

**CUSTOMER SATISFACTION AND CUSTOMER RETENTION IN  
PRIVATE BANKING SECTOR: THE CASE OF HDFC BANK,  
CHANDIGARH (PANCHKULA AND MOHALI)**

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**ABSTRACT**

*During the last two decades, the financial service sector all over the world has faced challenges for survival and that of matching the expectations of the customers. World market has undergone drastic changes because of intense competition and little growth in primary demand. In this market situation, the role of financial sector has become crucial to overcome the gap between means and end. The financial sector all over the world is having similar setup and they differ only by augmented service. In this context the purpose of conducting this study is to find out factors influencing customer satisfaction and retention in HDFC Bank (Chandigarh region) by evaluating their customer satisfaction. The present study is descriptive in nature and follows convenience sampling. This research is mainly based on primary data, which has been collected from 120 respondents through a well-structured questionnaire. The study reveals that customer satisfaction vary according to the nature of the services and highest customer satisfaction is shown in areas like service reliability, security of their savings, infrastructure (tangibility factors) and staff attitude towards problem solving of customers. It was also observed that customers were satisfied with their bank because of their multiple branches at convenient locations and technology (like check deposit machines, utility bill accepting machines etc.).*

**Keywords:** Customer satisfaction, customer services, customer retention, banking, customer perception.

## **Introduction**

The economic reforms initiated by the Government of India roughly about two decades ago have changed the landscape of several sectors of the Indian economy. The Indian banking sector is no exception. This sector is going through major changes as a consequence of economic reforms. The changes definitely affect the ownership pattern of banks, availability of funds, the cost of funds as well as opportunities to earn and range of services (fee-based and fund-based). As a consequence of liberalization in interest rates, banks are operating on reduced spread. Developed financial institutions have a lesser impact on the Indian economy. Consumerism is here to stay. Non-banking products like insurance have emerged as a tremendous opportunity. The economic reforms have also generated new and powerful customers (huge Indian middle class) and new mix of players (public sector units, private banks, and foreign banks). The emerging competition has generated new expectations from the existing and the new customers.

There is an urgent need to introduce new products. Existing products need to be delivered in an innovative and cost-effective way by taking full advantage of emerging technologies. The new rules of competition require recognition of the importance of consumers and the necessity to address the needs through innovative products supported by new technology. As a consequence of competition, the managerial challenges include market segmentation, product positioning, innovative delivery channels, cross-selling, etc. At an organization level, elaborate systems need to be evolved to manage, assess, and contain risk (including portfolio, client, and exchange rate). The banks in order to sustain have to reorient their resources in the form of reorganized branch networks, reduced manpower, dramatic reduction in establishment cost, honing the skills of the staff, and deploying innovative ways of attracting talented managerial pool. Banks to a greater extent are evaluated based on their performance in the market place.

At this backdrop, a study on bank's perception in the mind of customers sounds interesting. Such analysis will provide the banks with a quantitative and qualitative estimate of their services as perceived by their customers.

## **Review of literature**

### **Customer satisfaction and customer retention:**

Customer satisfaction measurement allows an organization to understand the key drivers that create satisfaction or dissatisfaction; and what is really driving their satisfaction during a service experience. Customer satisfaction is the state of mind that customers have about a company when their expectations have been met or exceeded over the lifetime of the product or service (Kevin Cacioppo, 1995 and Kumbhar, 2010). It is also feeling or attitude of a customer towards a product or service after it has been used. According to Oliver (1980) satisfaction appears to mediate changes between pre-exposure and post-exposure attitudinal components. It is a major outcome of marketing activity whereby it serves as a link between the various stages of consumer buying behavior (Jamal & Nasser, 2002). When customers pay money to buy a service he has some minimum expectations from the transaction. These expectations from the purchase have to be met substantially, if not entirely for the customer to become a loyal customer of the service (Akbar and Parvez, 2009). These expectations are fulfilled of a promises- quality, fair price, availability, after sale services, complaints handling process, information, and variety etc.

