6.1. Introduction

In modern competitive environments, services are gaining increasingly more importance in the competitive formula of both firms and countries. Globalized competition has stressed the strategic importance of satisfaction, quality and consequently loyalty, in the battle for winning consumer preferences and maintaining sustainable competitive advantages. Since customers have more choice and more control, long lasting and strong relationships with them are critical to achieve and maintain competitive advantages and, as a consequence, earnings. In today’s business environment, the regional rural banks face increasing competition from commercial banks and new players, including global banks and alternative sources of funds. Furthermore, the increasingly competitive environment prevailing in the global market and rapid advances in customer intelligence technologies have led regional rural banks to look for new business and marketing models for realizing intelligence-driven customer transactions and experiences.

In this context, the present study was conducted in Tamilnadu with the sample size of 525 customers from two regional rural banks namely
Pandyan Grama Bank and Pallavan Grama Bank. A brief description of the retail banking, drivers of the growth of retail banking, and challenges and opportunities of retail banking are discussed in Chapter I. The reviews of previous studies are presented in Chapter II. The research has been originally sparked off by research objectives, which led to the hypotheses outlined and the methodology followed as described in Chapter III. Profile of the Pandyan Grama Bank and Pallavan Grama Bank and their retailing banking are discussed in Chapter IV. Customers’ satisfaction towards retail banking services of the regional rural banks, acceptance level of the customers towards perceived service quality in retail banking of the regional rural banks, and comparison of customers’ attitude between the expected and perceived levels of service quality in the retail banking are discussed in Chapter V. In this chapter, the main findings of the study are summarized, the problems encountered are mentioned, recommendations are made and scope for the future studies is outlined.

6.2. Findings

1. Out of 525 respondents, 83.43 per cent were male and 16.57 per cent were female. The predominant age group of the respondents (45.14 per cent) was distributed in the age group 46-55 years. A good majority of the remaining respondents were distributed in the age group of above 55 years. 9.14% and 20.38% of the respondents were
distributed in the age groups, upto 35 years and 36-45 years respectively.

2. The highest literacy rate (38.10 per cent) of the respondents is Diploma/ITI education. 14.29 per cent of the respondents have got upto SSLC education. 11.43 of the respondents have H.Sc qualification. 22.29 per cent and 13.90 of the respondents have degree and postgraduation and above qualifications respectively.

3. Out of 525 respondents, 14.10 per cent of the respondents are businessmen, 15.43 per cent are employed, 33.71 per cent are professionals, 28.38 per cent are agriculturists and 8.38 per cent are students and housewives.

4. 16.38 per cent of the respondents have monthly income upto Rs.20000 and 21.14 per cent have Rs.20001-30000 as monthly income. 43.05 per cent of the respondents have the monthly income Rs.30001-40000. About 19.43 per cent of the respondents have above Rs.40000 as monthly income.

5. Out of 525 respondents, 40% and 60% of the respondents belong to Pallavan Grama Bank and Pandyan Grama Bank respectively.

6. 71.43 per cent of the respondents have savings bank account and 28.57 per cent of the respondents have current account. 53.33 per cent of the
respondents belong to the urban area, 26.67% belong to semi-urban areas and 20% of the respondents belong to the rural area.

7. The overall influence of all the nineteen factors is considered ‘very important’ in motivating the customers to prefer retail banking services by 23.81 per cent of the respondents, as ‘important’ by 22.67 per cent of the respondents, ‘neither important nor not important’ by 34.86 per cent of the respondents, as ‘not important’ by 12.38 per cent of the respondents and as ‘not at all important’ by 6.29 per cent of the respondents. The average attitude score reveals that easy access and proximity is the most important factor (3.91) for the respondents to prefer retail banking services from the regional rural banks, followed by access to loan facility and friendliness of the staff (3.68). However, with regard to excellent customer service, the respondents assign least importance.

8. Ranging from 4.38 per cent to 19.43 per cent of the respondents have availed educational loan, commercial vehicle loan, schemes for retired, car/two wheeler loan, auto finance, business loan, loans against securities, housing loan and safe deposit locker. Ranging from 17.68 per cent to 31.30 per cent of the respondents have availed cash credit, term deposit, overdraft facility, agricultural loan, current account, schemes for children, mortgage, NEFT, schemes for women and
consumer durable loan. Further 41.71 per cent of the respondents have availed jewel loan and 48.76 per cent of the respondents have deposited their money in term deposits. 50.86 per cent of the respondents have availed remittance/fund transfer facility and 64.95 per cent of the respondents have availed personal loan. 71.43% respondents have savings bank account

9. Ranging from 11.24 per cent to 20.95 per cent of the respondents visit their bank for informing change of phone number/address, account information, interest rate inquiry and deposit withdrawal. Statement request, loan enquiry and conformation of fund transfer are the reasons for the respondents to visit their regional rural banks at 34.67%, 38.67% and 44.76% respectively. 50.29% and 52.38% of the respondents visit their regional rural banks for requesting cheque book and loan repayment/pre-closure respectively.

