

Customer Satisfaction in Commercial Banks A Case Study of Punjab National Bank

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Abstract

The Indian Banking Industry has undergone radical changes due to liberalization and globalization measures undertaken since 1991. Today, Indian Banking Industry is one of the largest industry in the world. There has been a great surge in efficient customer services. A highly satisfied and delighted customer is a very vital and non-financial asset for the banks in the emerging IT era. The courtesy, accuracy and speed are like a crown factors for a bank. Based on the responses of 100 customers of Punjab National Bank operating in the Meerut district of Uttar Pradesh has been taken into consideration. The survey was conducted in Meerut district.

Key Words: Organized Segment, Customer satisfaction, Retail Banking, Universal Banking.

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1. INTRODUCTION

In the organized segment of Indian economy, the banking sector occupies an important place in nation's economy. It plays a pivotal role in the economic development of a country and forms the core of the money market in developed country. Banks have to deal with many customers every day and render various types of services to its customer. It's a well known fact that no business can exist without customers. Not so long ago, accessing our own money was about setting aside a couple of hours, getting to the bank before closing time, standing in a queue to get a token and then in another to collect the cash.

The banking industry like many other financial service industries is facing a rapidly changing market, new technologies, economic uncertainties, fierce competition and more demanding customers and the changing climate has presented an unprecedented set of challenges. Banking is a customer oriented service industry, therefore, the customer is the focus and customer service is the differentiating factor.

The banking industry in India has undergone sea changes since post independence. The business depends upon client services and the satisfaction of the customer and this is compelling them to improve customer services and build up relationship with customers.

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 endeavor is to be customer centric. With the emergence of economic reforms in world in general and in India in particular, today's banks have come up in a big way with prime emphasis on technical and customer focused issues.

Customer satisfaction, a business term, is a measure of how products and services supplied by a company meet or surpass customer expectation. It is seen as a key performance indicator within business. In a competitive marketplace where businesses compete for customers, customer satisfaction is seen as a key differentiator and increasingly has become a key element of business strategy. Customer satisfaction is an ambiguous and abstract concept and the actual manifestation of the state of satisfaction will vary from person to person and service to service. The state of satisfaction depends on a number of both psychological and physical variables.

2. LITERATURE REVIEW

Indian banking system has undergone a drastic change after the independence of the country. There has been a significant change in the structure, composition, management objectives and the mode of working of the banking institutions over the last three decades or so. Cut to the present day and the nature of banking has changed beyond recognition. With ATM cards, simple banking transactions like withdrawing and depositing money are easier than ever before. For the tech-savvy, there is the option of banking online. The next medium may just be your mobile. Even when it comes to products, the changes have been many. Graduating from simple saving accounts and fixed and recurring deposits, banks now offer a host of products like special saving accounts and sweep-in-account, no frills accounts and easy receive accounts.

Satisfaction is basically a psychological state; care should be taken in the effort of quantitative measurement, although a large quantity of research in this area has recently been developed. Work done by **Berry (Bart Allen) and Brodeur** between 1990 and 1998 defined ten 'Quality Values' which influence satisfaction behavior, further expanded by Berry in 2002 and known as the ten domains of satisfaction. These ten domains of satisfaction include: Quality, Value, Timeliness, Efficiency, Ease of Access, Environment, Inter-departmental Teamwork, Front line Service Behaviors, Commitment to the Customer and Innovation. These factors are emphasized for continuous improvement and organizational change measurement and are most often utilized to develop the architecture for satisfaction measurement as an integrated model. Work done by **Parasuraman, Zeithaml and Berry (Leonard L)** between 1985 and 1988 provides the basis for the measurement of customer satisfaction with a service by using the gap between the customer's expectation of performance and their perceived experience of performance. This provides the measurers with a satisfaction "gap" which is objective and quantitative in nature. Work done by Cronin and Taylor propose the "confirmation/disconfirmation" theory of combining the "gap" described by Parasuraman, Zeithaml and Berry as two different measures (perception and expectation of performance) into a single measurement of performance according to expectation. According to **Garbrand**, customer satisfaction equals perception of performance divided by expectation of performance. The usual measures of customer satisfaction involve a survey with a set of statements using a Likert Technique or scale. The customer is asked to evaluate each statement and in terms of their perception and expectation of performance of the organization being measured.

