CHAPTER VII

SUMMARY OF FINDINGS, SUGGESTIONS AND CONCLUSION
CHAPTER VII

SUMMARY OF FINDINGS, SUGGESTIONS AND CONCLUSION

7.1 Overview of Research

Service quality in the retail banking environment has been the focus of many studies. The literature review in this area, as explained earlier in Chapter II, revealed that customer satisfactions and retention in services provision, and particularly in the context of banks, is generally based on measurement of outcomes. It is imperative for banks to get useful feedback on their actual customer service quality aspects of retail banking if they want to retain their customers and outsmart their competitors. It is on this background the researcher has undertaken the present study entitled ‘Service Quality in Retail Lending Operations of Selected Commercial Banks in Karnataka’.

The research design was undertaken to achieve the following four primary objectives:

(1) To study the growth of retail credit of Scheduled Commercial Banks in Karnataka vis-à-vis India.

(2) To compare the service quality in retail lending operations, as perceived by the customers, of Private Sector Banks with Public Sector Banks.

(3) To identify and compare the gap that exists between management perceptions of customer expectations and actual customer expectations of service quality in retail lending operations of Private Sector Banks and Public Sector Banks (Gap 1 of the SERVQUAL model).

(4) To identify and compare the gaps that exist between the expectations and perceptions of bank customers of service quality in retail lending operations of Private Sector Banks and Public Sector Banks (Gap 5 of the SERVQUAL model).
Primary data were collected from sample Bank Customers and Bank Managers through a well administered interview schedule drawn on the lines of the SERVQUAL model. An Interview Schedule was designed based on SERVQUAL model to evaluate customer expectations and customer perceptions and bank manager perceptions of customer expectations, about the service quality in retail lending operations of banks. The Interview Schedule had 22 sub-variables of service quality relating to the five major variables of service quality: tangibles, empathy, accessibility, responsiveness and reliability on a Likert’s scale. For collecting primary data the researcher has selected 6 banks from Karnataka viz., State Bank of Mysore, Vijaya Bank, Canara Bank, ICICI Bank, HDFC Bank and Karnataka Bank. Three banks namely State Bank of Mysore, Vijaya Bank and Canara Bank represent Public Sector Banks.

Secondary data on retail credit extended by commercial banks in Karnataka was compared with that of India for the past one decade (2002-2011) in IV four. The data collected were presented and analysed in Chapter VI. This chapter presents the key findings of the study, suggestions based on findings and conclusion.

**7.2 Key Findings**

Major findings of the study are listed below:

**7.2.1 Retail Credit by Commercial Banks in Karnataka and India**

(1) Throughout the period under study (2002 to 2011), the quantum of Total Credit of commercial banks has increased by 6.12 times in Karnataka against 6.22 times in India, and the extent of increase in Retail Credit is 7.25 times in Karnataka and 8.12 times in India. In the period under study (2002 to 2011) the Compounded Annual Growth Rate of Retail Credit was 21.91% in Karnataka and 23.30% in India. In short, commercial banks in the state of Karnataka have focused less attention on Retail Credit than the whole of India.
Throughout the period under study (2002 to 2011), there is an increasing trend in the percentage share of housing loans in total retail credit of commercial banks in Karnataka (23%) and India (12%). The percentage share of loans for consumer durables to total retail credit of commercial banks is on the declining trend in India and status quo level is maintained by commercial in Karnataka at 1%. The percentage share of other retail loans to total retail credit is on the decline in Karnataka (21%) and India (9%). To be precise, among the various components of retail credit commercial banks in Karnataka and in India prefer housing loans since the second half of the 2000s.

Throughout the study period (2002 to 2011), the market share of commercial banks in Karnataka under Total Credit is on the increasing trend except during three years viz., 2008, 2009 and 2011 and under Retail Credit it is on the declining trend except during three years viz., 2005, 2006 and 2010 and throughout the period under study, the market share of commercial banks in Karnataka is more in retail credit than in total credit.

