



CUSTOMER SATISFACTION: A STUDY WITH SPECIAL REFERENCE TO NEW GENERATION BANKS IN ERODE DISTRICT

Dr.K.Rajendran

Assistant Professor in Management, Gobi Arts & Science College, Gobichettipalayam, India.

Abstract

The study focuses on customer satisfaction with new generation banks in Erode district. The factors chosen to measure the satisfaction are procedure for opening an account, rate of interest on loan, number of ATM counters, minimum deposit to avail locker facilities, existing branch network, commission on outstanding cheques, the willingness of employees to help customers, etc. The study was conducted among 610 respondents of various new generation private sector banks operating in Erode district and statistical tools like Percentage analysis and Chi-square test were used for the analysis. It is found that the customers are by and large satisfied with various factors barring a few.

Key words: Banking System, New generation Banks, Customer service, Customer Satisfaction.

INTRODUCTION

Banking is a service industry. Its function is to extend financial services to its customers. Since, the main area of operation of a bank is very different from the area of operation of a manufacturing concern or a trading concern, the norms for the customers and the expectations of the customers are also different from those of the consumers of public utilities and industrial product.

A bank is a financial institution that provides banking and other financial services to their customers. A bank is generally understood as an institution which provides fundamental banking services such as accepting deposits and providing loans. There are also non-banking institutions that provide certain banking services without meeting the legal definition of a bank. Banks are a subset of the financial services industry. A banking system is also referred as a system provided by the bank which offers cash management services for customers, reporting the transactions of their accounts and portfolios, throughout the day.

NEW GENERATION BANKS

Today, banks claim themselves as new generation banks on the basis of certain services they render or the time period they have were formed or brought into existence. But, it should not be done because, it totally depends on how they function, in terms of implementing strategies, creating and initiating new investment plans managing funds and non-performing assets, looking on to the way how their work force is recruited and retained by analysing their true caliber and so on. New generation banks are not just banks who are involved in the implementing a new strategy for the sake of survival. But, banks who are involved in the process of creating a paradigm shift to overcome the ever-changing market requirements and customer preferences by the way they organize the internal and external activities, and initiatives by considering traditional human values and using modern technology, that may result in creating larger revenues. By properly investing and managing the funds to create optimum profit and goodwill for the long run of the business can be considered and proved as sustainable. Similarly, ages pass on and so does time, thus organisations who are involved in creating change and surviving the change by implementing innovative and effective strategies to serve the future generations to come can be considered so. Thus, in this process the bank that excels with its innovative strategy is to be considered as a new generation bank as the those strategies used to exhibit customer service and welfare is just a marketing strategy which brings in customers but on a long run its only the internal affairs and money management strategy that helps a business retain its position in the market.

NEW GENERATION PRIVATE SECTOR BANKS

New Generation Private Sector Banks has not been allowed to be set up in India till 1993. The Narasimham Committee Report of 1991 has envisaged a larger role for private sector banks in recognition of the need to introduce greater competition with a view to achieving higher productivity and efficiency of the banking system in India.

In order to introduce greater competition in the banking system, the RBI issued guidelines in January, 1993 for the establishment of new banks in the private sector, the important guidelines in respect of the entry of new banks in the private sector apart from the required minimum paid-up capital of Rs.100 crore. In 1994-95 out of 10 banks applied, six new private banks viz., AXIS Bank, Indus Ind Bank, ICICI Bank, Global Trust Bank, Centurion Bank and HDFC Bank, commenced



banking business. Subsequently, in 1995-96, three more new private banks viz., Kotak Mahindra Bank, Bank of Punjab, ING VVSYA Bank and IDBI Bank became operational taking the total to nine. The new private sector banks had been very aggressive in business expansion and were reporting higher profit levels. The following are New Generation Banks Bank of Punjab Ltd, Centurion Bank Ltd, Global Trust Bank Ltd, HDFC Bank Ltd, ICICI Bank Ltd, Indus Ind Bank Ltd, ING VVSYA Bank Ltd, IDBI Bank Ltd, Axis Bank (Formerly UTI Bank Ltd.), Kotak Mahindra Bank and YES Bank.