Various empirical researches show that there is significant and positive relationship in service quality and customer satisfaction. Berry (1990) mentioned that there are ten 'Quality Values' which influence satisfaction behaviour i.e. Quality, Value, Timeliness, Efficiency, Ease of Access, Environment, Inter-departmental Teamwork, Front line Service Behavior, Commitment to the Customer and Innovation.

Rueangthanakiet Pairot, (2008) defined Customer's satisfaction as the company's ability to fulfil the business, emotional, and psychological needs of its customers. However, customers have different levels of satisfaction as they have different attitudes and experiences as perceived from the company. Increase in service quality of the banks can satisfy and develop attitudinal loyalty which ultimately retains valued customers (Kumbhar, 2010). There is very strong relationship between quality of service and customer satisfaction (Parasuraman et al, 1985). The higher level of perceived service quality results in increased customer satisfaction.

When perceived service quality is less than expected service quality customer will be dissatisfied (Jain and Gupta, 2004 and Kumbhar 2011). Parasuraman, Zeithaml and Berry (1988) posited that if there is expected quality of service and actual perceived performance is equal or near about equal there is customers can be satisfy, while a negative discrepancy between perceptions and expectations a performance-gap as they call it causes dissatisfaction, a positive discrepancy leads to consumer delight. The relationship between expectation, perceived service quality and customers satisfaction have been investigated in a number of researches (Zeithaml, et al, 1996). An expectation is minimum requirement of service quality by service providers to the meet customers wants and needs. According to Parasuraman et al (1985, 1988) perceived service quality is viewed as the degree and direction of discrepancy between customers' perceptions and desires.

Perceived value also stands as one of the important factors which influence customer's satisfaction in service setting. Perceived value is compression between price or charges paid for the services by the customer as sacrifice of the money and utility derived by service perception. In this study we have assessed overall satisfaction also it can be say cumulative satisfaction. It is overall perception and concluded remark of the customer regarding alternative banking channel used by customers. The overall remark of the customer is based on his/her expectations about various aspects of service quality and actual service he/she perceived by the particular bank.

### **Research Questions and Objectives:**

- To determine and compare the extent of customer's satisfaction towards banking services offered on the basis of different constituent factors.
- Identifying probable solution in gaining positive customer's attitude
- To explore different variables for customer retention
- To suggest suitable remedial measures to enhance banking services.

### **Methodology**

A method has been designed to meet the objectives of research. For this purpose a questionnaire has been adapted and circulated among customers of HDFC Bank(Chandigarh, Panchkula and Mohali). This questionnaire consists of two different parts. The first part is showing respondents personal data such as gender, branch, income, age, qualification and the second part asked respondent to rate their satisfaction level to their bank from “strongly agree” to “strongly disagree” on such variables which lead to build strong relationship with customers such as prices, reliability, technology, customer service, location and infrastructure etc. This questionnaire was given to 200 different respondents out of which 120 questionnaires were returned. Most of these responses were conducted myself and rest through the help of friends and family.

### **Findings:**

The first part of this questionnaire was designed to collect demographic profile of respondents such as their gender, age, bank type, income and qualification and the investigation shows that 55% of the respondents are male and 45% are female.

72.6% respondents are from age group 18 – 25 years, 16.9% are from age group 26 – 33 years, 5.7% are from age group 34 – 41 years, 1.7% is from age group 42 – 50 years and 3.1% are from age group 51+ years. In terms of qualification only 0.0% are under matric, 6.7% have done matric, 15.8% respondents have done intermediate, 48.3% are graduated and 29.2% respondents are post graduated.

In income segment 26% of the respondents having less than 20 thousand, 11.8% have 21 – 30 thousand, 18.5% earn 31 – 50 thousand, 33.5% earn 51 – 100K and only 10.2% of the respondents earn more than 100 thousand per month.