The working of the customer's mind is a mystery which is difficult to solve and understanding the nuances of what customer satisfaction is, a challenging task. This exercise in the context of the banking industry will give us an insight into the parameters of customer satisfaction and their measurement. This vital information will help us to build satisfaction amongst the customers and customer loyalty in the long run which is an integral part of any business. The customer's requirements must be translated and quantified into measurable targets. This provides an easy way to monitor improvements, and deciding upon the attributes that need to be concentrated on in order to improve customer satisfaction. We can recognize where we need to make changes to create improvements and determine if these changes, after implemented, have led to increased customer satisfaction.

3. MEASURING CUSTOMER SATISFACTION IN THE BANKING INDUSTRY

Banking operations are becoming increasingly customer oriented. The demand for 'banking supermalls' offering one-stop integrated financial services is well on the rise. The ability of banks to offer clients access to several markets for different classes of financial instruments has become a valuable competitive edge. Convergence in the industry to cater to the changing demographic expectations is now more than evident. Bank assurance and other forms of cross selling and strategic alliances will soon alter the business dynamics of banks and fuel the process of consolidation for increased scope of business and revenue. The thrust on farm sector, health sector and services offers several investment linkages. In short, the domestic economy is an increasing pie which offers extensive economies of scale that only large banks will be in a position to tap.

With the phenomenal increase in the country's population and the increased demand for banking services; speed, service quality and customer satisfaction are going to be key differentiators for each bank's future success.

Thus, it is imperative for banks to get useful feedback on their actual response time and customer service quality aspects of retail banking, which in turn will help them take positive steps to maintain a competitive edge.

4. THE NEED TO MEASURE CUSTOMER SATISFACTION

Satisfied customers are central to optimal performance and financial returns. In many places of the world, business organizations have been elevating the role of the customer to that of a key stakeholder over the past twenty years. Customers are viewed as a group whose satisfaction with the enterprise must be incorporated in strategic planning efforts. Forward-looking companies are finding value in directly measuring and tracking customer satisfaction as an important strategic success indicator. Evidence is mounting that placing a high priority on customer satisfaction is critical to improved organizational performance in a global market place. With better understanding of customers' perceptions, companies can determine the actions required to meet the customers' needs. They can identify their own strengths and weaknesses, where they stand in comparison to their competitors, chart out the path of future progress and improvement. Customer satisfaction measurement helps to promote an increased focus on customer outcomes and stimulate improvements in the work practices and processes used within the company. When buyers are powerful, the health and strength of the company's relationship with its customers – its most critical economic asset – is its best predictor of the future. Assets on the balance sheet – basically assets of production – are good predictors only when buyers are weak. So it is no wonder that the relationship between those assets and future income is becoming more and more tenuous. As buyers become empowered, sellers have no choice but to adapt. Focusing on competition has its place, but with buyer power on the rise, it is more important to pay attention to the customer. Customer satisfaction is quite a complex issue and there is a lot of debate and confusion about what exactly is required and how to go about it. This article is an attempt to review the necessary requirements, and discuss the steps that need to be taken in order to measure and track customer satisfaction.

4.1. What constitutes Satisfaction?

The meaning of satisfaction: "Satisfied" has a range of meanings to individuals, but it generally seems to be a positive assessment of the services.

