CHAPTER-VII
FINDINGS, SUGGESTIONS AND CONCLUSIONS

It has been realized that service quality is considered as one of the major influential factors in improving the retail banking activities. As the consumers’ level of expectation is getting increased as time passed, the bankers are forced to devise new dimensions in the emerging field in Indian financial environment. It is essential to explore service quality perceptions of consumers and possible devices on the part of the retail bankers. Therefore the study proposes to examine the service quality and customer satisfaction in the background of retail banking practices in India.

The main objectives of the study are to investigate the dimensions of service quality and study the relationship between the service quality perception and customer satisfaction and to understand the customer perception of service quality in retail banking in India. To study these objectives relevant hypotheses are formulated. In this process a 30-item questionnaire was developed and administered to test the service quality perceptions and its dimensions. The questionnaire was administered on a sample size of 350 customers of various banks, out of which the responses of 255 respondents were considered for analysis. Telephonic interview, mailing of the questionnaire, personal interviews were the techniques used to collect the data. Majority of the responses were collected through personal interviews. The data thus collected is tabulated and various statistical tools were used to test the hypotheses.

To test the sample adequacy, Kaiser-Meyer-Olkin measure of sampling is conducted and it is proved that 255 sample is adequate for conducting this analysis.

Unless there is some relationship between the variables, factor analysis tool cannot be used to analyze the data in the dataset. Thus to test the validity of the tool Bartlett’s test of sphericity is conducted and concluded that there exists relationship between the variables and so factor analysis can be used to analyze the data.

Initially the data related to the demographic factor such as age, sex, income level, annual income etc were analyzed by using simple percentage method. Further, the actual data was entered into the SPSS software and the data were analyzed with the help of factor analysis. Using factor analysis factor are extracted and then the factors are rotated both in orthogonal (varimax) and oblique (promax) space to test whether the data is extracted in a robust way.
To test the relationship between service quality perceptions and customer satisfaction, regression analysis is used. Further, tests like Friedman rank test to test the priorities of the customers among the dimensions of the service quality perception, independent sample t-test to test the preferences of the customers among branch banking, internet banking and other e-banking services.

**From the analysis the following finding were drawn:**

It is observed from the study,

1. When compared to the male, female were using a few of banking services. This is just because female are entering into the corporate environment only in the recent past.
2. The respondents represent the twin cities of Hyderabad and Secunderabad are mostly employed in the emerging fields like information technology, software; healthcare etc.
3. Most of the respondents are young and unmarried as they have entered into the field immediately after their formal education.
4. Majority of the respondents are having higher education background (Post graduate or graduate). This infers that there is a strong correlation between the education and banking operations.
5. The average income level of the respondents is below 5 lakhs rupees implying that most of the respondents belong to either lower middle income group or upper middle income group.
6. The profession of the respondents conveys the need for their banking services and the study identified that most of the respondents are preferring e-banking which includes internet banking, ATMs, tele banking etc.
7. Age of the respondents conveys the attitudes towards the service quality, from the study it concluded that most of the respondents are young and they have high expectation from the banks regarding the services quality offered by them.
8. In the present day scenario private banks are facing tough competition from the nationalized banks and they are forced offer better service to attract the customer. From the study it was inferred that most the respondents hold accounts with private banks rather than nationalized banks as they are providing better services.
9. The mean and standard deviation of the 30 variables indicates that the responses of the respondents are closely related to each other. From the correlation matrix, it can be inferred that the data in the dataset are fairly related to each other and none of the
correlation coefficient is particularly large thus there is no need to eliminate any variable for conducting further analysis.

10. When factor analysis is used to analyze the data, 30 variables were reduced to 6 factors. These six factors were named as Empathy, Responsiveness, Tangibles, Trust, Online Banking and Enabling. The eigen values and total variance explained were obtained from this. When the data reduced to six factors they were explained a total variance of 61.9%.

11. To test the internally consistency of the factors, cronbach’s coefficient alpha reliabilities were calculated and it is proved that the factors are consistent internally which proves that the items within the factors are homogenous and consistent internally.

12. Taking factors on x-axis and eigen values on y-axis a chart is drawn which is called scree plot, to show how the factors are accounting for total variance. The chart has explained that first three factor accounts for about 50% of the total variance and around 12% explains the total variance for the other three factors. This indicates that the factors extracted are strong.

