

CUSTOMER SATISFACTION IN COMMERCIAL BANKS-A CASE STUDY OF BANK OF BARODA

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ABSTRACT

The banking scenario in India in the post liberalization and deregulated environment has witnessed sweeping changes. The tremendous advances in technology and the aggressive infusion of information technology had brought in a paradigm shift in banking operations. Today, banking is more customer-centric. Banks are increasingly focusing on the premise that customers choose their service provider who differentiates himself from the others of the class with his quick and efficient service. For customers, it is the realization of their 'Anywhere, Anytime, Anyway' banking dream. This has prompted the banks to embrace technology to meet the increasing customer satisfaction. The curtsey, accuracy and speed are like a crown factors for a bank. Based on the responses of 100 customers of Bank of Baroda operating in the Faridabad district of Haryana has been taken into consideration. The survey was conducted in Faridabad district.

KEYWORDS: *Customer Satisfaction, Technology, Electronic Banking, Service Quality*

I. INTRODUCTION

The tremendous advances in technology and the aggressive infusion of information technology had brought in a paradigm shift in banking operations. For the banks, technology has emerged as

a strategic resource for achieving higher efficiency, control of operations, productivity and profitability. For customers, it is the realization of their ‘Anywhere, Anytime, Anyway’ banking dream. This has prompted the banks to embrace technology to meet the increasing customer expectation. Technology to start with is a business enabler and now has become a business driver. The banking institutions cannot think of introducing a financial product without information technology support be it customer service, transactions, remittances, audit, marketing, pricing or any other activity in the banks. Technology in the banks is presently catching up with a high level of development around the world. This revolution has touched every aspect of public life including banking. Since two decades, due to an increasingly competitive, saturated and dynamic business environment, retail banks in many countries have adopted customer-driven philosophies to address the rapid and changing needs of their customers. Technological advances have changed the world radically, altering the manner in which individuals conduct their personal and business affairs. Over the past two decades in particular, the banking industry has invested substantial resources in bringing ICT to customers. The banking industry is undergoing through the significant technological changes; it has several impacts on customer satisfaction and loyalty. “It has revolutionised every industry including banking in the world by rendering faster and cost effective delivery of products and services to the customers. Core banking solution enables banks to extend the full benefits of ATM, tele-banking, mobile banking, internet banking, card banking and other multiple delivery channels to all customers allowing banks to offer a multitude of customer-centric services on a 24x7 basis from a single location, supporting retail as well as corporate banking activities. The banks in India are using Information Technology (IT) not only to improve their own internal processes but also to increase facilities and services to their customers. Particularly, in the banking sector ICT is one of the most important tools, because it provides many suitable alternative banking channels to the customers. It brings convenience, customer centricity, enhance service quality and cost effectiveness in the banking services. Even now, customers are evaluating their banks based on availability of high-tech services. Therefore, implementation of ICT in the banking business continues to improve the banking service. Many researchers from USA, UK, Finland, Malaysia, Taiwan, etc. have proved that the use of technology positively affects the customers’ satisfaction in banking industry. But some researches evidenced that, technology based banking service can’t satisfy the each and every

need of the customers and each type of customers. There are may be some possibilities of gaps between customers' expectations and actual service perception in ICT based banking service, which leads to customer dissatisfaction. Hence, there is a need to assess the impact of alternative banking services on customer's satisfaction in Indian context to study the level of satisfaction, problems and areas of further improvements.

II. LITERATURE REVIEW

Several authors have defined satisfaction in a different way. There are some definitions of customer satisfaction that will give us clear idea about satisfaction concept. Vijay M. Kumbhar (2011) in his paper titled "Alternative Banking Channels and Customers' Satisfaction: An Empirical Study of Public and Private Sector Banks" shows that, there was significant relationship between age, education and profession of the bank customers and customers' satisfaction in alternative banking. There was significant relationship between service quality, brand perception and perceived value with overall customer satisfaction in alternative banking. He indicates that, efficiency, security/assurance, cost effectiveness, problem handling, responsiveness, fulfilment and accuracy were first factors, Perceived value, brand perception, contact facilities, convenience, system availability and easy to use are second factor and compensation is third factor. Overall result directs that, bankers should consider the facts and enhance service quality of alternative banking services in order to increase customers satisfaction and its further adoption also. Faizan Mohsan (2011) in his paper titled "Impact of Customer Satisfaction on Customer Loyalty and Intentions to Switch: Evidence from Banking Sector of Pakistan" revealed that customer satisfaction was positively correlated with customer loyalty and negatively correlated with customer intentions to switch. Mishra (2009) tried to explore the factors that lead to customer satisfaction in retail banking in India. The data from 100 survey respondents were collected from one branch of one of the prominent retail banks in the city of Hyderabad. The study identified that customer satisfaction, a transaction-specific attribute is dependent on several factors which concur with extensive academic literature. Jham and Khan (2008) studied the customer's satisfaction in the Indian banking sector and inferred that the satisfaction of customers with the services of Indian banks is linked with the performance of