10. There is no significant relationship among the satisfaction levels of the customers belonging to different genders, age groups, educational status groups, occupations, monthly income groups, types of accounts and locations towards retail banking of the regional rural banks in Tamilnadu. A significant difference is found among the satisfaction levels of customers belonging to Pandyan Grama Bank and Pallavan Grama Bank towards retail banking.
11. Male respondents, respondents in the age group upto 35 years, respondents belonging to SSLC qualification, students and housewives, respondents having the monthly income Rs. 30001-40000, the customers of Pallavan Grama Bank, current account holders and rural customers are more satisfied with the retail banking of the regional rural banks in Tamilnadu.

12. A consistency is found among the satisfaction levels of the male respondents, respondents in the age group upto 35 years, respondents who have postgraduation and above qualifications, agriculturists, respondents having the monthly income Rs. 20001-30000, the customers of Pallavan Grama Bank, current account holders and rural customers towards retail banking of the regional rural banks in Tamilnadu.

13. There has been a moderate correlation (0.532) between the respondents’ satisfaction towards retail banking and the selected personal variables. The R square indicates that 28.30 per cent of variation in the satisfaction level is explained by all personal variables taken together. The F value indicates that the multiple correlation coefficients are significant at 1 per cent level of significance. Gender, age, education, monthly income, and type of account of the respondents have no significant effect on their satisfaction towards
retail banking of the regional rural banks. However, the bank they belong to has significant effect on the respondents’ satisfaction towards retail banking at 1 per cent level of significance.

14. Majority of the respondents (38.48%) are neither satisfied nor dissatisfied, followed by satisfied (24.95%) and dissatisfied (15.05%) towards retail banking of the regional rural banks. 6.86% and 14.67% of the respondents are highly satisfied and highly dissatisfied respectively. The average satisfaction score reveals that the respondents have higher satisfaction level towards access to and process of loans (3.45) followed by branch network (3.13), and access to account information (3.11). However, the customers have lower level of satisfaction score (2.78) towards range of services in the regional rural banks.

15. The results of the discriminant function analysis reveal that terms of payment is the maximum discriminating variable ($R^2\% = 17.72\%$) between Pallavan Grama Bank and Pandyan Grama Bank customers, followed by innovativeness (13.62%), access to account information (13.47%), and fast and efficient service (12.89%) in that order. The least discriminating variable is staff courtesy and response with an $R^2\%$ being 2.79. Out of 13 variables included in the model, 7 variables are found to have a discriminating power of 10% and above, 3
variables have a discriminating power between 10% and 5%. Three variables have a discriminating power less than 5%.

16. No significant relationship is found among the acceptance levels of the respondents belonging to different genders, age groups, educational status groups, occupations, monthly income groups, different regional rural banks, types of accounts and locations towards perceived service quality in the retail banking of the regional rural banks in Tamilnadu.

17. Female respondents, respondents belonging to upto 35 years, respondents having Diploma/ITI qualification, agriculturists, respondents having the monthly income Rs.30001-40000, customers of the Pandyan Grama Bank, current account holders and rural customers have higher acceptance level towards perceived service quality in the retail banking of the regional rural banks in Tamilnadu.

18. There exists consistency in the acceptance level of male respondents, respondents in the age group 36-45 years, respondents having H.Sc qualification, businessmen, respondents having the monthly income above Rs.40000, customers of the Pandyan Grama Bank, savings bank account holders and urban customers towards perceived service quality in the retail banking of the regional rural banks in Tamilnadu.

19. There has been a low correlation (0.097) between the perceived service quality in the retail banking and the selected personal variables. The R
square indicates that 9 per cent of variation in the perceived service quality in the retail banking is explained by all personal variables taken together. The F value indicates that the multiple correlation coefficients are not significant. Gender, age, educational status, monthly income, bank belongs to and type of account have no significant effect on the perceived service quality in the retail banking of the regional rural banks.

20. There is a significant difference in the acceptance level of the respondents between the expected and perceived levels of various dimensions of service quality such as assurance, empathy, reliability, responsiveness and tangibility with regard to retail banking of the regional rural banks in Tamilnadu.