The word "satisfied" itself had a number of different meanings for respondents, which can be split into the broad themes of contentment/happiness, relief, achieving aims and happy with outcome and the fact that they did not encounter any hassle:

4.2. Happy

- Content
- Happy, pretty happy, quite happy
- Pleased
- Walked out of there feeling good
- Walk out of there chuffed

- Grateful the service has been OK

4.3. Relieved

- Thank God for that:
- Phew
- At ease
- Can relax
- Stress reduction
- Secure
- Safe
- Go to the bank with a troubled mind and they sort it out for you
- Sleep at night without worrying what's going to go on
- Everything is sorted out in your mind and you're happy
- Secure, you know the money has been sorted out
- Knowing the money's going to be there

4.4. Achieving aims

- Achieving your aim or goal
- Getting what you went in for
- Achieve whatever it is you wanted to achieve
- Come away with a proportion of what you want
- Got what wanted in the end
- Got what you went down for
- Everything went according to plan, the way it should have done
- Met expectations
- To be unsatisfied is when you come out and you are still on the same level as you were before

4.5. Achieving aims, and happy with outcome

- Happy with the results
- Happy with what you've got
- When you walk out you're happy they've sorted everything out and quickly
- Happy with outcome
- Pleased with what has happened
- Content with what has been done for you
- A feeling of happiness having achieved your goal
- You go there feeling down and the only way you are going to come out satisfied is that if they have been good to you

4.6. No hassle

- Not frustrated
- Everything goes smooth
- No hassle
- No problem

- No hassle getting there
- Straight forward

Clearly then there is some variation in understanding of the term. Some of the interpretations fit with the definition used in much of the service quality and satisfaction literature, where satisfaction is viewed as a zero state, merely an assessment that the service is adequate, as opposed to “delight” which reflects a service that exceeds expectations. However, most respondents have more positive interpretations of the term. These questions allow us to identify priorities for improvement by customer satisfaction with stated (overt) importance, comparing satisfaction with modeled (covert) importance (from identifying key drivers of overall satisfaction), as well as respondents’ own stated priorities.

4.7. Service Quality and Customer Satisfaction

There is a great deal of discussion and disagreement in the literature about the distinction between service quality and satisfaction. The service quality school view satisfaction as an antecedent of service quality – satisfaction with a number of individual transactions “decay” into an overall attitude towards service quality. The satisfaction school holds the opposite view that assessments of service quality lead to an overall attitude towards the service they call satisfaction and customer retention – customer’s perception of Service and Quality of product will determine the success of the product or service in the market.

If experience of the client from the previous services, greatly exceeds the expectations then satisfaction will be high, and vice versa. In the service quality literature, perceptions of the service delivery are measured separately from customer expectations, and the gap between the two provides a measure of service quality.

4.8. Expectations and Customer Satisfaction

Expectations have a central role in influencing satisfaction with services, and these in turn are determined by a very wide range of factors lower expectations will result in higher satisfaction ratings for any given level of service quality. This would seem sensible; *e.g.*, poor previous experience with the service or other similar service is likely to result in it being easier to pleasantly surprise customers. However, there are clearly circumstances where negative preconceptions of a service provider will lead to lower expectations, but will also make it harder to achieve high satisfaction ratings – and where positive preconception and high expectations make positive ratings more likely. The expectations theory in much of the literature, therefore, seems to be an over simplification.

5. BANKING INDUSTRY: AN OVERVIEW

For centuries banks have played an important role in financial system of the country. The vital role continues even today although the form of banking has changed today with changing need of the economy and individuals. With expansion of trade and commerce, the concept of banking gained importance. The banking transcended from individuals to groups and later to companies. During the Mughal period the indigenous bankers played a very important role in lending money and financing foreign trade in India. During British rule the agency houses carried on the banking business. The Banking system in India has three tiers. There are scheduled commercial banks, the

regional rural banks; and the cooperative banks. The scheduled commercial banks constitute those banks which are included in the second schedule of RBI Act, 1934.

In the organized segment, banking system occupies an important place in nation's economy. It plays a pivotal role in the economic development of a country and forms the core of the money market in developed country. The commercial banks in India comprise of both Public sector as well as private sector banks. There are total 28 Public sector and 27 private sector banks functioning in the country presently. Banks have to deal with many customers everyday and render various types of services to its customer. It's a well known fact that no business can exist without customers.

