ORIGINAL ARTICLE

CUSTOMER SERVICE SATISFATION – PRIVATE VS PUBLIC SECTOR BANKS IN INDIA

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Abstract:

Customer satisfaction is one of the parameters for judging the efficiency of banking system. With increasing use of technology and plethora of products offered by the banks, one of the important discerning point for customer to open their account is the speed, convenience and customer service rendered by the bank. The banks are now ready to face the nuances of the customer and they are striving hard to keep themselves up to the expectations of the customer. In the real sense customer in now king. Satisfaction is customer's emotional response or feeling of pleasure or displeasure to perceived quality. This research paper attempts to make a comparative analysis of customer's satisfaction of public & private sector banks in India. The research work is descriptive in nature and both primary and secondary data has been used. The general myth that public sector banks are not customer pro-active and are deficient in providing quality customer service, has been demystified by this research. The study brings out that level of satisfaction of customers of public sector banks is found to be higher as compared to private sector banks. However, there is always scope for improvement and the banks must make sustained effort to increase the quality and take it to the next higher level of satisfaction known as "customer delight".

KEYWORDS :

quality service, intangible service, customer centric, computerization.

INTRODUCTION

Banking is one of the most dynamic and effective sector and is considered as life line of any economy. The Indian banking which was once considered as sleepy business institution now has changed and established itself as a highly dynamic and proactive entity. Reserve Bank of India is the apex regulator of all banks in India and decides the guidelines and parameters of customer service.

Customers are backbone of banks and it exists because customers are there. The services provided are mostly intangible, but it leaves an undeniable imprint on the psyche of the customers. The purpose of the bank is to create, win and retain its customers. Service facility needs to be in sync with customers demand and taste. This is the ultimate aim of any bank and its service hovers around this perspective of customer satisfaction. This is how the cycle of business can be perpetuated and sustained. Thus, it is expected from every service organization to manage and co-ordinate all resources and activities of the service firms that have the potential to influence the customer.

The hype of mass banking to class banking emerged when financial sector reforms started to germinate in India in early 1990's. Nationalization was done with the motto of raising the contributions of the public in the commercial banks for the development and welfare of the masses. However, this profound concept resulted in degeneration of customer service and apathetic attitude of bank employees towards their customers, the service level fall resulting in constituting of many committees by RBI to look into this

aspect. Goiporia Committee came out with many recommendations on customer service plank and was adopted by all banks across the board. Meanwhile, some foreign banks and new generation private sector banks were given licenses to open their branches in 1994-95. They got an opportunity to show case their customer centric approach by providing personalized service and exotic range of products to their customers by use of technology and IT. They got success in establishing an edge over the services of public sector banks. However, RBI demotivated private sector banks and especially the foreign banks while expanding their net work, which has minimized the intensity of competition.

REVIEW OF LITERATURE

The article is one in a series that offers a fresh look at the paradigmatic shifts being experienced by the traditional government supported banking establishments especially those in erstwhile socialist and mixed economies, in the newly embraced context of liberalization, privatization and globalization. This mission is undertaken in the context of customer complaints regarding failure in the delivery of banking services. (Babu P George, Purva G Hedge (2004), Journal: International Journal of Bank Marketing).

The financial sector reforms launched in early 1990's have radically changed the banking scenario in the country. New prudential norms such as capital adequacy ratio, classification of non-performing assets, provision requirements, BASEL II/III stringent prescriptions have made availability of capital scarce and only those banks can survive which have an excellent customer service. As a sequel to these reforms, new private sector banks were allowed entry into the market. These new generation banks have brought with them state-of-art technology for business processing and service delivery, besides being efficient in catering to customers' demands. Yet, the failure of Global Trust Bank made Indian depositors to question the sustainability of private banks (Chowdari Prasad & K S Srinivasa Rao, 2005).

The recent trends show that most banks are shifting from a product centric model to customer centric model as customer satisfaction has become one of the major determinants of business growth. In this context, prioritization of preferences and close monitoring of customer satisfaction have become essential for banks (Nalini Prabha Tripathy, May 2006).