banks. Dash and Mahapatra (2006) gave an insight into the parameters of customers' satisfaction and their measurement. The paper observed that the customer's requirements must be translated and quantified into measurable targets. This provided a way to monitor improvements, and deciding upon the attributes that need to be concentrated in order to improve customer's satisfaction. Gouri Shankar, A. (2004) suggested that excelling and managing customer relationship was the future of any business. Customer focusing was not to be viewed as just a business strategy but should become a corporate mission. The challenging areas for banks would be in the area of people, technology and competition. Rao, N.V. (2002) explained that customer service was becoming an important aspect in gaining competitive edge for survival with growth and profits for banks. The key to success in the changed environment would be the bank's ability to reach the client at his door step.

III. NEED TO MEASURE CUSTOMER SATISFACTION

In a competitive market place where businesses compete for customers, customer satisfaction is seen as a key differentiator of business strategy. Customer satisfaction refers to the extent to which customers are happy with the products and services provided by a business. The concept of customer satisfaction has attracted much attention in recent years. Customers' satisfaction is an ambiguous and abstract concept and the actual manifestation of the state of satisfaction will vary from person to person and product/service to product/service. Customer satisfaction is defined as the feeling or attitude of a customer towards a product or service after it has been used. The state of satisfaction depends on a number of both psychological and physical variables which correlate with satisfaction behavior. The banking industry is highly competitive, with banks not only competing among each other; but also with non-banks and other financial institutions. Most bank product developments are easy to duplicate and when banks provide nearly identical services, they can only distinguish themselves on the basis of price and quality. Customer satisfaction is potentially an effective tool that banks can use to gain a strategic advantage and survive in today's ever-increasing banking competitive environment. It is more economical to keep customers than to acquire new ones. The costs of acquiring customers to "replace" those who have been lost are high. This is because the expense of acquiring customers

is incurred only in the beginning stages of the commercial relationship. In addition, longer-term customers buy more and, if satisfied, may generate positive word-of mouth promotion for the company. Additionally, and are less sensitive to price changes.

IV. INDIAN BANKING SECTOR: AN OVERVIEW

The banking system in India is significantly different from that of other Asian nations because of the country's unique geographic, social, and economic characteristics. India has a large population and land size, a diverse culture, and extreme disparities in income, which are marked among its regions. There are high levels of illiteracy among a large percentage of its population but, at the same time, the country has a large reservoir of managerial and technologically advanced talents. Between about 30 and 35 percent of the population resides in metro and urban cities and the rest is spread in several semi-urban and rural centers. These features are reflected in the structure, size, and diversity of the country's banking and financial sector. The banking system has had to serve the goals of economic policies enunciated in successive five year development plans, particularly concerning equitable income distribution, balanced regional economic growth, and the reduction and elimination of private sector monopolies in trade and industry. Today, we have a fairly well-developed banking system with different classes of banks – public sector banks, private sector banks - both old and new generations -, foreign banks, regional rural banks and co-operative banks with the Reserve Bank of India as the fountain head of the system. During the last 41 years since 1969, tremendous changes have taken place in the banking industry. The banks have shed their traditional functions and have been innovating, improving and coming out with new types of services to cater to the ever-growing needs of their customers. The Indian banks are subject to tremendous pressures to perform as otherwise their very survival would be at stake. Information technology (IT) plays an important role in the banking sector as it not only ensures smooth passage of inter-related transactions over the electronic medium but also facilitates achievement of complex financial product innovation and product development. The application of IT and e-banking is becoming the order of the day with the banking system heading towards virtual banking.

As an extreme case of e-banking, World Wide Banking (WWB) on the pattern of World Wide Web (WWW) can be visualized. That means all banks would be interlinked and individual bank identity, as far as the customer is concerned, will not exist then. There is no need to have a large number of physical bank branches and extension counters. There is no need of person-to person physical interaction or dealings. Customers would be able to do all their banking operations sitting in their offices or homes and operating through internet. This would be the case of banking reaching the customers. Banking landscape is changing very fast. Many new players with different muscle powers keep entering the market. The Reserve Bank, in its bid to move towards the best international banking practices, further sharpens the prudential norms and strengthens its supervisor mechanism. There will be more transparency and disclosures.

