CHAPTER VI

DISCUSSION

6.1 INTRODUCTION

The global financial scene is witnessing a substantial change and Indian financial sector is influenced by these developments. Almost all banks have invested in establishing IT systems, especially e-services. Today, modern banking is one of the core strategies to develop banking in e-services. Traditionally, payments were made in cash and cheques and now the latter has been replaced by electronic payments such as ATMs, Cards, EFTs, and ECS etc. IT as an enabler has broken all bounds of cost, distance and time and hence, efficiency of the banks has improved especially with quality improvement, timely delivery of services at affordable costs. Banks are constantly engaged in reengineering their business process to keep on par with technology and the competition. BPR aims at developing solutions to create a new level of customer satisfaction and business agility.

Despite such innovations, the level of satisfaction perceived by various segments of customers is not very high. A Customer makes banking successful. It is in this context that customer service has to be analyzed and appropriate strategies drawn up, not only to attract new customers, but also to retain existing ones, as customer behavior helps to judge the efficiency of the banks. Lin (2003) points out that the key to success lies in knowing customers because the future is not in information technology or technology that only facilitates transactions, but in relationship technology (O'Connell, 2000). Hence, BPR does not depend for its development on pure technology, but on customer satisfaction.
According to Anderson et al. (1994) an overall performance of a firm is linked with customer satisfaction. In this context, this study proposes to measure the perception of the bank customers on traditional banking and modern banking enabled by BPR. Further, the satisfaction of the customers is investigated to understand the factors that influence their banking experience. This will help to recommend where the stakeholders need to focus when BPR is implemented.

6.2 BPR IN BANKING INDUSTRY

BPR can be defined as the fundamental reconsideration and radical redesign of organizational processes to achieve drastic improvement of current performance in cost, service and speed. (Hammer 1993) In the banking industry, the Business Process Re-engineering (BPR) implies transforming select processes and procedures with a view to empower the bank with contemporary technologies, business solutions and innovations that enhance the competitive advantage. To ensure survival in the changing global environment it is essential that banks respond to major trends reshaping the markets.

The objective of a BPR initiative is to create and enhance the value of the bank for the customers. It takes into account four important aspects. The 4C’s are: Customer (to give him enhanced value), Competition (to meet it successfully), Change (to manage it) and Cost (to reduce). The basic objectives of BPR are to reduce the transaction process time without sacrificing security aspects, quality and real time service to clients and extensive propagation of single window concept. BPR basically aims at maintaining long-term profitability and strengthening the competitive edge of banks in conforming to transforming market realities.
There are three key parameters for BPR i.e. Customer service, Product innovation and Operational excellence. BPR envisages a number of activities such as procurement, order fulfillment, product development, customer service and sales. The process involves identification of the business processes to be redesigned, understanding and measuring the existing processes, identifying the information technology levers and designing and building a prototype of new process.

There is a growing need for use of BPR to further the strategic goals of banks. BPR can benefit the customers through significantly reduced transaction time, flexibility in servicing and improved value. The banks can be benefited by increased volume of business and higher productivity, reduced operational cost leading to higher profits, improved employee loyalty and sense of belongingness, and establishment of bank within a branch concept. Employees benefit through empowerment leading to higher job satisfaction, effective job rotation as an additional incentive and effective interface with customers as workload is evenly distributed.

In the current transformation era, contours of banking services dynamically alter the face of banking services and the banks are stepping towards modern banking from traditional banking. Technology is the most dominating factor that helps the banks to become acquainted with innovative products/services to win the competitive market ATMs, credit cards, internet banking, mobile banking, tele-banking are popular e-channels among the customers and becoming popular among the banks all over the world. In India, foreign banks, new private banks and few of public sector banks are fully IT-
enabled. In fact, the public sector banks are entering modern banking system though at a low speed.

From various studies, it is observed that efficiency of BPR modern banks has improved due to the use of technology. Sulaiman et al. (2005) recognize that the e-banking adopters’ perceptions regarding e-banking appear to be more favorable than traditional banking. The adopters perceived e-banking to be very useful, easy and a better way to make-banking transactions. In another study, it is examined that retail banking and ATMs are improving the efficiency of banks (Paul et al. 2000). In India private sector banks are transacting their whole business electronically, competing well in the global market, and successfully having branches in many parts of the world. The efficiency of the banks is usually measured by its profitability, as this is one of the organizational goals. This can be achieved only with the positive relationship of the customer with its bank.

6.3 CUSTOMER BEHAVIOUR IN BANKING

Different banks are perceived differently by corporate as well as individual customers. Banks are always vying with each other to retain and bring new customers. Corporate clients, the foci of this study, are prized possessions of all bankers. Even then, the banks are aware of the value of building partnerships with their customers for long-term profitability/survival. They come up with innovative ideas to lure and retain customers.