Bisht and Mishra (2008), in their study on " Liberalization and its effect on Indian Banking" highlighted that the banking structure at present is the outcome of a process of expansion, reorganization and consolidation which has been going on for many years, and can be perceived in their important phase such as pre-nationalization phase, post-nationalization phase and post-liberalization. With the advent of internet, one can distinctly perceive the arrival of the fourth phase which will lead to mass structural change in banking by replacing brick and mortar branches with the electronic delivery channels to provide more options to customers.

Customers of Public sector banks are more sensitive with regard to the processing time for account handling and technological updates. Dissatisfaction can lead to shifting to another bank, while in the case of private sector banks customers, proximity to residence and sometimes delay in processing time can be the likely reasons to change the existing bank with new a one. (Aruna Dhade & Manish Mittal, May 2008)

Ingari (2009), in his study on " Private Banks' Poor Service – A systems approach to Problem" highlights that today's private banking system assumes that customers are willing to invest their wealth in just one place or through just one financial services organization. This mounts to numerous problems and the CEO's often take on more than they can handle, and the end result is frustration as technology projects move too slowly or fail outright.

RESEARCH METHODOLOGY

The main objectives of the study are:

1.To find out if both private & public sector banks are flowing guidelines stipulated by RBI for general public transactions.
2.Were developedTo find out and to compare which sector bank is showing more deviation.
3.To highlight the different variables responsible for determining the level of satisfaction among customers of both private and public sector banks.
4.To open new areas for further research aiming at identification and elimination of causes for dissatisfaction and discontentment among their customers.

Hypothesis

To derive authentic result the following hypothesis were developed.

Case1:

A1 – Both private & public sector banks are not allowing deviation in following guidelines (time limit) specified by RBI for general public transactions.
A2 -Both private & public sector banks are showing deviation in following guidelines (time limit) specified by RBI for general public transactions.

Case 2:

A1 – Public sector bank is showing more deviation as compared to Private sector bank in handling general public transactions.
A2 - Public sector bank is not showing more deviation as compared to Private sector bank in handling general public transactions.

2.A1 – Employees of both sector banks are not cooperative.
A2 - Employees of both sector banks are significantly cooperative.
3.A1 - Customers of both sector banks are not made aware of new schemes and facilities offered by the bank.
A2 - Customers of both sector banks are made aware of new schemes and facilities offered by the bank.
4. A1 - Complaints of customers of both sector banks are not handled properly and timely.
A2 - Complaints of customers of both sector banks are handled properly and timely.

TOOLS USED FOR ANALYSIS

Standard deviation and Z test were used to test the hypothesis and there after to reach the specific conclusion.

DETAILED METHODOLOGY

·One leading private sector bank and one leading public sector bank of Noida were selected.
·100 customers of each bank were selected to respond to the questionnaire.
·For study Descriptive research design was used and it was conclusive in nature.
·Customers were contacted at respective bank branches.
·Collected data was properly edited, classified and tabulated.
·Analysis was conducted using statistical tools like percentage, average, standard deviation and z test.

DATA ANALYSIS AND INTERPRETATION

 Responses for Private sector Banks

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Sr. no.	Questions & types of transactions	Time generally taken by the bank for various transactions				
		10-20 minutes	20-30 minutes	30-40 minutes	40-50 minutes	Mean value
a	Cheques encashment	18 (18%)	55 (55%)	28 (28%)	Nil	26
b	Cash deposit	14 (14%)	53 (53%)	33 (33%)	Nil	26.9
c	FD encashment	Nil	43 (43%)	57 (57%)	Nil	30.7
d	FD renewal	Nil	23 (23%)	39 (39%)	38 (38%)	36.5
e	Draft issuance	11 (11%)	55 (55%)	34 (34%)	Nil	27.3
f	Issuance of duplicate passbook/second passbook	08 (8%)	49 (49%)	33 (33%)	10 (10%)	29.5
		0-30 minutes	30-60 minutes	60-120 minutes		
g	Issue duplicate draft	16 (16%)	78 (78%)	O6 (6%)		42.9
	Questions / Other aspects	Questions / Other aspects		Questions / Other aspects		
2	Do you find the bank staff overall helpful and co-operative?	78 (78%)		22 (22%)		
3	Are you informed about new schemes / products launched by bank?	64 (64%)		36 (36%)		
4	Whether complaints / grievances are redressed on time?	10 (10%)		90 (90%)		