13. Factors are rotated after factor extraction. To test influence of various methods of rotation on factors, the dataset is rotated in two different spaces i.e. orthogonal and oblique by varimax and promax methods respectively. The data in the dataset is extracted into six factors by both methods of rotation in a similar way. Thus it can be concluded that data in each factor is robust.

14. To rank the six factors of service quality which were offered by the banking sector, Friedman rank test was conducted and the factors are ranked, in this globalized economy these days’ people with their busy life have little time to go the bank branch and perform their banking operations. Thus banks were giving at most importance to the services like online banking, responsiveness and trust.

15. To study the relationship between service quality perceptions and customer satisfaction regarding the services offered by the banks, regression analysis is performed on the dataset. The result shows that there is a strong relationship between service quality and customer satisfaction.

16. In the study when the respondents were asked to rank the banking channels based on frequency of usage, majority of the respondents preferred internet banking and branch banking which imply that most of the respondents either preferred the dehumanized channel or the channel with personal interaction. Very few of them preferred the other
channels may be due to lack of knowledge of using or non availability accessing of easy channel.

17. Independent sample t-test was conducted to study the difference between the quality of service offered by various channels, which conveyed that respondents using internet banking perceived the quality in a better way than the respondents who were using the other available channels.

18. This study also focused to investigate the dimensions of retail bank service quality. In summary, the BSQ questionnaire developed for this purpose reveals a six-dimension structure with “empathy”, “online banking”, “responsiveness”, “trust”, “tangibles”, and “enabling” factors with 30 items as a result of the EFA analysis. These factors are in parallel to the previous service and retail bank literature. Factors of “empathy”, “responsiveness”, and “tangibles” were found similar to SERVQUAL. “Enabling” factor has similar items with Levesque and McDougall’s (1996) features dimension and Bahia and Nantel’s (2000) access dimension. “Online banking” is the contribution of this study which includes Internet banking as well as the ATM banking in service quality but on a prior study Stafford (1994) has also found ATM as a separate dimension.

19. Many retail banks have been measuring service quality and customer satisfaction to determine how well they are meeting customer needs and requirements. Understanding the causal relationship between service quality and customer satisfaction is of significant value to managers to predict customer behaviors. To examine the managerial implications of service quality for bank marketing, dimensions’ contribution to customer satisfaction was analyzed. Our findings imply that “empathy”, “responsiveness”, “trust”, “tangibles”, and “enabling” were significant determinants of customer satisfaction. Strong relationship between dimensions and satisfaction suggested by controlling service quality, managers can increase customer satisfaction and loyalty. It was interesting to note that despite the fact that the responsiveness and empathy had the highest contributions to satisfaction; online banking and trust were also perceived more in the environment.

20. Internet was another most preferred banking channels of respondents, observed in the study which was followed by branch banking. This may be due to the fact that the sample consisted of young and educated respondents also preferred advanced technology which can make a major contribution in the alternative banking channels. Therefore Internet banking is preferred more for their convenience. However, it
should also be emphasized that human interaction is excluded from the Internet services that change the way of doing business and different kinds of relations are required. Online banking is a dehumanized banking channel which leads to less personal contact, may be less customer satisfaction and loyalty as mentioned previously by (Lewis 1991; Samli and Frochlich 1992). This study finding is also parallel to this. Even though online banking was perceived as a separate factor of service quality, it was not one of the predictors of satisfaction, whereas mostly empathy and responsiveness explained satisfaction.

**SUGGESTIONS:**

The following suggestions are offered based on the findings drawn from the study as well as some general suggestions observed while doing the study.

1. In the globalised era, developing country like India needs to bring changes in their banking system by allowing the bankers to adopt innovative policies such that they can easily compete with the multinational bankers.

2. Due to an interactive nature of employee-customer relationship, including input from employees on what constitutes “service excellence” will be beneficial. The bank also need to reassess “what customers expect from the bank” and provide client specific services

3. It needs to invest on employee training programs that will provide employees with an understanding of service culture and service excellence-particularly at front line levels.

4. Employee training programs should focus on interpersonal communication and customer care factors in order to be able to meet the customers’ need for personalized service. Employees interacting with customers in a customer centric manner will be able to provide their service with empathy will be able to promptly recover service failures and also ensures the service delivered is consistent with the service promised. This will help to build profitable customer relationship which in turn results in high customer satisfaction and retention, extend the zone of customer tolerance for service failures, increase recommendations about the bank to others and increase customer loyalty.