During the period under study (2002 to 2011), in extending retail credit the performance of Nationalised Banks, Regional Rural Banks and Foreign Banks is encouraging in Karnataka than their performance in the whole of India. The performance of State Bank group and Private Sector Banks in providing retail credit is comparatively poorer in Karnataka than in India. During the study period the average share of Public Sector Banks and Private Sector Banks under retail credit is 22% and 18% in Karnataka and 22% and 17% in India

7.2.2 Expectations by Demographic Profile of Sample Bank Customers

Sample bank customers in the age group of 20-50 years had the highest expectations regarding responsiveness of banks. The customers of banks who were
more than 50 years old had the highest expectations about tangibles of banks followed by responsiveness.

(2) Customers in the all the income groups had the highest expectations about responsiveness of banks and lowest expectations regarding accessibility of banks.

(3) Customers who have availed Automobile loans, Credit Card facility, Personal Loans and Housing Loans had the highest expectations about responsiveness of banks and the lowest expectations about accessibility of banks. Only customers who had availed other retail loans had the highest expectation about tangibles of banks and lowest expectations about reliability of banks.

7.2.3 Customer Perception of Service Quality

The views expressed by sample bank customers about their perception of service quality in retail lending operations are narrated in the following pages:

(1) The customers of both Public Sector and Private Sector Banks have ranked **Tangibles** of their banks as number one. Both in Private and Public Sector Banks ‘confidentiality of Information provided’ and ‘easily understandable statements and intimations’ occupy the top two ranks.

(2) Both in Public and Private Sector Banks, sub-variables relating to **Accessibility** and **Responsiveness** are not perceived to be among the top sub-variables.

(3) ‘No hidden charges in banking transactions’ (Reliability) has been ranked as the lowest sub-variable in Private Sector Banks while ‘Convenient operating hours’ (Accessibility) has been ranked as the lowest sub-variable in Public Sector Banks.

(4) There is a significant difference between Private Sector Banks and Public Sector Banks in customer perception of **overall service quality** in retail lending operations. Customer perception of overall service quality in retail lending operations of Private Sector Banks is better than Public Sector Banks.
(5) There is a significant difference between Private Sector Banks and Public Sector Banks in customer perception of **tangibles**. In all the sub-variables of tangibles, Private Sector Banks are perceived to be better than Public Sector Banks and the difference is significant in ‘spacious and good décor’ and ‘easily understandable statements and intimations’.

(6) There is no significant difference between Private Sector Banks and Public Sector Banks in customer perception of **empathy**.

(7) There is a significant difference between Private Sector Banks and Public Sector Banks in customer perception of **accessibility** and in all the sub-variables, Private Sector Banks are perceived to be significantly better than Public Sector Banks.

(8) There is a significant difference between Private Sector Banks and Public Sector Banks in customer perception of **responsiveness**. In all the sub-variables, Private Sector Banks are perceived to be better than Public Sector Banks but the difference is significant only in two sub-variables viz., ‘information about the exact time when the services will be provided’ and ‘less loan processing time’.

(9) There is no significant difference between Private Sector Banks and Public Sector Banks in customer perception of **reliability**.

**7.2.4 Service Quality GAP-I (Management Perception of Customer Expectations less Actual customer Expectations)**

The views expressed by sample bank customers and bank managers about the expectations of service quality in retail lending operations are narrated in the following pages:

(1) Management perception of customer expectations is less than actual customer expectations in all the variables of service quality other than accessibility of banks. This negative gap is the largest in reliability followed by responsiveness, empathy and tangibles.
(2) When the sub-variables were ranked according to GAP-I, the five sub-variables with highest negative GAP-I were found to be ‘less loan processing time’ is the sub-variable with the largest negative gap followed by ‘confidentiality of information provided’, ‘safe custody of documents provided’, ‘employees possess the required skills and knowledge to answer customers’ questions and clarify doubts’ and ‘prompt and fast services’.

(3) The five sub-variables with positive GAP-I were found to be ‘rectification of mistakes in the first attempt’, ‘accessibility of personnel over telephone’, ‘modern equipments and facilities like internet banking and mobile banking’, ‘convenient operating hours’ and ‘employees speaking in the language customers understand’.