Since inception, banking has always been a commercial venture. The prime motive of the banks has been to enlarge profits, by adopting the current change in the economic environment like Liberalization, Privatization and Globalization since 1991. Due to this, Indian banking has undergone a sweeping
change where deregulation, technological innovations and globalization significantly affect banking services. New technology has revolutionized the banking business by leading paradigm shift to customer satisfaction in business environment. New technological changes like ATMs, credit cards, internet banking, EFTs etc. along with other aspects of transformation, are replacing traditional products, services, and creating new scale in banking environment. Chhatwal et al. (2002) recognize that being in a fiercely competitive industry, the ability of banks to differentiate themselves on the price is limited but e-banking serves the purpose of differentiation strategy to meet the competition.

Indian banking industry is distinctively recognized as public sector banks and private sector banks. They differ in customer base, technology and service. The competition between these banks is evident. In the choice of bank among all banks, this study has found that State Bank of India is prominent with many customers preferring then to have their accounts. Among the private banks, ICICI is the most preferred bank and one of the largest banks competing with large public banks. ICICI is found to be close to the top bank of India, which is SBI. According to this study, 29.2% have their primary bank account in SBI and 22.3% in ICICI (Refer table 5.2). Intense competition between banks and huge difference in the service has led to customer switching their accounts form one bank to another. As many as 91% of the firms have switched banks and some firms have even switched banks more than once (Refer table 5.3). This creates an interest in analyzing the reason for changing banks and their satisfaction in the modern banking. Many firms have reported that their banking experience has improved after changing their bank.
Switching banks has become an increasingly common practice nowadays. The reasons for this switch over are varied. (Refer table 5.4). The role of relationship between individuals and their banks determine bank-switching behavior. The reasons for changing the bank are cited as the length of the relationship with the bank and the distance between the firm and the bank. As many branches are being opened, customers are inclined to move to a bank close to their operations. However, poor customer care is cited as one of the reasons for changing the bank. Likewise, Cohen et al. (2006) found that bank branches located near their workplace or their residence is a parameter for opening an account as it is convenient for operations. Bargal and Sharma (2008) found that the accessibility of banking location as a factor in customer satisfaction.

Cohen et al. (2006) opined that consumers evaluate a number of criteria when choosing a bank. However, the prioritization and use of these criteria varies across countries. Laroche and Taylor (1988) have found that convenience is the principal reason for selection of bank, followed by parental influence.

In the present study, customers cite that debit card facility is one of the main reasons when choosing a bank. This may be attributed to the need of modern banking services such as debit card which is an outcome of BPR in the banks. Similarly, loan facility, quick service, flexibility and advanced technology are some of the reasons for choosing a bank (Refer table 5.7).

Among the facilities enjoyed in traditional banking, the customers feel that they experience a personalized service. This is evident because technology and automation have reduced human interaction. Over-draft is also cited as a facility frequently enjoyed in traditional banking because of personal influence. However,
the availability of various loans and speedy transaction were not satisfactory. Technology mainly enables the process to be done quickly and reduces the customer waiting time (Refer table 5.9).

6.4 PERCEPTION ON BANKING FEATURES

The measures of the perception on various banking features are compared, two dimensionally, one between traditional and modern banking, and the other between public and private sector banks.

Among the various features of traditional banking, willingness to help the customers by a bank employee ranks first. Employee courteousness, problem-solving skills, individual attention are also perceived to be high in traditional banking. Technical guidance on error and mistakes is perceived to be the least factors in traditional banking. Compliance to legal norms, transaction charges, adherence to the norms, and issuance of no due certificate are factors that are perceived low in traditional banking (Refer table 5.42).

Similarly, among the features of modern banking, the perception of the customers on almost all the features was found to be good. Issuance of no due certificate is the highly perceived factor along with adherence to the norms, adequacy of credit period, legal norms, reward schemes, stop payment etc. However, among the modern banking features, technical guidance on error and mistakes is found to be the least perceived factor. This is similar to traditional banking, in which the factor is perceived to be the least. Customer special events, adequacy of cash counters, execution of standing instructions are some of the least perceived factors in modern banking (Refer table 5.43).
Time Taken to Open New Account

To open an account for the first time or with a new bank, there will be a lot of formalities to be completed. These requirements are the bank’s first line of defense against identity theft and money laundering. This is a test that the bank uses to make sure the identity of the customer. Therefore, time taken to open a new account is usually lengthy. However, some banks allow it to be done via online and phone. Some banks provide a doorstep facility by having their executive visiting the house of the customer to complete the account opening formalities. BPR has made the process of opening an account simple. Banks provide an account opening kit that includes welcome note, cheque book, credit/debit card, pre-printed password, terms and conditions, etc. This reduces the time taken to open an account. Hence, this parameter, which measures customer’s satisfaction, has been taken by the researcher to compare between traditional and modern banks (Refer table 5.11).

This study has found that the time taken for opening an account in modern banking is less than traditional banking. In traditional banking, the private banks are faster in opening a new account. While in modern banking, the public sector banks are felt to be faster in opening a new account. This shows that the technology and BPR have improved the time taken for opening new accounts.

