanied by a seven-point scale ranging from "Strongly Agree--5" to "Strongly Disagree--1". Only the end points of the scale are labeled; there are no words above the number 2 through 4.

### **Tangibles**

1. Excellent banks (Refer to cable TV companies, hospitals, or the appropriate service business throughout the questionnaire) will have modern-looking Equipments.
2. The physical facilities at excellent banks will be visually appealing.
3. Employees at excellent banks will be neat in appearance.
4. Materials (e.g., brochures or statements) associated with the service will be visually appealing in an excellent bank.
5. The ATM's of this bank are technologically well equipped
6. The ATM's of this bank are adequate in numbers
7. The internet banking services of this bank are widespread

### **Reliability**

8. When excellent banks promise to do something by a certain time, they will do so.
9. When customers have a problem, excellent banks show a sincere interest in solving it.
10. Excellent banks will perform the service right the first time.
11. Excellent banks will provide their services at the time they promise to do so.
12. Excellent banks insist on error free records.

### **Responsiveness**

13. Employees of excellent banks will tell customers exactly when service will be performed.
14. Employees of excellent banks will give prompt service to customers.
15. Employees of excellent banks are always willing to help customers.
16. Employees of excellent banks are never too busy to respond to customer requests.

### **Assurance**

17. The behavior of employees of excellent banks will instill confidence in customers.

18. Customers of excellent banks will feel safe in their transactions.
19. Employees of excellent banks are consistently courteous with customers.
20. Employees of excellent banks are having the knowledge to answer customer questions.

### **Empathy**

21. Excellent banks will give customers individual attention.
22. Excellent banks will have operating hours convenient to all their customers.
23. Excellent banks will have employees who give customers personal attention.
24. Employees of excellent banks will understand the specific needs of their customers

These findings do not undermine the value of Zeithaml, Parasuraman, and Berry's achievement in identifying some of the key underlying constructs in service quality, but they do highlight the difficulty of measuring customer perceptions of quality. Anne Smith notes that the majority of researchers using SERVQUAL have omitted from, added to, or altered the list of statements purporting to measure service quality.

### **Positive factors for customers' satisfaction**

1. Urban and rural area branches are equipped with latest information technology, employees are well behaved offices are neat and clean with sufficient number of employees.
2. All the branches are maintaining their records accurately honestly and providing fast loan sanctioning and depositing services. The ATM services of the banks are satisfactory and available in remote areas too.
3. There is no significant difference between level of satisfaction of customers from rural branch and urban branch.
4. There is no significant difference between level of satisfaction of customers from urban and rural areas.

### **Negative factors for customers' satisfaction**

There is lack of willingness to help in providing detailed information of transactions, new loans and deposits schemes, interest on loans and deposits and banking charges and transactions etc., especially in urban area branches.

1. There is weak consideration of individual attention to customers and their specific needs in rural areas.
2. In rural areas, banking office hours are not convenient and customers have to wait long to get things done.
3. There are significant difference among the level of satisfaction of employees, businessmen, Students and others.

So, from the above, it is clear that there is lack of lack of empathy and responsiveness by the employees of the banks. Customers are satisfied with the physical resources, information services and honestly record maintenance by the banks.

### **Recommendations/suggestions**

On the basis of above analysis and interpretation, it can be concluded that there is need to give special training to the employees who are working in rural areas directly dealing with the customers. The rural employees training should be based upon the analyzing and considering the behavior of

different banking customers and their cordial treatment. The lack of employees are another reason for rural employees' dissatisfaction. In urban branches, there should be technological arrangement in banks website or online banking services to get detailed interest and banking charges information immediately. There should not be any discrimination on the basis of profession of the customers.

### **Concluding observation**

This study observed that most of the Indian banking customers are satisfied with the services of banks. Few customers are dissatisfied because of the poor responsiveness and empathy of the employees in urban and rural area branches. Customers of banks are dissatisfied due to their special needs and no consideration or individual attention by the bank's employees. So, there is scope for further researches to know special needs of the customers and the behavioral problems of the employees while interacting with them regarding banking services.

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