5. Banks are now required to consider new ways to drive revenue through their distribution system.
6. The most common way to classify this is through the drive to increase the customer share of wallet. The share of wallet is the portion of a customer’s entire financial relationship that any particular bank has with the customer.

7. The more products that a customer has with the bank, the cheaper it is to serve them per product, and the more difficult it would be for the customer to switch to another bank. Thus the bankers should try to provide more products to the customers.

8. By collaborating with hardware, software, telecommunications and other companies, banks are introducing new ways for consumers to access their account balances, transfer funds, pay bills, and buy goods and services without using cash, mailing a check, or leaving home.

9. Technological innovation in the retail banking industry has been spurred on by the forces described by Kotler, particularly in terms of new distribution channel systems, such as online banking.

10. As the industry has provided more ways for consumers to access their accounts, they have added significant costs to each institution. A need to combat these costs resulted in a major cost savings period, where many banks successfully got much of the cost out of the back office. These cost savings can came largely through back office automation, which is a technological innovation that has recently been adopted by the Indian Banks.

11. Reserve bank of India and Government of India should also encourage social responsibility activities of banks through various measures like moral persuasion. Such a consideration by Reserve Bank of India and Government of India shall definitely add to improve the total quality management of the banks.

12. After nationalisation of banks in 1969 and 1980 the RBI introduced several schemes like Lead bank, Service Area Approach etc., In the light of the liberalisation, privatisation and globalisation there is a need to revitalise the schemes. With the implementation of such schemes, no doubt, the banks suffer profitability but ignorance of these schemes is also not advisable in this context.

13. A committee may be appointed by RBI to study the service quality perceived by customers of commercial banks functioning in other countries so as to identify the deviations in respect of the social responsibilities of commercial banks in India and thereby to suggest some strategies to reform commercial banking in India on similar lines with advanced countries. This suggestion is considered to be very important as the country is committed for economic liberalisation and globalisation. Commercial
banks being the agents of change should not be excluded from the process of liberalisation and globalisation.

14. There is greater need for involvement of top management to render active guidance to the branch personnel for a turn around. The branch functionaries should have easy access to the senior functionaries for advice and support.

15. The most important internal change the banks have to bring about is in the appraisal and follow up technique. The appraisal has to be focussed and not un necessarily lengthy. Reduction of paper work will leave more time for personalised follow up. For this purpose the layers of authority to process and sanction the proposals have to be reduced.

16. The bankers should use the various media available in educating the public in availing various retail banking services offered by the bank. Sincere and honest customers must be honoured on the public platforms to motivate the remaining customers.

17. Above all the banks should act as a friend, philosopher and guide to the borrowers and advise them through counselling to make their activities more productive and efficient.

18. The physical approachability of bank location, including the ease of finding one’s way around the bank environment and clarity of service offered by the bank.

19. Extent to which the components of the bank packages are agreeable or pleasing to the customer, including both the appearance and the ambience of the bank environment, the appearance and presentation of service facilities, goods and staff.

20. The extent to which the bank particularly contact staff, either provide help to the customer or give the impression of being interested in the customer and show a willingness to serve.

21. The bankers should improve the ability of the service to communicate with the customer in a way he or she will understand. This includes the clarity, completeness and accuracy of both verbal and written information communicated to the customer and the ability to listen to and understand the customer.

22. The politeness, respect and propriety shown by the service, usually contact staff, in dealing with the customer and his or her property. This includes the ability of staff to be unobtrusive and uninterfering when appropriate, thus the banks should train their staff in rendering service to the customer in more courteous way.
23. Willingness and ability on the part of the bank staff to amend or alter the nature of
the service or product to meet the needs of the customer should be improved in the
banks to the possible extent.
24. The reliability and consistency of performance of bank services and staff. This
includes punctual service delivery and ability to keep to agreements made with the
customer must be maintained in the banks.
25. Personal safety of the customer and his or her possessions while participating in or
benefiting from the service offered by the bank should be ensured by the banker. This
includes the maintenance of confidentiality about the customer information and his/
her account details etc.