CUSTOMER SATISFACTION IN BANKING INDUSTRY

For any business to grow and prosper, it is the customer who plays a predominant role. It is how the customers perceive the organization and feels about it, decides the future of that particular business. The perception of customers is changing over the years. The purpose of a business was to attract and retain the customer, but in the present scenario, it goes beyond retaining the customer.

Apart from the above realities there is another important factor i.e, awareness of the customers towards the goods or services offered by the business. The customers will buy the product or utilize the service of the concern only if they have some knowledge about that product or services. So it is the part of the banking sectors to create the awareness of their services and facilities among the minds of the consumers.

In a competitive market place where businesses compete for customers, customer satisfaction is seen as a key differentiator and increasingly has become a key element of business strategy. 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. The state of satisfaction depends on a number of both psychological and physical variables which correlate with satisfaction behaviors such as return and recommend rate. The level of satisfaction can also vary depending on other options the customer may have and other products against which the customer can compare the organization's products. 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. Therefore, 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. The argument for customer retention is relatively straightforward. 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 and are less sensitive to price changes. These findings highlight the opportunity for management to acquire referral business, as it is often of superior quality and inexpensive to obtain. Thus, it is believed that reducing customer defections by as little as five percent can double the profits.

REVIEW OF LITERATURE

Many studies were conducted by various researchers in the area of customer services and customer satisfaction in banking sectors. A review of these studies enabled the researcher to formulate the present study.

Singh (2004) empirically studied the appraisal of customer services of PSBs in terms of level of customer service and satisfaction determined by brand, location and design, variety of services, rates and changes, systems and procedures etc. The study found that staff behaviour is very polite and services are provided even in the late hours. Study revealed that 62 % respondents answer that immediate credit is not given for outstation cheques, 93 % feel that they do not hold periodical meetings and services are not provided according to the given schedules. It concluded that services of private sector banks offer better services than the public sector banks. Customer Satisfaction in retail banking among Public and Private bank customers in Varanasi district. It revealed that there was considerable gap between customers expectation and perceptions regarding service delivery, query handling, mobile/net/phone banking and turnaround time. They rated good on ATM/debit cards, level of documentation and ambience (**Jain and Jain 2006**). A study on customer satisfaction in new generations banks. They found that the majority of India's banks are not very diversified in terms of the products and services they offer and strategic focus that banks (**Naveen kumar and Gangal 2011**) implement to remain competitive would be to retain as many customer as possible and customer retention is possible through customers satisfaction only. Thus, Customer's satisfaction is the key of success in today's competitive era. A service industry, all banks should aim at satisfying the customers' needs by providing maximum features in their services. (**Ronak Mehta 2013**) Gap analysis of customer expectation and actual services should be carried out regularly to measure the current level customer satisfaction. Banks are lagging behind in introducing modern customized products such as investments and tax Advisory services, cash management



service, and so on. Growth of Electronic Fund Transfer (EFT), Real Time Gross Scheme and Mobile Banking Services are very poor. Modern technology and face-to-face communication are vital for the banks to win over customers.

OBJECTIVES OF THE STUDY

1. To study the profile of the customers of New Generation Banks.
2. To measure the satisfaction level of customers in New Generation Banks.
3. To offer suggestions to improve the services offered by the New Generation Banks.

For the purpose of the study, data were collected from the customers of seven new generation banks in Erode district adopting convenient sampling method. The new generation banks are ICICI bank, HDFC, AXIS, IDBI, ING VYSYA, INDUS IND and KOTAK MAHINDRA in which 610 customers were selected as sample for the study. Primary data collected by using the interview schedule were entered in to the number character – Excel in tabular form. The entered data were validated using tabulators. The master table in texdata.xls format was then imported into SPSS for further analysis. The data were analyzed by using the following Percentage analysis and Chi-square test and statistical tools.