Responses for Public sector Banks

Sr. no.	Questions & types of transactions	Time generally taken by the bank for various transactions				
		10-20 minutes	20-30 minutes	30-40 minutes	40-50 minutes	Mean value
a	Cheques encashment	40 (40%)	48 (48%)	12 (12%)	Nil	21.6
b	Cash deposit	52 (52%)	32 (32%)	16 (16%)	Nil	20.5
c	FD encashment	18 (18%)	47 (47%)	24 (24%)	11 (11%)	27.8
d	FD renewal	12 (12%)	54 (54%)	34 (34%)	Nil	27.25
e	Draft issuance	28 (28%)	51 (51%)	21 (21%)	Nil	24.05
f	Issuance of duplicate passbook/second passbook	09 (9%)	28 (28%)	51 (51%)	12 (12%)	31.6
		0-30 minutes	30-60 minutes	60-120 minutes		
g	Issue duplicate draft	12 (12%)	50 (50%)	38 (38%)		59.1
	Questions / Other aspects	Questions / Other aspects		Questions / Other aspects		
2	Do you find the bank staff overall helpful and co-operative?	83 (83%)		17 (17%)		
3	Are you informed about new schemes / products launched by bank?	79 (79%)		21 (21%)		
4	Whether complaints / grievances are redressed on time?	64 (64%)		36 (36%)		

HYPOTHESIS TESTING

Transaction time : RBI has specified different time limits for different transactions which is applicable equally to both categories of banks under consideration. Hence customers of both banks were asked how much time was taken for different transactions with their banks. For this objective the above referred hypothesis, case1 & case2 were made and standard deviation of both the banks were calculated to test the hypothesis.

Case 1:

Calculation of standard deviation for private sector bank:

(Standard deviation or SD) $\sigma = \Sigma(\omega-\varpi)/n$

$$= 985.5/100$$

$$= 9.855$$

$$= 3.139$$

SD for Public sector bank:

$$\sigma_1 = \Sigma(\omega-\varpi)/n$$

$$= 1279.64/100$$

$$= 12.7964$$

$$= 3.577$$

From the results it seems obvious that both sector banks are showing deviation in the time limit stipulated by RBI for general public transactions. Hence hypothesis A2 is accepted.

Case 2: Calculation of z

$$Z = \frac{x_1 - x_2}{\frac{\sigma^2 + \sigma_1^2}{n_1 n_2}}$$

where

$x_1 = 31.40$ which is mean of the responses of customers of private sector bank

$x_2 = 30.27$ which is mean of the responses of customers of public sector bank

n_1 & $n_2 = 100$ sample size of both the banks

$\sigma = 3.139$ is SD of private sector bank

$\sigma_1 = 3.577$ is SD of public sector bank

Putting the values in the above mentioned formula,

$$Z = 3.358$$

The critical value of z is 1.64 at 10% level of significance. Since the computed value of z is 3.358 which is more than critical value, hence hypothesis A2 is accepted, meaning thereby that public sector bank is showing less deviation as compared to private sector bank in following RBI guidelines for handling general public transactions.

2. Cooperative and helpful attitude of bank staff while interacting with customers

Apart from professional competency, it is also required that bank staff should be proactive in providing effective customer services and be cooperative. This trait would not only improve service delivery but would also foster cordial banker-customer relationship.

For public sector banks

A1 – Employees of public sector banks are not cooperative
A2 – Employees of public sector banks are significantly cooperative.

Compiled responses

	Yes	No	Total
Total	83	17	100
Percentage	83%	17%	100%

Hypothesis testing using z-test

z= expected % - observed %
          Sp

Sp =   pq/n

Where
Sp - standard error of percentage
p   - expected percentage in globally
q   - (100%-p)
n   - size of sample, 100 in this case
in this case expected % is 75% and observed % is 83%

Sp=   87.5×12.5/100
 =3.30
z= 75%-83%
    3.30
z= -2.42

Degree of acceptance= 0.974
Here calculated value is -2.42 and critical value is -1.64, hence calculated value is less than critical value, thus A2 is accepted which says that employees of public sector bank are significantly more cooperative. 83%of the respondents are of the opinion that public sector staff are proactive and cooperative, an eye opener myth indeed.