(4) There is a significant difference between management perceptions of customer expectations and actual customer expectations about overall service quality in retail lending operations of banks. Management of Private sector banks seems to have a better perception of customer expectations than Public Sector Banks.

(5) In Private Sector Banks, management perception of customer expectations is less than actual customer expectations in empathy, responsiveness and reliability of banks. The largest negative gap is in empathy. In Public Sector Banks negative gap exists in tangibles, accessibility, responsiveness and reliability. The largest negative gap is in reliability. The management of Private sector banks has a better perception of customer expectations than Public Sector Banks.

(6) There is no significant difference between management perception of customer expectations and actual customer expectations of tangibles of banks.

(7) There is a significant difference between management perception of customer expectations and actual customer expectations of empathy of banks. In Private Sector Banks, management perceptions of customer expectations is less than
actual customer expectations in all the four sub-variables of empathy namely ‘employees give personal attention and time’, ‘employees understand the banking needs of the customer’ (largest gap), ‘employees treat all customers equally’ and ‘employees speak in the language customers understand’. In Public Sector Banks, management perception of customer expectations is less than actual customer expectations only in one sub-variable of empathy viz., ‘employees understand the banking needs of the customers’. The management of Public Sector Banks has a better understanding of the customer expectations in the area of empathy.

(8) There is no significant difference between management perception of customer expectations and actual customer expectations about accessibility of banks.

(9) There is a significant difference between management perception of customer expectations and actual customer expectations in responsiveness of banks. In Private Sector Banks negative gap is only in ‘less loan processing time’. In Public Sector Banks negative gap exists in all the four sub-variables of responsiveness namely ‘prompt and fast services’, ‘employees taking immediate interest in solving grievances’, ‘information about the exact time when the services will be provided’ and ‘less loan processing time’. The management of Private sector banks has a better understanding of the customer expectations regarding responsiveness.

(10) There is a significant difference between management perception of customer expectations and actual customer expectations regarding reliability. In Private Sector Banks, the negative gap is in three sub-variables of reliability namely ‘confidentiality of information provided’, ‘employees possess the required skills and knowledge to answer customers’ questions and clarify doubts’ and ‘safe custody of documents provided’. In Public Sector Banks negative gap is in all six
sub-variables of reliability namely ‘confidentiality of information provided’, ‘employees possess the required skills and knowledge to answer customers’ questions and clarify doubts’, ‘safe custody of documents provided’, ‘accurate information and billings’, rectification of mistakes in the first attempt’ (largest gap) and ‘no hidden charges in banking transactions’. The management of Private sector banks has a better understanding of the customer expectations regarding reliability.

7.2.5 Service Quality GAP-V (Customer Expectations less Customer Perceptions)

The views expressed by sample bank customers about their expectations and perceptions of service quality in retail lending operations are narrated in the following pages:

(1) Customer expectations exceed customer perceptions in all five variables of service quality. The largest negative gap is in reliability followed by responsiveness, accessibility, empathy and tangibles.

(2) When the sub-variables were ranked according to GAP-V, the five sub-variables with highest negative GAP-V were found to be ‘No hidden charges in banking transactions’ has the biggest negative gap between customer expectations and customer perceptions, followed by ‘rectification of mistakes in the first attempt’, ‘information about the exact time when the services will be provided’, ‘sufficient parking space and accessibility to the branch/ATM’ and ‘less loan processing time’.

(3) When the sub-variables were ranked according to GAP-V, the five sub-variables with highest negative GAP-V were found to be ‘easily understandable statements and intimations’, ‘modern equipments and facilities like internet banking and mobile banking’, ‘branches and ATMs at convenient locations’, ‘confidentiality of
information provided’ and ‘employees speaking in the language customers understand’.

(4) There is a significant difference between customer expectations and customer perceptions of overall service quality in retail lending operations of banks. In Private Sector Banks there exists a negative gap in empathy, responsiveness and reliability. The largest gap is in reliability. In Public Sector Banks gap exists in tangibles, empathy, accessibility and responsiveness. The largest gap is in responsiveness.

