CHAPTER VII

SUMMARY AND CONCLUSIONS

In this study an attempt has been made to analyse the Service Quality and Level of satisfaction of customers of Private and Public Sector Bank of Chennai City. The Socio-Economic profile of customers has also been studied. The Impact of Service Quality on customer satisfaction and problems faced by the customers in Private and Public Sector Banks, are rightly brought into focus. This study has been made by framing objectives related to

1. To examine the trend and progress of Commercial Banking in India during 1999-2002;

2. To study the Socio-Economic characteristics of the customers (the respondents) of Private and Public sector banks;

3. To evaluate Service Quality in Private and Public sector banks and examine the Customer Satisfaction level;

4. To identify the problems faced by customers in Private and Public sector banks and

5. To suggest the measures to improve the Service Quality as well as Customer Satisfaction.
These objectives have enabled to synthesize some hypothetical assumption and on the basis of these, some valid conclusions are drawn by employing appropriate statistical tools. The major findings of this study are summarised in detail:

FINDINGS

The findings of secondary data analysis of developments in commercial banking in India during 1999-2002 reveals the following facts. It is observed that the Indian banking system continued to respond proactively to the challenges in its operating environment during the year 2001-2002. There was a significant improvement in the performance of the commercial banking system, measured in terms of both operating as well as net profit. As at end March 2002, 97 commercial banks, 196 Regional Rural Banks, 52 scheduled urban Co-operative banks and 16 scheduled state co-operative banks were operating in India as scheduled banks.

The Performance of commercial banks are the following. First, buoyed by favourable policy announcements, housing loans showed an accelerated growth of 38.4 per cent and with the result, the share of credit to housing increased three-fold from 3.8 per cent in 2000-2001 to 11.6 per cent in 2000-2002. Second, in the face of slowdown in industrial activity, banks have
aggressively increased the share of credit towards "Other non-priority sector personal loans". This has doubled over the same period from 4.9 per cent to 10.0 per cent. Third, provision and contingencies (P&C) of SCBs witnessed a rise of 36.6 per cent in 2001-2002. The sharp increase in P&C, especially provisioning for NPAs, in the light of the gradual tightening of prudential norms, reflects the growing awareness on the part of banks to set aside larger quantum against impaired assets.

During 2001-2002, the total assets of SCBs witnessed an increase of 18.5 per cent over the previous year (excluding the impact of merger, the increase in asset growth was 13.4 per cent). Almost all bank groups witnessed double-digit asset growth during the under review. Out of this the increase for the PSBs stood at 12.2 per cent. Reflecting the impact of merger, the asset growth in the new Private Sector Bank category witnessed a substantial jump of over 100 per cent over the previous year (excluding the impact of merger, the increase in asset growth was 19.1 per cent). Accordingly, the share of new private banks, which constituted 6.1 per cent of total assets of SCBs during 2000-2001 improved to 11.4 per cent during 2001-2002. Correspondingly, there was a decline in the share of PSBs (75.3 per cent in 2001-2002 as compared with 79.5 per cent in 2000-2001), old private sector banks and foreign banks.
In the overall performance of SCBs, there was wide divergence across bank groups. For example, the increase in income was the lowest for the foreign bank group (8.1 per cent), due to lower growth in their interest income. Foreign bank group also registered a low growth in expenditure (3.9 per cent), arising out of containment in interest expenses. ‘Other Income’ of all bank groups recorded substantial increases reflecting increasing diversification into non-fund based activities. The maximum increase in this aspect was recorded by old private banks (114.2 per cent). The growth in operating expenses was the highest for new private banks, driven largely by increase in wage costs. PSBs, however, registered lower wage costs, due to cost control measures (organisational restructuring, enhancement of IT capabilities, etc.) and the voluntary retirement scheme (VRS) implemented in the previous year. Provisions and Contingencies (P & C) increased for all bank groups, excepting in the case of foreign banks, whose provisioning requirements were low on account of improved asset quality.

The findings of primary data analysis on Socio-Economic characteristics of customers in Private and Public sector banks reveals the following facts: It is observed that in Private and Public sector banks in Chennai city, the Socio-Economic characteristics of the customers such as Age, Education, Occupation, Monthly income, Marital status and Family composition and the Nature of
the banks, Nature of the account, Reason for selecting the bank, Frequency of operation of account, Facilities availed from the bank and Factor prompted to open an account are more important in getting customer satisfaction in Private and Public sector banks in Chennai Region. Further, the Nature of association between the Socio-Economic characteristics of the customers and the banks explain that all the Socio-Economic characteristics of the customers are positively and significantly associated with the banks in obtaining a high customer satisfaction rating.