Procedures to Avail Loan

Similar to opening an account, taking a loan from the bank requires a lot of documents and processing. The procedure is different for different types of loans. The procedure to avail loan is good in modern banking than traditional banking. There is a huge difference in their services in processing loans. However, in both
traditional and modern banking, private banks are better in processing the loans (Refer table 5.12). The influence of BPR on the outcome of the banking services is evidently felt in the procedure to avail loan. There is an improvement in banks of both sectors after modernization.

**Sanctioning of Overdraft Facility**

Overdraft financing is provided when business make payments from their business current account exceeding the available cash balance. An overdraft facility enables business to obtain short-term funds, although in theory, the amount loaned is repayable on demand by the bank. In traditional banking, both public and private banks are on par in their service in sanctioning overdraft facility. In modern banking system public sector banks have an edge over the private banks (Refer table 5.13). However, there is a huge improvement in sanctioning overdraft facility in modern banking. This can be attributed to the BPR activity that has improved the process of overdraft facility.

**Processing Time to Avail Loan**

BPR is fundamentally focused on the modifications in the processes, as it is evident in the following discussion. In banking service, the process length is usually unpredictable because of the variability in the inputs and the process. This is evident from the huge improvement in the time taken for processing the loan. The degree of change is as much as twice. In modern banking, banks of both sectors are on par in the processing of the loan (Refer table 5.14). However, in traditional banking, private banks are better in processing the loans.
Legal Norms

Banking services are bound by many regulations. Customers feel safe when the bank adheres to these regulations. In traditional banking, the legal norms are less rigorous because there are no checks. However, in modern banking, the BPR itself provides the required checks and hence the legality is more complied with. In addition, in modern banking, the public sector banks are perceived to have good compliance with legal norms. (Refer table 5.15).

Stop Payment Facility

Stop payment facility is one of the important services required by the business to manage untoward events, such as losing the cheque, conflict with the party to whom cheque was given etc. In traditional banking, because of the manual and decentralized operations, service like stop payment is a cumbersome process (Refer table 5.16). However, modern banking with core-banking facility, stop payment is perceived better than traditional banking. In both systems, the differences between public and private banks are negligible after BPR.

Issuance of No Due Certificate

When a customer avails a loan, it is necessary for the customer to receive a no-due certificate from the bank and return all the documents held as collateral against the loan. Similarly, banks can also issue the capability certificate for customers who need to have a guarantee from the bank for execution of a business. In traditional system, private banks were quick in issuing no-due certificate. (Refer table 5.17). However, there is a huge improvement in both, public and private sector banks after the BPR. In addition, public banks are perceived to be good in issuing certificates after the BPR.
Adequacy of Credit Period

The Reserve Bank of India regulates and stipulates the interest rates and credit period. In cases like dishonored cheques, delayed interest payment, banks consider the merit of the customer and act accordingly in the traditional banking. But after BPR, everything falls according to the legal frame work (Refer table 5.18).

Adherence to the Norms

Individual banks and the industry fixes norms to various services like, opening of account, activating the accounts, issuing the debit card, issue of PIN number for the debit card, issuing cheque book, issuing the pay order, accepting cash deposits, etc. Banks specify a standard time for its operation. The customers also expect that the bank that provides services must meet the standards. Customers feel satisfied only if the bank is able to meet the standards fixed by itself and the industry, and it can gain sustainable competitive advantage. Amudha et al. (2012) found that the customers are satisfied with maintaining of standards regarding the issue of cheque book within 5 days, Debit Card within 7 days by courier, PIN number for Debit Card the next day and Pay Order within 6 minutes, thus resulting in the satisfaction of reasonable quality for the price paid by them. The time taken for these services is notified to the customers by standard measures. If a bank is able to keep well within this time a customer is satisfied and one can come to a conclusion that the bank gives quality service (Refer table 5.19).

This study has found that adherence to norms is good in private banks in a traditional banking. However, BPR brings a lot of improvement in the processing
and the norms become achievable by the public banks in modern banking. There is a threefold increase in the customer perception in modern banking. In addition, public banks are found to be equally good in adherence to norms and are ahead of private banks in the modern banking.

**Correction Mechanisms**

Bank policies and procedures should be in place for effective mechanisms to deal with any problem. If that is not the case, when problems are unveiled and brought to the desk of the regulator, solutions will be delayed, unsatisfactory or not applied to all. Therefore, the need, for an immediate corrective mechanism is required for instant customer satisfaction.

This study has found that corrective mechanism is slightly better in private banks than in the public banks where traditional banking is followed. However, process improvement has helped to improve the corrective mechanism. A proper system and procedure is provided in corrective actions. More customers are satisfied in the corrective mechanism of modern banking. In addition, public banks are found to be equally good in adherence to policies and procedures and are performing better than the private banks in the modern banking. This is due to BPR (Refer table 5.20).

**Adequacy of Cash Counters**

The number of cash counters and the waiting time is an important issue in the service quality and the satisfaction of the customers. In addition, increased number of cash counters will relieve the cashiers of some tensions. All the quarrels are in cash counters only, because of big lines in the cash counters. The
latest type cash counting machines, denomination variation catching machines are supplied in modern era.