Analysis of socio-economic background and customer services in new generation banks

The socio-economic background of the respondents reveals that almost half of the respondents are in the lower middle age category (26-40 years), and around three fourth of them are male and married. Majority of them are from nuclear family and around three fourth of them have medium size family. Around one third of them are post graduates and employed. Majority of them are from urban area and around 40% of them have monthly income of Rs.15,001 - Rs.30,000. Around half of them have savings bank account in New Generation Banks and most of the respondents have account in other banks also. The following table shows the distribution of the respondents based on the level of satisfaction regarding various factors.

MEAN SCORES AND SD OF CUSTOMER SATISFACTION OF RESPONDENTS REGARDING NEW GENERATION BANKS

S. No.	Factors	No. of Respondents						Mean score	S.D
		HS	S	N	DS	HDS	Total		
1.	Procedure for opening account	288 (47.2)	171 (28)	123 (20.2)	8 (1.3)	20 (3.3)	610 (100)	4.15	1.001
2.	Procedure for depositing or withdrawing cash	108 (17.7)	306 (50.2)	129 (21.1)	61 (10)	6 (1)	610 (100)	3.74	0.899
3.	Time taken for each transaction	153 (25)	145 (23.8)	195 (32)	105 (17.2)	12 (2.0)	610 (100)	3.53	1.102
4.	Location of the bank	111 (18.2)	174 (28.5)	170 (27.9)	74 (12.1)	81 (13.3)	610 (100)	3.26	1.265
5.	Response for the enquiry regarding opening account	91 (14.9)	100 (16.4)	157 (25.7)	141 (23.2)	121 (19.8)	610 (100)	2.83	1.327
6.	Updating of pass book	118 (19.3)	153 (25.3)	108 (17.7)	92 (15.1)	139 (22.6)	610 (100)	3.03	1.445



7.	Access to various forms	96 (15.7)	170 (27.9)	175 (28.7)	66 (10.8)	103 (16.9)	610 (100)	3.15	1.293
8.	Approach of the bank employees	180 (29.5)	209 (34.3)	134 (22)	38 (6.2)	49 (8)	610 (100)	3.71	1.185
9.	Procedure and Formalities in getting loan & Advances	85 (13.9)	202 (33.1)	212 (34.8)	50 (8.2)	61 (10)	610 (100)	3.33	1.125
10.	Securities needed for getting loan	111 (18.2)	109 (17.9)	238 (39)	56 (9.2)	96 (15.7)	610 (100)	3.14	1.270
11.	Time taken for cheque collection	95 (15.5)	184 (30.2)	162 (26.6)	73 (12)	96 (15.7)	610 (100)	3.18	1.282
12.	Providing information in time	105 (17.2)	209 (34.3)	177 (29)	69 (11.3)	50 (8.2)	610 (100)	3.41	1.143
13.	Response to the requisition for Cheque book	89 (14.5)	179 (29.3)	189 (31)	71 (11.6)	82 (13.4)	610 (100)	3.20	1.222
14.	Procedure in getting locker, credit, ATM/ debit card facilities	105 (17.2)	162 (26.6)	188 (30.8)	62 (10.2)	93 (15.2)	610 (100)	3.20	1.276
15.	Rate of interest on deposits	104 (17.1)	157 (25.7)	177 (29)	78 (12.8)	94 (15.4)	610 (100)	3.16	1.288
16.	Rate of interest on loan	139 (22.8)	195 (32)	160 (26.2)	92 (15.1)	24 (3.9)	610 (100)	3.55	1.155
17.	Service charges	135 (22.1)	139 (22.8)	194 (31.8)	69 (11.3)	73 (12)	610 (100)	3.32	1.267
18.	Availability of ATM network	115 (18.9)	152 (24.8)	173 (28.4)	83 (13.6)	87 (14.3)	610 (100)	3.20	1.293
19.	ATM service charges	155 (25.4)	164 (26.9)	136 (22.3)	98 (16.1)	57 (9.3)	610 (100)	3.43	1.280
20.	Functioning and performance of ATM of the bank	115 (18.9)	139 (22.8)	165 (27)	82 (13.4)	109 (17.9)	610 (100)	3.11	1.350