V. BANK OF BARODA

Bank of Baroda is an Indian state-owned banking and financial services company headquartered in Vadodara (earlier known as Baroda) in Gujarat, India. It is the second-largest bank in India, after State bank of India, and offers a range of banking products and financial services to corporate and retail customers through its branches and through its specialized subsidiaries and affiliates. During FY 2012-13, its total business was ₹ 8,021 billion. In addition to its headquarters in its home state of Gujarat, it has a corporate headquarters in the Bandra Kurla Complex in Mumbai. Based on 2012 data, it is ranked 715 on Forbes Global 2000 list. BOB has total assets in excess of ₹3.58 trillion, a network of 4464 branches in India, and over 2000 ATMs. The bank was founded by the Maratha Maharaja of Baroda, H.H sir Savajirao Gaekwad III, on 20 July 1908 in the Princely State of Baroda, in Gujarat. The bank, along with 13 other major commercial banks of India, was nationalized on 19 July 1969, by the Government of India and has been designated as a profit-making public sector undertaking (PSU). Bank of Baroda is one of the Big four banks of India, along with SBI, ICICI bank and PNB. **Bank of Baroda** is a pioneer in various customer centric initiatives in the Indian banking sector. Bank of Baroda is amongst first in the industry to complete an all-inclusive rebranding exercise wherein various novel customer centric initiatives were undertaken along with the change of logo. The initiatives include setting up of specialized NRI Branches, Gen-Next Branches and Retail Loan Factories/

SME Loan Factories with an assembly line approach of processing loans for speedy disbursement of loans.

BOB has made substantial progress in its end-to-end business and IT strategy project covering the bank's domestic, overseas and subsidiary operations. All Branches, Extension Counters in India, overseas business and five sponsored Regional Rural Banks are on the Core Banking Solution (CBS) platform. BOB has implemented the Global Treasury Solution in its key territories like UK, UAE, Bahamas, Bahrain, Hong Kong, Singapore and Belgium. The bank has taken various technological initiatives in overseas operations such as implementation of Centralized SWIFT activity through Data Centre in Mumbai, Payment Messaging System with Anti Money Laundering check, Anti Money laundering Compliance and Online List Matching solution. While bank implemented Transaction-based Internet Banking facility for its customers in Uganda, Botswana, UAE, New Zealand, Kenya, Mauritius and Seychelles, a View based e-banking facility was made available in Fiji, Oman, Tanzania and UK.

VI. OBJECTIVE OF THE STUDY

To measure the customer satisfaction in Bank of Baroda and to identify the key actions that helps to retain the customer for long term.

VII. SCOPE OF THE STUDY

This study will analyze customer satisfaction in bank of Baroda only. The findings of the study may become the guideline for customer general that may be using banking services in any other part of the country.

VIII. RESEARCH METHODOLOGY

a. Sample and data collection

This survey was conducted in the context of banking services. The data were collected in face to face interviews of customers coming to banks. The study provides a representative sample of various branches of bank of Baroda’s customers in Faridabad only.

b. Research Approach

This study make use of both Qualitative and Quantitative research.

c. Sample size

A sample of 50 respondents was be used in this research.

d. Data collection Methodology

Data may be of two forms by name primary and secondary data. This research makes use of both the primary and secondary data. The primary data is to be collected with the help of Interview. The secondary data is to be collected with the help of magazines, books, journals and online sources which are related to customer satisfaction.

IX. DATA ANALYSIS

Nature of Banking	VERY DISSATISFIED	DISSATISFIED	SATISFIED	VERY SATISFIED	HIGHLY SATISFIED	NOT USING SERVICE
BRANCH BANKING	2%	4%	30%	14%	0%	0%
INTERNET BANKING	0%	0%	8%	6%	0%	36%
MOBILE BANKING	0%	0%	10%	2%	0%	38%
ATM BANKING	3%	4%	25%	7%	0%	11%

- 30% of the customers are satisfied with the behavior of the staff and 14% are very satisfied and no one is highly satisfied.
- 14% of the customers are using Internet banking out of which only 6% are very satisfied with the service whereas 36% of customers are not using the internet banking.
- 38% of the customers are not using mobile banking whereas only 12% of the customers are satisfied with the service.
- 32% of the customers are satisfied with the ATM banking services whereas 11 % of the customers are not using ATM banking.
- Behavior and attitude of the staff in the bank is the first reason of customer dissatisfaction.
- Time taken to process the transaction is the second reason of customer dissatisfaction.
- Many customers are unaware with the services provided by the bank e.g., Mobile banking.
- Continuous services are not provided by ATM achiness installed by the bank.

X. RECOMMENDATIONS

- There should be clearly defined Customer policy which would be adopted by banks.
- Staff should be well trained.
- Banks should revive their infrastructure according to competitive environment.
- Staff should be friendly and approachable.
- Customer's needs should be anticipated in advance so that they can be helped out in a better way.
- Treat your customers like your friends and they'll always come back.
- Honour your promises

XI. CONCLUSION

In the emerging competitive environment and IT era, with little or no distinction in the product offerings, it is the speed of rendering service that sets apart one bank from another. Prompt service is equated with quality service. Time is a major factor which affects the quality and reputation of the bank. E-banks are providing quick service and that is why they

are becoming more popular. Hence it is very essential that the bank should put in place the right kind of systems to further cut down on service time and render instantaneous services to the customer. Only such banks will tend to survive in the rat race for market shares in the days to come.

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