21. In regards to the various factors that contribute to the assurance dimension of service quality, the majority of the respondents (30.67%) disagree with the list, followed by neither agree nor disagree agree (23.62%) and agree (21.33%). 4.19% and 20.19% of the respondents strongly agree and strongly disagree respectively on the assurance dimension of service quality in the retail banking of the regional rural banks. The average acceptance score reveals that the respondents have higher acceptance level towards behaviour of employees to instill confidence in the minds of customers (2.78), followed by safe in
transactions with the bank (2.58). In the case of employees’ knowledge to answer customers’ questions, the customers have low level of acceptance (2.46).

22. Out of 525 respondents, majority of the respondents indicate that they disagree (39.67%) with the empathy dimension of service quality in the retail banking of the regional rural banks, followed closely by neither agree nor disagree (22.29%) and strongly disagree (22.10%). 6.48% and 18.48% of the respondents strongly agree and agree respectively. The average acceptance score reveals that the respondents have higher acceptance level towards individual attention paid to customers (2.89), followed by employees understand the specific needs of the customers (2.59). On the other hand, the customers have lower acceptance score (2.46) towards showing customers best interest at heart in the regional rural banks.

23. The majority of respondents indicate that they disagree (35.81%) with the reliability dimension of service quality in the retail banking of the regional rural banks, followed by strongly disagree (21.52%), and neither agree nor disagree (21.33%). 4% and 17.33% of the respondents strongly agree and agree respectively. The average acceptance score reveals that the respondents have higher acceptance level towards providing service right at the first time (2.68), followed
by delivering error free records (2.43). However, in case of the bank promises to do something by a certain time, it does so, the customers have lower acceptance level (2.38).

24. In regards to the responsiveness dimension of service quality in the retail banking of the regional rural banks in Tamilnadu, majority of the respondents (30.67%) disagree, followed by neither agree nor disagree (22.29%) and strongly disagree (21.14%). 5.90% and 20% of the respondents strongly agree and agree respectively. The average acceptance score reveals that the respondents have higher acceptance level towards prompt service rendered by the employees (2.63), followed by employees’ busy schedule to respond to customers’ request (2.62). However, the customers have lower level of acceptance score (2.49) towards employees’ willingness to help customers.

25. Out of 525 respondents, 30.86% of the respondents reveal that they disagree with the tangibility dimension of service quality, followed by neither agree nor disagree (25.52%), and disagree (20%). 5.52% and 18.10% of the respondents strongly agree and agree respectively. The average acceptance score reveals that the respondents have higher acceptance level towards visual appealing of physical facilities (2.79), followed by visual appealing of materials associated with the services (2.70). On the other hand, the customers have lower acceptance score
(2.34) towards neatness in the appearance of the frontline employees in the regional rural banks in Tamilnadu.

26. 87.24% of the respondents are not ready to change their bank, whereas 12.76% of the respondents are of the opinion to change their bank in future. Ranging from 10 to 45% per cent to 35.82 per cent of the respondents’ reasons to change their banks are lack of trust, unethical practices of the bank, higher service charges, suggestions of the well-wishers, strict formalities to avail services and lack of access to branches. Ranging from 40.30 per cent to 55.22 per cent of the respondents will change their bank in future due to lack of innovative services, denied customer request and poor service. Services are not upto expectations, lack of personalized services and non-availability of IT based services are the respondents’ reasons to change their bank at 61.19%, 64.18% and 77.61% respectively.

27. Ranging from 49.14 per cent to 69.14 per cent of the respondents’ problems with the retail banking of the regional rural banks are absence of customer intimate strategy, poor quality customer service, inadequate range of products, lack of ATM facility, inadequate customer communication and delay in service. Absence of creativity and innovativeness, inadequate customer contact programmes, absence of update information and lack of customer specific strategies are the
problems of the customers with regard to retail banking in the regional rural banks at 72.76%, 74.86%, 80.19% and 84.19% respectively.

28. Ranging from 48.38 per cent to 55.62 per cent of the respondents suggest that customer intimate strategy, training to employees, high quality customer service, customer compliant monitoring cell and adequate range of products will improve the standard of retail banking in the regional rural banks. Ranging from 59.62% to 74.48% of the respondents suggest that ATM facility, customer communication, understanding the customers, provisions of prompt service, improving reliability, creativity and innovativeness and customer contact programmes will improve the standard of retail banking in the regional rural banks. Staff involvement, customer segment specific strategies and providing update information are the suggestions of the respondents to improve standard of retail banking in the regional rural banks at 75.04%, 76.38% and 78.48% respectively.