(5) There is a significant difference between customer expectations and customer perceptions of tangibles. In Private Sector Banks, there is a positive gap in all the sub-variables, namely ‘spacious and good décor’, ‘easily understandable statements and intimations’, ‘well groomed and consistently courteous employees’ and ‘modern equipments and facilities like internet banking and mobile banking’. In Public Sector Banks negative gap exists in all the sub-variables of tangibles. In the area of tangibles Private Sector Banks are able to fulfill the expectations of the customers whereas Public Sector Banks have not been able to meet the expectations of the customers.

(6) There is a significant difference between customer expectations and customer perceptions of empathy. In Private Sector Banks negative gap is found in all the sub-variables namely ‘employees giving personal attention and time’, ‘employees understand the banking needs of the customer’, ‘employees treat all customers equally’ and ‘employees speaking in the language the customer understands’. In Public Sector Banks there is negative gap in all the sub variables and but the gap is relatively smaller when compared with Private Sector Banks. The largest gap
for both private sector and Public Sector Banks is in ‘employees giving personal attention and time’.

(7) There is a significant difference between customer expectations and customer perceptions of accessibility. In Private Sector Banks negative gap is in ‘sufficient parking space and accessibility to the branch/ATM’ (largest gap) and ‘accessibility of personnel over telephone’. In Public Sector Banks there is negative gap in all four sub variables of accessibility namely ‘branches and ATMs at convenient locations’, ‘sufficient parking space and accessibility to the branch/ATM’, ‘accessibility of personnel over telephone’ (largest gap) and ‘convenient operating hours’. To conclude, in the area of accessibility Private Sector Banks are able to meet the expectations of the customers but in Public Sector Banks there is a huge negative gap between customer expectations and customer perceptions.

(8) There is a significant difference between customer expectations and customer perceptions of responsiveness. Both in Private Sector Banks and Public Sector Banks there is negative gap in all four sub-variables of responsiveness namely ‘prompt and fast services’, ‘employees take immediate interest in solving grievances’, ‘information about the exact time when the services will be provided’ and ‘less loan processing time’. In Private Sector Banks the gap is largest in the area of ‘employees take immediate interest in solving grievance’s and ‘information about the exact time when the services will be provided’. In Public Sector Banks the gap is largest in ‘information about the exact time when the services will be provided’. This clearly indicates that the expectations of the customers are not being met both by the Private Sector Banks and public sector in responsiveness.
(9) There is a significant difference between customer expectations and customer perceptions of reliability. In Private Sector Banks there is negative gap in all the sub-variables namely ‘confidentiality of information provided’, employees possess the required skills and knowledge to answer customers’ questions and clarify doubts’, ‘safe custody of documents provided’, ‘ accurate information and billings’, ‘rectification of mistakes in the first attempt’ and ‘no hidden charges in banking transactions’ (largest gap). In Public Sector Banks customer there is a very narrow negative gap in ‘employees possess the required skills and knowledge to answer customers’ questions and clarify doubts’ and ‘rectification of mistakes in the first attempt’. To conclude, in the area of reliability Public Sector Banks are able to meet the expectations of the customers but in Private Sector Banks there is a big negative gap between customer expectations and customer perceptions.

7.3 Suggestions

Based on the findings of the study the following suggestions are given to increase the growth rate of retail credit in Karnataka and to improve service quality in retail lending operations.

A) To increase the growth rate of Retail Credit in Karnataka

(1) Cost effective alternative resource modeling solutions like biometric transaction terminals by business correspondents, ultra small branches to cover the rural areas.

(2) Usage of multi delivery models like mobile van banking, cloud computing models and virtual banking.

(3) Standardised procedure for Retail Financial Products like standard procedure for down payment of home loans.
(4) Adopt stand alone models for retail loan processing, wherein retail loans are processed independently at the branch level. This will save time and the branch personnel have a better understanding of the customer requirements.