6. PUNJAB NATIONAL BANK

Since its humble beginning in 1895 with the distinction of being the first Indian Bank to have been started with Indian capital, PNB has achieved significant growth in business which at the end of March 2011 amounted to 5,55,005 crore. PNB is ranked as the 2nd largest bank in the country after SBI in terms of branch network, business and many other parameters.

With over 60 million satisfied customers and more than 5100 offices including 5 overseas branches, PNB has continued to retain its leadership position amongst the nationalized banks. The bank enjoys strong fundamentals, large franchise value and good brand image. Apart from offering banking products, the bank has also entered the credit card, debit card; bullion business; life and non-life insurance; Gold coins & asset management business, etc. PNB has earned many awards and accolades during the year in appreciation of excellence in services, Corporate Social Responsibility (CSR) practices, transparent governance structure, best use of technology and good human resource management.

7. OBJECTIVES OF THE STUDY

Analyzing what is relevant to a successful banking relationship, so that Punjab National Bank can achieve and maintain customer satisfaction in the new climate; and identifying and commenting on what we see as the key actions that bank must take to retain and expand their customer base in this challenging and increasingly sophisticated market.

8. SCOPE OF THE STUDY

The scope of the study is confined to the Punjab National Bank in terms of customer satisfaction. The study has been undertaken on the basis of sample survey.

9. RESEARCH METHODOLOGY

9.1. 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 Punjab National Bank's customers in Meerut only.

9.2. Research design

The research design is relating to the collection and analysis of data. There is Qualitative and Quantitative Research design.

9.3. Data collection In qualitative research design, for the collection of data

Depth Interviews, Focus groups and Projective techniques have been used. In quantitative research design the data have been collected from primary source through observations, experimentation and questionnaires.

9.4. Sample size: The samples have been selected on random basis.

A sample of 100 respondents was be used in the research.

9.5. Data sources: Both secondary and primary sources of data have been used.

The major type of information used is primary data. This is done through primary survey. The literature review contains a secondary data type. The sources include books, periodicals websites, printed literature etc.

10. DATA ANALYSIS**Table-1:** Statement showing different level of customer satisfaction in Punjab National Bank

	Very Dissatisfied	Dissatisfied	Satisfied	Very Satisfied	Highly Satisfied	Not Using Service
Mobile Banking	0%	0%	20%	4%	0%	76%
Branch Banking	4%	8%	60%	28%	0%	0%
Internet Banking	0%	0%	16%	12%	0%	72%
ATM Banking	6%	8%	49%	14%	0%	23%

- 76% of the customers are not using mobile banking whereas only 20% of the customers are satisfied with the service.
- 60% of the customers are satisfied with the behavior of the staff and 28% are very satisfied and no one is highly satisfied.
- 28% of the customers are using internet banking out of which only 12% are very satisfied with the service whereas 72% of customers are not using the internet banking
- 23% of the customers are not using ATM banking, whereas only 14% are very satisfied with this service.
- Reasons of Dissatisfaction in Public sector banks: 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 machines installed by the bank.

11. RECOMMENDATIONS

- The staff should be adequately trained to deal with the customer on one to one basis.
- Banks need to revive their infrastructure to have pace with the competing environment.
- Many of the services needs improvement *e.g.*, ATM facilities.
- Staff should be adequately trained to encourage face to face dealing.
- Staff should be friendly and approachable.
- Clearly defined customer policy should be adopted by the banks.

- 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

12. LIMITATIONS

- The study is geographically restricted to Meerut city, U.P. (India) only.
- Findings are based on sample survey through questionnaire method.
- Hence there is a scope for the respondents to be biased.

13. EMERGING ISSUES

The emerging competition and information technology has enhanced the expectations of bank's customers. Many banks are unable to meet the expectations of the customers and gap between the available facilities and expectations is widened. It is the utmost important to fulfill this widening gap. The new competition has raised many issues like, awareness regarding new technology, high cost in e-banks, customer's confidence in e-channels, capturing rural and semi-urban population, marketing with e-channels, changing customer profile, proper location of ATMs, lack of IT experts and IT related infrastructure for the Indian banking industry. These issues must be tackled very carefully and wisely to compete in the global market.

14. 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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