6.3. Suggestions

On the basis of the detailed study of the perception of the customers towards retail banking of the regional rural banks, it is clear that retail banking plays a vital role in the banking industry. The various suggestions for improving retail banking of the regional rural banks are follows:
1. Since customers look for banks with convenience, flexibility having innovative ideas, changing their offerings according to the needs of the customers, the select regional rural banks must give offers according to the changing environment. The regional rural banks must open the aperture and create operational benchmarks that include financial institutions in other segments of the market. The customer strategy should create differentiation through the bank’s own operational strengths and by emulating the capabilities of the bankers outside of its peer group. Therefore, the regional rural banks must keep on innovating and serve their customers with better quality services.

2. The employees of the regional rural banks should suggest alternative banking services to the customers’ benefit. This can be one way of ensuring “customers delight”. Since service quality is the most important factor in customers’ choice, the banks should focus on hiring competent and friendly personnel, and train them in order to increase their efficiency and develop interpersonal communication skills. The banks should design program to train staff with the skills and knowledge required to deal with customers effectively. With a view to enhance service quality levels in terms of responsiveness, reliability, empathy and assurance aspects, the training and retention of staff should be given special care to empower them to exercise responsibility, judgments and creativity in responding customers’
problems. The select regional rural banks must pay attention to the potential failure points and service recovery procedures, which become integral to employees’ training.

3. The select regional rural banks must have to focus on quality improvement strategy to remove the quality flaws by giving the first priority to the items with biggest gaps and subsequently to the items with lowest gaps. In order to keep the gap between the expected service and perceived service as minimum as possible, it is important that the promises about how then service will perform, given by traditional marketing activities, and communicated by words of mouth, must not be unrealistic when compared to the service the customers eventually will perceive. Hence, efforts of the regional rural banks should not be only to equationalise the customer expectations with what the banks offer but also endeavours have to be put into ensure that the select regional rural banks provide such a level of quality service which exceeds the perceived expectations of customers.

4. Though customers are satisfied with the retail banking of the select regional rural banks, it is not guaranteed that their customers do not switch to other banks. Therefore, the select regional rural banks must take decisive steps to improve their performance, caring individualized attention to every customer, thus performing the service promised
dependably and accurately and highlight the importance of the relational aspects and impacts in customer behaviour. Moreover, every branch shall constitute a “Customer Relationship Committee” consisting of staff and customers of various segments. The customers can lodge their complaints and offer their suggestions on various matters pertaining to retail banking. These complaints shall be discussed at the Customer Relationship Committee meeting every month.

5. Banks should leverage effectively on multiple delivery channels i.e. internet, ATMs, etc. to reduce the cost of operations. At present, there is no ATM facility to the customers of the Pandyan Grama Bank in Tamilnadu. In order to make easy withdrawal of cash and to know other banking details, the customers of the Pandyan Grama Bank shall be given ATM facility. It will increase the customer-base in the forthcoming future.

6. Customer service must match with marketing efforts; otherwise a customer would remain dissatisfied and all marketing efforts will go down the drain. The process of fulfilling customer needs, therefore, requires tailoring bank services to what customers want, rather than making them accept whatever banks can conveniently provide. Today, customers are exposed to the standards of international banking and expect the same standard from regional rural banks. Therefore, the
select regional rural banks have to maintain the international banking standard by offering range of banking products.

7. An effective customer contact strategy in the banks will align marketing communications with customers and will deliver the right range of communications to the right customers at the right time, and will drive responses through the right response channels. The select regional rural banks shall undertake customer contact programmes in order to understand the problems and expectations of the customers. For this purpose, customers meet, special events, direct mails, greeting cards, etc. can be used to get in touch with customers.

8. Customers are loyal only when the bank has a thorough understanding of their requirements. Therefore, the regional rural banks shall keep on tracing the customers and get thorough knowledge about customers’ problems. Database on various aspects of customers’ profile should be created which should function in every branch and it must develop an excellent total customers’ care programme to suit the specific requirements of its customers.

9. About 69.14% of the respondents state that the select regional rural banks have not been able to provide quick service. A long delay in making available the services to the customers may erode the credibility and goodwill as well as customers’ confidence. Therefore,
the select regional rural banks should offer quick and prompt services to their customers.

10. There is an urgent need for the bankers to reaffirm themselves in view of the cutthroat competition, which is close on the anvil. The banks shall have to reorient themselves in terms of customer service parameters to instill the concept of quality service in the mind of customers and therefore growth. The select regional rural banks should focus more on improving the infrastructure. The infrastructure not only involves the information technology input in the branches but also the physical evidence, internal environment and layout. This will help in delivering quick and accurate services to customers as well as reducing the workload of frontline staff and thereby providing ways to employees to respond to customer requests.