CONCLUSION
Banking is considered as an essential facility to promote business operations in any economy.
In the present scenario, banks play a vital and active role for the economic development of
any country by mobilizing the funds and allocating to the needy (entrepreneurs). Banks
ensure stable economy, fair distribution of income, risk sharing, facilitates production and
business activities. Within the broad system of banking retail banking is the key area.
Retail banking is a fast emerging sector of the overall banking industry which has witnessed
enormous growth in the recent past. Retail banking is a multi product and the commercial
banks deal with individual customers. Retail lending across the globe has been a set of
innovation in the commercial banking sector. Developing countries like India and china have
emerged as potential markets with massive investment opportunities. In the emerging
countries like India, the growth of retail banking is attributable to the fast growth of personal
wealth, demographic profile, advancement in information technology, encountering macro-
economic environment, financial market reforms and many micro-level supply side factors etc.

Over the last three decades, globally retail lending has been a spectacular innovation in the
commercial banking sector. The increase in the growth of business in retail banking depends
upon the economy and purchasing power of the consumers. The growth of retail lending in
emerging economies is also linked to updating in information technology, the evolving
macroeconomic environment, financial market reforms, and several micro-level demand and
supply side factors.
India is one of the countries experiencing the retail banking. Retail loan is estimated to have accounted for nearly one-fifth of all bank credit. Based on the economic benefit to the clients in form of income tax rebate there has been a boom in housing sector. The trend of market has changed and it has reversed from a sellers’ market to a buyers’ market. Gone are the days where getting a retail loan was very difficult and most of the banks have credit liquidity problems. All these emphasize the momentum that retail banking is experiencing in the Indian economy in recent years.

Retail banking is, however, quite broad in nature - it refers to the dealing of commercial banks with individual customers for all types of products of liabilities and assets. In case of liabilities they include Fixed, current / savings accounts on the liabilities side; and mortgages, loans (e.g., personal, housing, auto, and educational) on the assets side. The additional products and related ancillary services include credit cards, or depository services.

Retail Banking is the fastest growing sector of the economy with the key success by attending directly the needs of end consumers. It is facing lot of competition ever since financial sector reforms were started in the country. There is almost no walk in customers and banks need to try to capture new markets and segments. However, there is a need for constant innovation like new product development and differentiation. There is a need for micro planning, marketing, prudent pricing, customization, technological upgradation, electronic banking, mobile banking, effective risk management and asset liability management techniques. There is phenomenon growth in retail banking in retail banking, however, it will depend upon capacity building of the banks to meet the challenges and make use of opportunities profitably. However, in all factors CUSTOMER SERVICE is of prominent importance.

While discussing about industrialization and retail banking it becomes obvious that there are certain tension between the industrialization and retail banking. In both cases there is a great difference in market level, structure and products. However, in both the cases the expectations of the customers regarding service quality remains the same. There is great difference in value addition in case of big industries and retail banking. Retail banking customers expect more attention as their products are virtually as compared to the physical products of the manufacturing industries. The desirability of the retail banking products is perceived mainly by the quality of service as perceived by the customer and also in the form of price of the product.
In the globalized economy, banks are focusing on customer satisfaction and beyond. Customer satisfaction is the outcome felt by customers who have experienced bank performance that has fulfilled their expectations. A widely used method of assessing customer satisfaction is through the assessment of service quality perception of the customers.

Perception of the customers towards quality is improving in the recent past. The major issue with banks now is that whether and how it is possible for the retail banking sector to use the benefit or whether these are sector specific phenomenon. It is fact that banks are the only companies that still unite all functions in one hand –from innovative product to their implementation.

Customers often make comparison between the services they expect with perceptions of the services that they receive. The quality of service is dependent on two variables: Expected service and perceived service. Quality talks about excellence or superiority of the organization and its services i.e. the customers overall impression of the service. Service quality and customer satisfaction are inter-related. The higher the service quality the higher will be the customer satisfaction. Generally in banking industry, there are no standardized scales to measure the perceived quality of service. Thus high service quality is an important weapon for the survival of any bank. Most of the researchers opined that measuring service quality poses difficulties to service providers because of the unique characteristics of service: intangibility, heterogeneity, inseparability and perishability etc. Due to these complexities, various measuring models have been developed. The SERVQUAL model of Parasuraman et.al proposed a five dimensional model of perceived service quality: tangibles, reliability, responsiveness, assurance, and empathy. With the advent of e-banking services, the six dimension of service quality has emerged in the banking sector i.e. online banking, which contributes to test the customer satisfaction of using the new service offered by the banking sector. Thus model for measuring service quality has become a six- dimensional model rather than five-dimensional model.