In traditional banking, public banks are found to have a better adequacy of cash counters than the private banks. This applies to the modern banking also. However, there is an overall improvement in the adequacy of counter in modern banks. This may be due to the opening of more number of ATMs and the debit card facility for the business. In addition, many transactions in modern banking like fund transfer, credit card payment, request for cheque book, stop payment, payment instructions, and third part payments can be performed online. This has decreased the ever-ending queues in cash counters (Refer table 5.21).

**Technical Guidance on Error/Mistakes**

The need for technical guidance on error/mistakes is more relevant. Only in modern banking self-service via ATMs and online-banking are done. This is evident from the present study. This parameter ranks very low in traditional banking. However, private banks have an edge over the public banks in this aspect. In modern banking the need for guidance on mistakes are felt and the service provided by the banks are well above the standard. Due to BPR the public banks have also started to do better modern banking (Refer table 5.22).

**Easy to Access Transactional Data and Issuance of Account Statement**

In traditional banking, the source of the transactional data is the passbook. For current information, the passbook needs to be updated at a regular interval. One can see a big queue just to update the passbook before BPR. However, modern banking allows verifying the balance in the account or finding status of any transaction online and the transaction can be printed as well for verification.
This has made customer’s life very easy as long queues can be avoided. The comparison of public and private banks shows that public banks are outperforming the private banks in the modern setup (Refer tables 5.23 & 5.24).

**Transaction charges**

The key factors influencing customers’ selection of a bank include the range of services, rates, fees and prices charged (Abratt and Russell, 1999). In tradition banking, private firms are considered to offer better transaction charges than public banks. After reengineering, public banks have a higher perception of the customer in terms of transaction charges. In traditional banking system, public banks offered transaction to its preferred customers without any changes whereas the private banks had standardized its charges even then. But after reengineering, the public banks have also standardized the transaction changes, which in turn have increased the income of the bank. The customers now know that they have to pay for the transaction whoever it may be and this standardization has improved customer satisfaction after BPR as all the customers are treated equally (Refer table 5.25).

**Issue of Cheque Book**

Amudha et al. (2012) argued that though there are e-banking facilities available, there exists a need for cheque books. Banks in traditional system take a longer time for issuance of cheque books. However, in modern system, there is a possibility of providing customized cheque books at a shorter time. After BPR, multicity cheque books are also issued which has enabled the business to transact at any city immediately. This has made the business to grow. This study found that the customers felt that the service is excellent in both traditional and modern
system. However, the service is found to increase largely after BPR (Refer table 5.26).

**Bank Transaction Timing**

Extended banking hours is an area of some concern. Customers want to transact with all freedom. They want to minimize transaction cost and time. They look forward to advice from experts and most of all they expect value in their relationship with the bank (Ngu and LeBlanc, 1998). These aspects of the customer-bank relationship would be complemented by extended banking hours. Many customers would welcome weekend opening, or extended hours on weekdays (Cohen et al. 2006). Bargal and Sharma (2008) analyzed the role of service marketing in banking sector. They identified that one of the important service factors in the banking sector is flexible transaction hours. (Refer table 5.27).

This study has found that there is an improvement in the bank transaction time after BPR has enabled the business firms to do business 24x7 because of online access to banking operations. The technology has helped the extended customer transaction timing and flexible operations. However, there is no big difference between private and public banks in their transaction timings.

**Speed of Transaction**

Uppal (2011) measured the speed in rendering the service of eight dimensions, viz. time taken by the customers to withdraw cash, deposit cash, to get a cheque book, encash draft, open a fixed deposit account, purchase of bank draft, to get local cheques credited in account and credit outstation cheques into account. Uppal argued that, 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.

This study proves that the BPR has improved the speed of transaction and customers feel satisfied about it. However, BPR helps the public sector banks with a drastic change in the speed of service than the private banks. This can be otherwise inferred that public banks have gained more advantage by BPR in the speed of transaction. Vimi and Mohd (2008) studied the determinants of performance in the Indian Retail Banking Industry based on perception of customer satisfaction. The findings of the study reinforce that customer satisfaction is linked with waiting line strategy and service counters. (Refer table 5.28).

**Facility to Third Party Fund Transfer**

Gbadeyan et al. (2011) identified that the third party facility of fund transfer is an important feature of e-banking. In traditional banking, the facility of fund transfer within the branches of same bank or other banks is a cumbersome process. In modern banking in both public and private sector banks registration for third party fund transfer and the problems associated with it have to be addressed, as it is one of the major concerns of the business firms. This concern was expressed to the researcher during the field study by some firms. In spite of this concern, the present study has found that the customers feel that the facility of third party fund transfer has improved after BPR in both public and private sector banks. (Refer table 5.29).
Execution of Standing Instruction

Standing instructions can be given to the bank for transfer/remittance of funds from one account to other account/s maintained in the same branch, any other branch of the bank, any other bank or any other third party. The study shows that there is a minor difference between banks and the customers feel that executing the standing instruction has improved (Refer table 5.30).