#### *Customer service dimensions of HDFC Bank*

<b>Customer service dimension</b>	<b>Number</b>	<b>Mean</b>	<b>Standard deviation</b>
My bank has service reliability	120	3.49	.78
Services charges imposed by my bank are competitive	120	2.99	.81

My bank gives good interest rate on saving accounts	120	3.34	1.03
My bank provides good credit facilities.	120	2.88	.74
My bank provides ATM service in multiple locations	120	3.38	1.10
E-Banking service	120	3.26	1.05
Phone account service facilities	120	3.13	.98
Internet banking service.	120	3.13	.98
My bank provides Portfolio designing and investment of my funds	120	2.73	.77
My banks image and reputation is good.	120	3.03	.81
My bank has quick process to handle complaints	120	2.17	1.06
I have open account in this bank because for personalrelationship with any of the employee.	120	2.24	1.25
Location of my bank is convenient.	120	3.18	.98
My bank has multiple branches in Tricity (Chandigarh, Panchkula, Mohali)	120	3.38	.94
My bank provides good parking space facility	120	2.77	.73
Infrastructure of my bank is attractive and friendliness	120	3.35	.98
My bank staff attitude is friendliness	120	3.00	.85
My bank staff gives prompt attention to my needs	120	3.25	.80
My bank staff understands my needs.	120	3.05	.77
My bank staff handles my problems efficiently.	120	3.13	1.04
My bank has quick complaint handling procedure	120	3.18	.84
My bank provides me a good customer service	120	3.00	.74
My overall opinion about my bank is good.	120	3.26	.98
I am satisfied with my bank.	120	3.13	.98
I will not switch to any other bank.	120	3.26	.80
I will recommend my bank to others	120	3.13	.74

### **Conclusion:**

Above analysis shows that customer satisfaction vary according to the nature of the services and in this case, highest customer satisfaction (Mean 3.0- 3.99) is shown in such areas like (a) service reliability, (b) security of their savings, (c) infrastructure(tangibility factors) and (d)

staff attitude toward problem solving of customers. Customers were satisfied with their bank because of their **multiple branches at convenient locations** and technology (like check deposit machines, utility bill accepting machines etc.).

However, some customers were dissatisfied (Mean 2.73-2.99) with grievance handling- as per them the bank takes lengthy process to attend the complaint, parking facility, service charges.

The results also show that some of the respondents were indifferent (Mean 3.13-3.63) thus this leads to retention and loyalty towards same bank in question.

This exhibits that the customers seek certain changes in the service offered else they would be switching to other bank (Since banking sector is competitive enough in terms of public, private and foreign banks in operation)

### **Implications:**

In order to survive in this competitive environment and provide continual customer satisfaction, the providers of banking services are required to continually improve the quality of services. The globalization of Indian economy has truly called for much more disciplined approach on the part of Indian banking sector. It is seen that 5% increase in customer retention can increase profitability by 35% in banking business, 50% in insurance and brokerage, and 12.5% in the consumer credit card market. Therefore, banks need to stress on retaining customers and increasing market share (Chothani et al. 2004). Therefore, HDFC ought to deliver quality service to clients to remain competitive.

In an attempt to overcome the growing customer dissatisfaction, several researchers (Harsh 1993; Muniraj 1994; Nageswar 1987; Sundaram 1984; and Tandam and Sanjay 1994) have emphasized training and development of bank personnel, employee motivation, procedures and systems, customer education, analysis of individual customer behaviour which implies the banker to have training in psychological and social aspects, opening of extra counters on busy days (pay days, examination fee pay days etc.) and display of day to day changes in

rules and regulations which will improve understanding between both bank staff and its customers.

### **Limitations of the study and scope for future research:**

The main limitation of the study is that the prime focus of the research is solely on HDFC branches (Chandigarh, Panchkula, Mohali). For a better comparison scope can be broadened. Data could have been collected from other competitive banks.

The study can also be extended to other types of firms such as investment banks, financial institutions, insurance companies, travel agencies, higher education institutions, and healthcare providers. Further research may consider analysing service quality of foreign sector banks, and comparing them with public sector and private sector banks.

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