3. Awareness of new schemes and facilities to the customers

At regular intervals banks announces / launches new products and services for its customers. In fitness of scheme customers should be apprised about these new products that are tailor made for them. Banks disseminate this information through electronic media, print media, hoardings, kiosks, sms, etc. These efforts of bank help them not only in retaining the customers but also increasing the sales of the bank and bringing new customers to their fold.

For public sector bank

A1 - Customers of public sector banks are not made aware of the new schemes and facilities offered by the bank.
A2 - Customers of public sector banks are made aware of the new schemes and facilities offered by the bank.

Compiled responses

	Yes	No	Total
Total	79	21	100
Percentage	(79%)	(21%)	100%

For private sector bank

A1 - Customers of private sector banks are not made aware of the new schemes and facilities offered by the bank.
A2 - Customers of private sector banks are made aware of the new schemes and facilities offered by the bank.

Compiled responses

	Yes	No	Total
Total	64	36	100
Percentage	(64%)	(36%)	100%

Hypothesis testing using z-test for public sector bank

z= expected % - observed %
            Sp

Sp =   pq/n

Expected % =70%
Observed % = 79%

Sp=   85×15/100
 =3.57

z= 70%-79%
3.57
z=-2.52

Degree of acceptance=1.14

        Calculated value is -2.52 and critical value is -1.64 thus A1 is rejected &A2 is accepted, meaning thereby that customers of public sector banks are made aware of new schemes and facilities offered by the bank.
        In case of private sector bank the degree of acceptance is 0.92 which is much lower than 1.14 of public sector banks, meaning thereby that dissatisfaction is higher amongst customers of private sector banks regarding information gap on new products and services is high. 36% of customers of private sector banks have categorically stated that information dissemination system is poor and it needs revamping, whereas in case of public sector banks it is 21%.

4. Redressal of customers' complaint/grievances

        One of the major issue pervading any service industry islackadaisical approach towardshandling of customers' complaints/grievances. Banking sector is not immune from this aspect. Customers complaints are not addressed in time. Quick redressal of complaints and good services creates an extremely positive experience and compels an individual to develop a desire to repeat the positive experience. Both, the service provider and the consumer feel contended and happy.

For public sector bank

A1 – Complaints of customers are not handled properly and timely.
A2 – Complaints of customers are handled properly and timely.

Compiled responses

	Yes	No	Total
Total	64	36	100
Percentage	(64%)	(36%)	100%

For private sector bank

A1 – Complaints of customers are not handled properly and timely.
A2 – Complaints of customers are handled properly and timely.

Compiled responses

	Yes	No	Total
Total	15	85	100
Percentage	(15%)	(85%)	100%

        From the above response it can be gathered that private sector banks are to a large extent defaulting in redressing customer complaints. Negative response is as high as 85% as compared to 36% in public sector banks. It is quite possible that number of customers attached to branches may be very high which has a direct bearing on the quality of service provided by the bank. With increase in business, banks develop apathetic attitude towards customers and accept complaints as fait accompli and normal business outcome. This trend needs to be checked. Banks should try to resolve the complaints at the earliest and if it is going to take time for resolution then customer should be updated about the progress made in it.

CONCLUSION

        The overall study shows that the level of satisfaction of customers of public sector banks is higher than that of private sector bank customers. There is a general perception that the private sector banks provide better customer service than public sector banks, but this is a myth. Public sector banks have high reliability quotient than private sector banks and it is one of the reasons for customers to bank with such organizations. Customers have seen many reputed private sector banks as Global Trust Bank, Times Bank, Centurion Bank, Bank of Punjab, Bank of Rajasthan, etc., either merging or amalgamating with other bank and loosing their identity. This identity crisis of private sector bank needs to be addressed. So long customers are loyalto the bank and are satisfied with their services and products, banks will continue to exist. More competition is expected by public sector banks as they adopt new technology and become marketing savvy. Hence, the time has come for private sector banks to retrospect their service standard and raise their bar of performance in terms of prompt and reliable customer service.

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