Employee Courteousness

Lewis (1991) found the service quality mainly relating to staff qualities as pleasant, polite, and courteous. Similarly, Leeds (1992), found that the increased use of service quality/sales and professional behaviors (such as formal greetings) improved customer satisfaction and reduced customer attrition. Customers switched banks because of what they considered to be poor service. Leeds further argued that nearly three-quarters of the-banking customers mentioned teller courtesy as a prime consideration in choosing a bank. However, this study has found that the employee courteousness has decreased after BPR. In traditional banking, the customers are known to the bank, as the customers have to visit the banks for all their needs. So the bank customer relationship keeps growing. But after the advent of BPR, the personal touch has been lost. This may be considered as a disadvantage of mechanization. (Refer table 5.31).

Individual Attention

Though there are e-banking facilities available, there exists a need for personal touch to build a cordial relationship between the bank and the customers. Issue of debit cards, PIN number for debit cards, pay orders, cheques, demand drafts and the like are a way to show the customers that the bank still cares for
them. This calls for the personal interaction between the bank and the customers when they visit the bank. In both traditional and modern banking, public banks have developed better individual attention. Private Banks are more process oriented and hence are given less attention. (Refer table 5.32).

**Willingness to Help**

Ugur et al. (1997) found that willingness to help customers and delivery of prompt services are key ingredients of responsiveness and is closely linked to consumers' satisfaction with a bank and their continuous patronage.

Similarly, Llosa et al. (1998) studied the service quality using the gap model and identified willingness to provide help as the responsiveness of the employees. Lewis (1991) found that willingness to help is important to UK bank customers. Contrast to the employee courteousness and individual attention, this factor is found to have improved four times after BPR. The public sector banks are seen to have the willingness to help their customer as they know their customers well and individual attention paid to the customers. (Refer table 5.33).

**Keeping Customer Informed**

There is a lot of change happening every day in the-banking industry. Due to the increase economic activity, banks in India have seen frequent change of interest rates in the past years. Changes in minimum balance, modifications in the service procedure, and many transactional and procedural modifications are happening in the-banking industry. These changes are to be informed to the customer. Banks have been advised to review their existing policies and procedures with regard to acknowledgement of receipts/cheques through regular collection at branches, issue of statement of accounts at monthly intervals with...
details of various transactions, to provide at least one month’s advance information in case of any change in minimum balance in Saving Accounts and charges of non-maintenance thereof, etc.

Customers will become upset if the banks do not keep them informed of developments involving them, particularly with regard to technical problems and the change of rates. Similarly, in complaints and grievances, if a customer leaves a bank, a request via voicemail or e-mail acknowledgement is sent to the customer even when the process is on. Doing so gives the customer one less matter to worry about. In addition, when a problem is resolved, the customers need to know the outcome of the resolution. Nothing is more frustrating to customers than finding out that they could have been working sooner if they had only known earlier. Hence, it becomes imperative to keep the customers informed about what they should know. (Refer table 5.34).

This study has found that the information exchange has become excellent in BPR enabled services with automated responses. Among public and private sector banks, the public sector banks score more satisfaction the customers after BPR.

**Problem Solving Skill**

The customers will prefer a bank mainly because of the satisfaction of the quality provided, as well as implemented satisfactory problem –solving method (Amudha et al., 2012). This service factor of problem solving is identified as the reliability of the service quality (Llosa et al., 1998). From this study, it can be interpreted that the public sector banks have been enabled to solve the problem much better because of BPR. (Refer table 5.35).
**Speedy Actions**

Customers will require trust, equality and speedy action and redressal on whatever grievances they have. Mishra et al. (2010) found that efficient and speedy customer service alone would tempt the existing customers to continue and induce new customers to try the services offered by a bank. Modern banking is found to slightly increase the time for action taken. Among the banking sectors, public sector banks are found to function speedily (Refer table 5.36).

**Approachability**

Johnston et al. (1990) found that one of the determinants of service quality is access and availability. Access is the physical approachability of service location, including the ease of finding one’s way around the service environment and the clarity of route. Availability refers to the availability of service facilities, staff and goods to the customer. Contact staff means both the staff/customer ratio and the amount of time each staff member has available to spend with each customer. In the case of service goods, availability includes both the quantity and the range of products made available to the customer.

Bargal and Sharma (2008) analyzed the role of service marketing in banking sector and identified that one of the important service factors in the banking sector is accessibility. This study has found that the BPR has slightly improved the approachability and public sector banks have better service in this aspect (Refer table 5.37).

**Minimizing Fear, Uncertainty and Doubts**

One of the three letter acronyms in the business world is "FUD". The term refers to Fear, Uncertainty and Doubt in the minds of potential customers about a
competing product or service. Similar skepticism is seen in modern banking services like use of credit/debit card in ATMs and in stores, fear of password or card theft, providing information in internet banking etc. Customers refrain from using these modern banking services and ultimately are dissatisfied with the service. Banks need to minimize this fear, uncertainty and doubts through customer awareness, demonstration and support. Public sector banks seem to be better in these services. This is evident from DNA Investigations Bureau’s (2012) report that the public sector banks (PSBs) may have a 75% market share, but the number of banking frauds by private banks is five times that of PSBs. With the advent of mobile and internet banking, the number of banking frauds in the country is on the rise as banks are losing money to the tune of approximately Rs. 2,500 crores every year. While the figure for 2010-11 is Rs. 3,500 crores, for the current financial year (till September) it is about Rs. 1,800 crores (Refer table 5.38).