21.	Number of ATM counters provided by the bank	187 (30.7)	122 (20)	141 (23.1)	111 (18.2)	49 (8)	610 (100)	3.47	1.308
22.	RTGS/ NEFT Services & E-banking facilities	132 (21.6)	155 (25.4)	142 (23.3)	89 (14.6)	92 (15.1)	610 (100)	3.24	1.347
23.	Locker facilities	108 (17.7)	158 (25.9)	177 (29)	54 (8.9)	113 (18.5)	610 (100)	3.15	1.333
24.	Rent charged for lockers	126 (20.7)	133 (21.8)	210 (34.4)	72 (11.8)	69 (11.3)	610 (100)	3.29	1.239
25.	Minimum deposit to avail locker facilities	78 (12.8)	206 (33.8)	210 (34.4)	82 (13.4)	34 (5.6)	610 (100)	3.35	1.043
26.	Existing branch network	83 (13.6)	177 (29)	195 (32)	68 (11.1)	87 (14.3)	610 (100)	3.17	1.221
27.	Internal physical arrangements of branch	99 (16.2)	153 (25.1)	178 (29.2)	142 (23.3)	38 (6.2)	610 (100)	3.22	1.156
28.	Commission on outstanding cheques	77 (12.6)	162 (26.6)	205 (33.6)	89 (14.6)	77 (12.6)	610 (100)	3.12	1.187
29.	The willingness of employees to help customers	93 (15.2)	174 (28.5)	150 (24.6)	76 (12.5)	117 (19.2)	610 (100)	3.08	1.348

It is clear that with regard to various factors of satisfaction on new generation banks, a significant number of respondents show high level of satisfaction regarding procedure for opening an account, rate of interest on loan, number of ATM counters, minimum deposit to avail locker facilities and a considerable number of respondents show low level of satisfaction with regard to response to enquiries and updating pass book, willingness of employees to help customers.

Association between independent variables and Level of satisfaction

The association between independent variables namely Age, Gender, Marital status, Type of family, Size of family, Educational background, Occupation, Place of Residence, Monthly income, Account holding with new generation banks, Types of Account maintained in the banks, Number of years of operating account, Number of transactions per month and satisfaction scores of customers was examined. Significance of the association of all the above variables with the opinion of customers regarding their satisfaction was analysed by applying the chi-square test. Ho: There is no significant association between the level of satisfaction towards new generation banks and various categories of customers classified based on independent variables. Chi square test was used to know the association between each independent variable with dependent variable.

It is clear that with regard to various factors of satisfaction on new generation banks, a significant number of respondents show high level of satisfaction regarding procedure for opening an account, rate of interest on loan, number of ATM counters, minimum deposit to avail locker facilities and a considerable number of respondents show low level of satisfaction with regard to response to enquiries and updating pass book, willingness of employees to help customers.

FINDINGS OF THE STUDY

Out of the 610 respondents 48.9% of the respondents are in the 26-40 years of age category, 70% of the respondents are male, 74.4% of the respondents are married, 62.5% of the respondents are from nuclear family, 74.8% of the respondents are



from medium size of family and 36.4% of the respondents are post graduates. 32% of the respondents are employees, 57% of the respondents have place of residence in urban area, 38.5% of the respondents' family income is upto Rs.10,000, 40.3% of the respondents' family income per month is Rs.15,001- Rs.30,000, 38.7% of the respondents are account holders of ICICI bank and 50.8% of the respondents have savings bank account. 43% of the respondents are operating account for below 5years, 36.4% of the respondents do transactions 3-6 times per month, 86.4% respondents have account in other banks and 38.5% of the respondents choose the bank for quality of service.