(5) Reserve Bank of India has asked scheduled commercial banks to finalise their Financial Inclusion Plan (FIP) for next three years (2013-2016). Banks should foresee the bottom of the pyramid (the unbanked areas) as potential markets for retail credit. They can ensure Last Mile connectivity through Direct to Home Service (DTH). This also calls for effective implementation of Financial Literary programmes.

B) To improve Service Quality in Private Sector Banks

(1) Pre and Post Customer Relationship Management (CRM) training to employees to monitor the credit scores of retail loan borrowers.

(2) Customer oriented training to employees to focus on the importance of the value of ‘the limited personal interface time with the customer’ which will definitely nurture the relationship with the retail loan customer.

(3) Employees should be well versed in providing instant access to information tailored to their customer needs or in other words ‘Needs-based banking’.

C) To improve Service Quality in Public Sector Banks

(1) Bank branch offices should be trendy and comfortable with pleasing ambience and technology driven services. The layout should facilitate smooth flow of services which results in time benefits.

(2) Minimum of 70% of the office space should be made available for customers with self-service kiosks, lobbies and designated staff.
(3) Introduce Business Process Re-Engineering like Single Window System, cash deposit machine, etc.

**D) Customer Retention Strategies**

(1) Reward systems for example bonus points for using credit cards for shopping.

(2) Strategies like Loyalty programs, Universal banking, Cross selling, Upselling and Product bundling. For example encouraging the retail loan applicant to go for a higher ended automobile model than what he originally planned for.

(3) Develop a multi-channel customer-centric business models that deliver a superior borrower experience.

(4) Branches to be repositioned for advisory selling. Staff should be trained as advisors to handle customers across multiple channels and provide credit counseling.

(5) Quicker sanctioning of subsequent retail loans. For example sanctioning subsequent retail loans quicker by referring to the background check and credit scores already done for the first retail loan availed.

(6) Using the captured customer data to make the customer feel special by sending personalized messages for special occasions.

**7.4 Conclusion**

In short, during the period under study (2002-2011), the quantum of Total Credit and Retail Credit is on an increasing trend. The extent of increase is more in India than Karnataka both under Total Credit and Retail Credit. A look into the components of retail credit reveals that percentage share of housing loans in total credit is increasing, while the percentage share of other retail loans is decreasing. The market share of commercial banks in Karnataka under Total Credit is on the increasing trend and under Retail Credit it
is on the declining trend. Public Sector Banks dominate in extending retail credit both in Karnataka and India.

Nationalized Banks were dominating the Retail Credit segment a decade ago. But now, Private Banks with their state of art technology based services and personalized services have become the key players in this area. In banks, employees are the most important determinants of overall customer experience with the service. Any laxity by the employees will lead to defect in the service delivery. Hence, it is vital to provide top quality service, individualized attention, instant response and constant support whether it is a Public or a Private Sector Bank. With the latest technology being adopted by both Private and Public Sector Banks, the human factor continues to be the only basis of differentiation and preference.

Understanding the customers’ needs using their actual data will facilitate the banks to effectively cross-sell other credit products (e.g., insurance, cards) at key decision points during the loan-application process.

Enhancing the customer experience is now a crucial component of attracting and retaining customers in order to grow and protect a profitable business. Every customer is an asset to the organization. So banks have not only to ensure the availability of the right products and services, supported by the right promotion at the right time for the customers but also that the he experiences the "Wow Effect" which only superior customer service can deliver.

7.5 Future Research Directions

This study was undertaken in the state of Karnataka. India being embedded with varied cultures, similar studies can be undertaken in other States.
Future research in this area may attempt to extend the study to determine the factors that actually contribute to the differences in customer satisfaction between cities and rural areas.

This study was done among the private and Public Sector Banks. This study can be replicated covering foreign banks.

Since India aspires to become a globally competent financial centre, it would be appropriate and relevant to replicate the study using global customers such as business travelers, tourists and students as samples.

Future research can explore the effect of service quality on customer retention and customer loyalty.

This study explores the service quality in all the retail lending operations of banks. Future research can explore the service quality specifically in the area of credit card operations as customer complaints relating to card products constituted the major portion of complaints received by the Banking Ombudsmen in the recent past.