Performing the Right Service the First Time

Heryanto (2011) proposed that the bank’s ability to provide the promised services accurately and reliably, including the implementation of activities to serve customers in terms of handling complaints from customers / customer can be understood as the dimension of reliability in the service quality.

Sharma (2001) explained the concept of lean services in a service organization. The most efficient method for cutting waste is to attack anything and everything that is not done right the first time. This concept, known as first time right services, involves making sure that all activities are carried out in the right manner the first time and every time. Examples include a bank executive handing
the customer in the correct way the first time. Completing all services properly the first time is not easy, but doing so can be an effective way for businesses to begin their lean journey. Because of BPR, the banks are able to increase their right services the first time and this is evident from the study. The increase in customer perception is seen to be twice in modern banking. However, there is only a little difference between public and private banks. (Refer table 5.39).

**Customer Special Events**

Banks organize special events to deepen their relations with their valued customers and raise awareness of their premium service propositions. Customer special events convey the bank’s dedication to customer service and premium products. These special events increase the customer loyalty, make them privileged, and improve the retention. In traditional banking, private banks were found to be better in organizing the customer special events. However, this study has found that BPR and the competition in modern banking have made public banks equally involved in organizing customer special events (Refer table 5.40).

**Reward Scheme**

In many studies, the rewards and benefits offered by the banks did not score high, implying that customers are more concerned about the financial services than additional incentives. Incentives had little effect on switching of banks. However Cohen et al. (2006) argued that this does not mean that incentives are not important to bank customers. In fact, many respondents suggested that their banks should improve their products using some form of ‘bonus’ scheme. Thus, banks could possibly improve customer satisfaction by offering attractive incentive plans for consumers who are purchasing several products and services
from their banks. This study has found that the reward scheme is better in public banks and has improved after process reengineering.

To analyze the significance of the difference between the perception of customers towards traditional and modern banking processes, a paired t-test was done. The results show that except employee courteousness, willingness to help, all the other features were significantly different between traditional and modern banking. This is evident from Mishra et al. (2010) that human element acts an important role in perceived service quality as well as satisfaction (Refer table 5.41).

**6.5 DIMENSIONS OF BANKING FEATURES**

Different processes of the banking transactions were listed and tested for the perception of the customer in the traditional banking before BPR was implemented and in the modern banking after BPR was introduce that radically changed the processes. From various literatures, 31 features of banking transactions are measured. To investigate the underlying factors among the features, an exploratory factor analysis with varimax rotation was done. The items clearly loaded on three factors. The factors were labeled by analyzing the items that loaded on a particular component. The factors can be identified as procedural quality, transaction quality and customer care. This shows that the outcome of the BPR activities can be seen to focus on the processes that ultimately care for the customer. The features also converge into both the front-end interaction that can be termed as transaction and the back end processes that can be seen as procedures. Similar, factor loading is observed in traditional and modern banking.
6.6 SATISFACTION ON PRODUCTS OF MODERN BANKING

The satisfaction of the customers on the products of modern banking is measured. Fifteen products such as, anywhere banking, phone banking, internet banking, DEMAT facility, ATM facility, credit / debit card facility, electronic fund transfer, cross selling of products, kiosk terminal, payment gateway, security threats value added services, 24x7 hours service and up selling of products were measured. The results show that many customers are almost satisfied with the all the modern banking products. Among the products, phone-banking was found to have higher satisfaction. However, security and fund transfer were of little concern. The findings of the study coincide with the findings of Brown et al., (2010) who confirmed that factors known to influence satisfaction with other electronic services such as Internet banking were of relevance for phone-banking particularly cell phones. They even added that the type of phone used and the type of banking service employed play a secondary role in influencing customer phone-banking satisfaction. However, Brown and Buys (2005) and Liao and Cheung (2008) found that generally a security breach could reduce satisfaction. This view is consistent with the findings of this study that the protection of consumer personal information from unauthorized use during electronic transactions positively influences customer satisfaction. Cross selling and up selling are two factors that is found to give more satisfaction to the customers. This is consistent with Daniell (2000) who found that cross selling is another critical variable driving customer retention. Furthermore, the more products or services one sells to a customer, the less likely it is that they will sever the relationship.
Today’s customers do not just buy core quality products or services; they also buy a variety of added value or benefits. This forces the service providers such as banks to adopt a market orientation approach that identifies consumer needs and designs new products and redesigns current ones (Ennew and Binks, 1996; Woodruff, 1997).