11. Since service delivery quality moves from internal customers, the select regional rural banks should provide the necessary incentives to boost internal customer satisfaction. Moreover, the regional rural banks should take internal marketing seriously with respect to good communication flow, rewards and incentives to internal customers so as to deliver excellent service to the customers. Therefore, the select regional rural banks should provide the necessary logistics to their staff because they help to achieve customer satisfaction. The select regional
rural banks should be aggressively engaged in internal marketing to arrive at a synergy of satisfied employees and upgraded service performance.

12. The select regional rural banks should continually assess and reassess how customers perceive retail banking services so as to know whether the banks meet or exceed or are below the expectations of their customers. Frequent customer surveys, therefore, throw light on ratification and refinement, which will go a long way to improve the standard of retail banking services. Some customer surveys shall be conducted through external agencies so that the public reposes confidence on the results of the surveys. Opinion polls should be carried out from time to time to understand the perceptions of customers about the retail banking of the regional rural banks. It is worth mentioning here that foreign banks conduct such surveys quite frequently.

13. There is a need for constant innovation in retail banking of the regional rural banks. In bracing for tomorrow, a paradigm shift in bank financing through innovative products and mechanisms involving constant upgradation and revalidation of the banks’ internal systems and processes is called for. Banks now need to use retail as a growth trigger. This requires product development and differentiation, innovation and business process reengineering, micro-planning,
marketing, prudent pricing, customization, technological upgradation, home/electronic/mobile banking, cost reduction, and cross-selling. Besides the regional rural banks should build collaborative relationships to convert bank branches into financial supermarkets. Moreover, the regional rural banks should ensure innovative products to suit the needs and requirements of different types of customers. With the effective usage of the cell phone technology, coupled with web developments, the select regional rural banks can innovate and offer rich, user-friendly mobile banking applications.

6.4. Conclusion

Retail banking has been introduced in the Indian banking sector in recent years. Customers of Indian commercial banks are responding to a great extent to this new banking strategy. Nowadays, banks are in a fluctuating business environment as they experience an increase in competition and in customer demand, and a decrease in profit margins. Thus, it is critical for banking practitioners to focus on a differentiated strategy, known as service quality improvement, to strengthen their core competitive edge, and urgently make a decision to focus on either the area of personnel counter services or electronic services or both, to be able to allocate limited resources to serve that decision. For banks to grow organically, a strong commitment to strategic customer growth options must
be articulated through a well-structured approach, designed to improve customer attitudes toward bank capabilities and assess their potential value. Therefore, banks must break with traditional, one-sided, inwardly focused customer initiatives and drive toward a well-balanced, customer focused model to exploit the potential of its most valuable customers. Further, customer service has become an important integral component of many businesses in order to remain competitive. As banks become more and more “high-tech,” their technical services are becoming standardized, reducing the importance of such services as a differentiating factor; thus, customers will evaluate banks based more on their “high-touch” factors than on their “high-tech” factors. Although the satisfaction levels are on the higher side, there remains a lot to be done by the managements of the regional rural banks in regards to retail banking in order to maximize their customer satisfaction and improve on the retention rates. A major contribution of this study is the provision of an approach for managers in retail banks thus enabling them to improve customer satisfaction and retention rates. Therefore, success of leading banks in future will depend on product innovation, latest technological developments and strategies to tap the potential retail market. Above all, an important factor of retail banking is the quality of customer service. The study will provoke the authority concerned to take some positive measures for improving the standard of retail banking of the regional rural banks.
6.5. Scope for Further Research

In the present study, an attempt has been made to examine the perception of customers towards retail banking of the regional rural banks in Tamilnadu. Based on the experience, a few areas may be suggested for pursuing further research in future. Although this study covers all aspects of retail banking, there may be certain aspects that might have been omitted or that may become relevant as new trends in banking evolve. An important future research direction is to examine the roles of the relationship marketing underpinnings, overall relationship quality and customer satisfaction in creating customer loyalty. Future research can be conducted, taking into account how the various dimensions of service quality, in terms of definition as well as new services that are offered by the banks. In future, customers may reveal new aspects of service quality in retail banking that are important to them, and these would have to be incorporated in the scale so as to further explore the concept of service quality in the retail banking arena. Future investigations should focus on loyalty program, component analysis, customer loyalty measures, customer attraction and profitability, and design and costs of loyalty programs. Studies similar to this, if conducted on a large scale at regular intervals by the researchers and financial intermediaries, will help the bankers to introduce varied banking services in the forthcoming days.