It is inferred that majority of the respondents have medium level satisfaction with regard to services offered by new generation banks. It is also observed that there is association between the personal variables namely, age, marital status, types of account and number of years of operating account and the level of satisfaction on services of new generation banks. It is notable that there is no association between the personal variables namely, gender, type of family, size of family, educational background, occupation, place of residence, monthly income, account holding and number of transactions per month and the level of satisfaction on services of new generation banks.

SUGGESTION

A significant number of customers are found to be dissatisfied with the factors namely, response to the enquiries, updating of passbook, functioning of ATMs, physical arrangements of bank and willingness of employees to help customers. Hence it is suggested that the New Generation Banks, though stand superior with regard to services it is better for them to focus their attention on the areas mentioned above and make improvement. A considerable number of respondents identified the factors namely, loan procedures, waiting time, response to the queries, account opening procedure as the areas where they face problems. Hence the bankers may pay more attention on these issues and make the customers more satisfied with the banking services. Necessary steps may be made to make loan procedure hassle free. Waiting time of the customers may be reduced by allotting transaction time for the customers. This may be done by advance booking of time slot by the customers with the banker using SMS / E-mail services. The bank employees may be given special orientation regarding customer relationship and be advised to treat the customers well and respond to their queries patiently and clearly.

CONCLUSION

Majority of them are satisfied with the services offered by the New Generation Banks. As far as the services are concerned New Generation Banks are better placed than the other banks. The findings and suggestions throw much light on the present scenario of the functioning of New Generation Banks in Erode District. Banking is the dynamic field which has to change according to the demand and expectations of the customers and the banks should keep growing by incorporating and adopting the positive measures in their day-to-day operations.

REFERENCES

1. **Bodla and Verma, (2006)**, "Performance of New Private Sector Banks in India", *Indian Journal of Commerce*, Vol. 61(2 and 3).
2. **Bolton, Ruth N. (1998)**, "A Dynamic model of the Customers Relationship with a continuous Service -The Role of Satisfaction", *Marketing Science*, Vol. 17(1).
3. **Casalo, I. V. Flavion, C. and Guinalice, M. (2008)**, "The Role of Satisfaction and Website Usability in Developing Customer Loyalty and Positive word-of mouth in E-Banking Services", *International Journal of Bank Marketing*, Vol. 26(6), pp. 399-417.
4. **Jain, A.K. and Jain, P. (2006)**, "Customer Satisfaction in Retail Banking", *NICE Journal of Business*, Vol. 1(2), July- December, pp.95-102.
5. **Krishna Murthy, M. (2010)**, "Customer Services and Satisfaction – A study with reference to customers of Bank in Muscat", *Sri Krishna International research and Educational consortium*, Vol. 1(3), pp. 1-24.
6. **Kumbhar Vijay, (2011)**, "Service Quality perception and customer satisfaction in Internet Banking services:A case study of Public and Private Sector Banks" *Cyber Literature online journal*, Vol. 2(4), pp. 21-30.
7. **Naveenkumar and Gangal, V.K. (2011)**, "A study on customer satisfaction in new generation banks (A case study of HDFC Bank)", *International Referenced Research Journal*, Vol. 11(4), pp.177-186.
8. **Ronak, A. Mehta, (2013)**, "Banking Services and Customer Satisfaction – A Study of Public and Private Sector Banks in Navsari City", *Paripex – Indian Journal of Research*, Vol. 2(3).
9. **Singh, S. (2004)**, 'An Appraisal of Customer Service of Public Sector Banks', *IBA Bulletin*, Vol. 26(1), pp. 30-33.
10. **Singh, S.B. (2006)**, "Customer Management in Banks", *Vinimaya* Vol. 37(3), pp. 31-35.