6.7 FACTORS INFLUENCING CUSTOMER SATISFACTION

The impact of modern banking facilities enabled by BPR on the customer’s satisfaction among small enterprises is analyzed using the regression analysis. The results show that customer care has the maximum impact on the satisfaction of the customers, followed by transactional quality and procedural quality. All factors are found to be positive and significant. On the predictability of the model, it is found that the independent variables, customer care, transactional quality and procedural quality together predict the level of satisfaction on modern banking to an extent of 30.6%. The outcome of the regression model is represented as the model for customer satisfaction influenced by the business process reengineered banking features.
The difference between public sector and private sector banks in the influence of modern banking facilities enabled by BPR on customer satisfaction was also tested and found that the model predictability is high for public sector banks, but the procedural quality was found insignificant. However, for the private sector banks, all the factors were found to significantly influence the satisfaction.

It is apparent that superior service, alone, is not sufficient to satisfy customers. Prices are essential, if not more important than service and relationship quality. Furthermore, service excellence, meeting client needs, and providing innovative products are essential to succeed in the banking industry.

The impact of modern banking features on the level of satisfaction of the customers was analyzed for various control groups. In both, public and private

*** Significant at <0.001, ** Significant at < 0.01

Figure 6.1 The Validated Model on Customer Satisfaction in BPR Enabled Banking Features
sector banks, customer care was the prominent factor that influences satisfaction level. Transaction quality and procedural quality were found to influence the satisfaction in their respective order. However, all these factors were found to explain the satisfaction more in public banks than private banks. Since private banks are perceived better, any positive change in their process can only add value to a small extent. In public banks, the variability in the satisfaction levels is more, meaning that any change in the banking features can add more to the satisfaction levels. Expectations play a major role in determining the satisfaction of the customers. That is the expectations of more service outcome are more on public sector banks.

Among the nature of business, the findings are more explanatory for traders than for those in manufacturing and services. Again, customer care is the most prominent predictor of customer satisfaction. However, for traders and services, the procedural quality is found to be insignificant. The model is found more suitable for partnership firms than proprietorship and private limited firms. However, the procedural quality is found insignificant for all types of organizational ownership. On the size of the organization, the model is found to explain more of the medium sized firms’ satisfaction influenced by the BPR enabled features of the bank. In addition, the procedural quality was found insignificant for small firms.

The satisfactions of the customers who have switched bank at least switched bank twice are found more fitting to the model. On the length of years with the bank, the model is found to explain more of the customers who are with the bank between 6 and 10 years. Interestingly, for customers with the same bank
for more than 11 years, the procedural quality is found to be negative and insignificant, and transaction quality was insignificant. Considering the area of operation the model was found to explain the customers having international operations. However, in all cases procedural quality was found insignificant.

The insignificance in procedural quality can be attributed to the technology that is focused in automation of the procedures. Therefore, implementation of technology through BPR standardizes the process and procedure and the difference between individual transactions or between the banks is not seen evident and not perceived to influence the satisfaction in most cases. This is supported by Ioanna (2002), who proposed that product differentiation is impossible in a competitive environment like the banking industry. He argues that banks everywhere are delivering the same products. For example, there is usually only minimal variation in interest rates charged or the range of products available to customers. Bank prices are fixed and driven by the marketplace. Thus, bank management tends to differentiate their firm from competitors through service quality. Service quality is an imperative element influencing customers’ satisfaction level in the banking industry.

6.8. CUSTOMER CHARACTERISTICS ON RELATIONSHIP WITH BANKS

The demographic characteristics of the customers and their influence on the reason to change a bank or choose a bank were tested. The results show that except for the area of operation, years with the bank, nature of business, other demographic characteristics did not have any influence on reasons for changing or choosing a bank. A customer, depending on his area of operations, when moving
out of a bank and is looking for a new bank to open his account will mostly look for the bank’s reputation. The other factors that are next to reputations are seen as quick service, flexibility and advanced technologies, which can be related to the outcome of the BPR activities. Therefore, it can be understood that features enabled by BPR will be the factors in choosing a bank. Another prominent demographic characteristic that influence reason in choosing and changing bank is the number of years the customer is with a particular bank. Too lengthy relationship with the traditional banking has an influence on the reasons for changing or choosing a bank. This finding can be correlated to Alabar (2012), who found that the length of time customers have been with their banks is also an important parameter that can be applied in determining customers’ satisfaction.

The nature of business is seen to be related only to the poor service quality. This can be understood from the satisfaction of the service provided by the bank, which is related to the expectation of customer that is framed from the nature of the business.

Thus, banks must be able to provide “up-close” personal service for customers who come with high expectations. For customers who value convenience most, banks must offer the latest product such as electronic banking, touch-tone phone account access and internet banking. Clearly, customer value can be a strong driver of customer retention. Leeds (1992), who documented that approximately 40% of customers, switched banks because of what they considered to be poor service.

The customers also accept that the bank’s standard is nearing the industry standard and it meets their expectations by providing satisfactory quality of
service. They also accept that the loyalty towards the bank has increased and the bank also deserves it because of its satisfactory quality of service, reasonable price and the level of commitment towards them.

6.9 IMPLICATIONS AND RECOMMENDATIONS

This study has theoretical and practical implications for bank managers, policy makers and academicians. This study incorporates the customer satisfaction on the-banking features enabled by BPR. It helps to enhance the understanding towards the relationship among banking features and the customer satisfaction among public and private sector banks.

The study has listed the-banking features that are assumed to be related with the customer satisfaction. These features are mostly identified on the service quality dimensions of Parasuraman et al. (1994). However, the factor analysis of this study has identified the factors transactional quality, procedural quality and customer care because the context of the study was on the processes that were influenced by business process reengineering. The factor analysis revealed a similar grouping of items in traditional banking and modern banking. Customer care was found to be an important factor in customer satisfaction in modern banking. Transactional quality had a positive but low impact on the customer satisfaction. However, procedural quality was found to be insignificant in public banks.

The extent of studies has been identified to compare the service quality in public and private sector banks or between traditional and modern banking. This study compares the service quality in the above said dimensions in a three dimensional cross tabulation. The difference in perception between traditional
banking and modern banking is analyzed by cross tabulation. However, ANOVA using paired t-test found that there is a significant difference for most of the features. Only employee courteousness and willingness to help are found not to vary.

Banking is a customer oriented service industry and Indian banks have started realizing that business depends on client service and the satisfaction of the customer. This is compelling them to improve customer care and build relationships with customers. A similar result from this study recommends the suggestions to bank managers to consider as to how customer will be taken care of and provide them satisfaction. Apart from retention of customers by providing a satisfactory service, marketing strategies suggest switching barriers such as loyal customer discounts and cross selling. It is suggested that the more products or services one sells to a customer, the less likely it is that they will sever the relationship.

The following recommendations are suggested based on the findings of the study.

The major banks, who have successfully implemented IT through BPR, are on the top of the emerging competitive markets because IT further intensifies competition, better efficiency of operations, risk management, better customer relations etc. However, there are areas that need improvement.

Kiosk, security and fund transfer are found to provide low satisfaction to the customers. Security has been a concern in many e-banking studies, and fund transfer needs to be easier and secured.
The customer is the fundamental reason for the existence of business. Once good service is extended to a customer, a loyal customer will work as an ambassador to the bank and facilitate the growth of the business. Therefore, customer care needs to be at the highest. Banks are now required to have a Customer Service Committee of the Board so that the individual gets special attention.

It is imperative to have customer orientation as a culture in the bank. In the modern banking sector, the banks have introduced a new term “Know your customer”. The particulars of the customers are collected and processed to build long-term relationships resulting in customer satisfaction and cash flows to the banks.

Today, banks face unprecedented operational pressures that test the efficiency, effectiveness, and agility of their business processes. As the study has found the transactional quality as a factor for customer satisfaction, banks need to build a better banking business process, intelligent enough to successfully balance business objectives with customers’ desires, and agile enough to keep pace with a dynamic operational environment.

On conceptual ground, quality of service is two-dimensional. First dimension is the technical quality and the other is the functional quality. Technical quality depends on the contents of the service. Functional quality is correctly performing the tasks. The attributes of functional quality are to meet the specified requirements. Since this study has found that procedural quality is not influential in some cases, it can be inferred that the meeting that specified requirements as minimum expected services and the competitive advantage arises out of services
above the procedural quality. However, banks should also focus on the procedural quality as the basic requirement for customer satisfaction.

Employee courteousness and willingness to help have been found to be unchanged in traditional and modern banking. These factors can be identified as human factors and apart from technical and process changes that is happening in the banks, customers look for satisfaction in human factors. Therefore, banks need to develop the attitude among the employees to be courteous and help the customer. Suitable training can be given to the bank employees to improve their interaction with customer. The common parlance of “Service with a Smile” needs to be emphasized. The banking industry of India is now accelerating dynamically with regard to both customer base and performance. This study points out that public sector has performed better than private sector after BPR. Human element acts an important role in perceived service quality as well as satisfaction. Public sector banks need to redefine the customer service parameter in order to compete with the nationalized private sector banks both in profitability and in corporate image.

The length of year with a bank is found influential on factors in changing the bank and choosing the bank. This can be identified that the length of years with the bank can lead to both the conditions such that the customer is satisfied and does not have intention to change the bank or the customer is fatigued, or is on a look out for a new experience, and thus intend to change banks. The length of years with bank serves both as switching barrier and motivator. Therefore, banks need to identify the customers who stayed with the bank for many years and closely interact with them to understand their perception and intention. Bank
managers should take quality initiatives to improve their products by considering
demographic characteristics of the customers to retain them as satisfied customers
for better performance.

Though certain studies have found that the loyalty programs, and reward schemes do not increase the switching barrier for the customer, the influence on the customer satisfaction is considerable. Therefore, banks need to introduce loyalty programs and reward schemes to attract and retain customers.

The results showed that perception of customers of modern banks is greater than the perception of traditional banks. Bankers are required to concentrate on providing the features found in modern banking if they are not offering now. As well, they should also introduce new products and improve existing products/service by innovation.

6.10 SUMMARY

This chapter has discussed the outcome of the study on a comparative basis with similar studies. The discussions have been carried out on the implications of the outcome on the stakeholders of the-banking industry, and provide certain recommendations on creating customer satisfaction in banking process that can lead to loyalty and customer retention.