The findings of primary data analysis on effectiveness of Service Quality in Private and Public Sector banks to measure customer satisfaction reveals the following facts: It is observed that Private Sector banks have the highest score (13.79) and Public Sector banks has lowest score (8.93) for Speed and Efficiency. In Attitude responsiveness and courtesy Private Sector banks have highest score (12.94) and Public Sector banks have the lowest score (7.84). Regarding Professional commitment, punctuality and presence of Private Sector banks have the highest score (12.21) and Public Sector banks have the lowest (6.06). Regarding Job knowledge, skill and accuracy, the Private Sector banks have top score of (11.66) and Public Sector banks have lowest score of (5.40). In Bank procedures, Private Sector banks have highest score of (8.09) and Public Sector
bank have lowest score of (5.42). The Private Sector banks also have highest score in Customer complaints and grievance (9.18) and Public Sector banks have lowest score of (3.36). For Infrastructure location and layout, Private Sector banks have been ranked first with (8.09) score and Public Sector banks ranked last with (2.3) score. The Service Quality parameter of Variety of services, Technology and cost and competitive efficiency are higher for Private Sector banks (i.e. 7.89, 6.99 and 6.41) than the Public Sector banks (i.e. 3.58, 3.00 and 2.97). Moreover, on the whole Private Sector banks have been ranked first with a total score of (90.49) and Public Sector banks have been ranked second with a total of (48.87). Therefore, the Service Quality is more effective in Private Sector banks than the Public Sector banks, which will lead to increase in customer satisfaction. The Service Quality is less effective in Public Sector banks, it will lead to decrease in customer satisfaction. Further, the nature of association between Service Quality Parameters and Banks explains that the calculated value of $X^2 = 38.84$ which is greater than the table value of 29.6 at 1 percent level in Private Sector banks while, the calculated value of $X^2 = 26.36$ is greater than the table value of 25.2 at 5 percent level of significance in Public Sector banks. So, it is indicated that the effective Service Quality provided by Private Sector banks have more significance than the Public Sector banks.
The findings of the extent of use of new banking facilities provided by Private and Public Sector Banks reveals the following facts: It is observed that 82 percent of customers interviewed avail home banking facilities in Private Sector banks, while 62.67 percent of customers avail this facility in Public Sector banks. Totally 72.33 percent of the customers interviewed in all two banks use home banking facility. Further 70 percent of the respondents in Public Sector banks and 40 percent of respondents in Private Sector banks are of the opinion that time taken by the employees to reach at their place is very short while, 30 percent in Private Sector banks and 60 percent in Public Sector banks said to be reasonable in Private Sector banks. Hence, 92.67 percent of customers interviewed avail tele banking facilities in Private Sector banks, while 52.67 percent of customers use Public Sector banks. Totally, 72.66 percent of customers interviewed in both banks use tele banking facility. Further, 40 percent of customers in Private Sector banks and 60 percent in Public Sector banks interviewed expressed that they had to dial more than once. Again, 65 percent of customers in Private Sector banks and 35 percent of customers in Public Sector banks are of the opinion that waiting period of getting the information is reasonable. Further, 85 percent of customers in Private Sector banks and 15 percent of customers in Public Sector banks viewed that adequate and accurate information is given. And 75 percent of customers in Private Sector banks, 25
percent of Public Sector banks, viewed that follow up action was in time. 90 percent and 55 percent of customers viewed that in Private Sector banks and public sector banks they are aware of ATM facility, while 80 percent and 56 percent of customers are actually using it. Against this 89 percent and 68 percent of customers are willing to use Private and Public Sector banks in Chennai Region. Moreover, $X^2$ test explains that the calculated value of $X^2 = 35.05$ for Private Sector banks and 19.488 for Public Sector banks are greater than the table value at 1 percent and 5 percent value of significance. Hence, this result indicates that the association between New banking services in Private Sector banks is more significant (i.e. 1 percent level of probability) than the Public Sector Banks (i.e. 5 percent level of probability) in Chennai Region. The findings of Service quality factors which differentiate customer satisfaction in Private and Public Sector banks reveals the following facts. It is observed that the percentage contribution of the six Service Quality variables are as follows: Technology (27.09), cost and competitive efficiency (19.73), Speed and efficiency (16.39), Variety of services (15.72), Attitude, Responsiveness and courtesy (11.38) and Infrastructure location and layout (9.69). The customer satisfaction in the respect to above cited Service Quality variable which differentiates the Public Sector banks is significant from the Private Sector banks in Chennai Region.
The findings of impact of Service Quality factors on customer satisfaction in Private and Public sector Banks in Chennai city reveals following facts: It is observed that six Service Quality attributes, viz., Infrastructure facilities, Staff behaviour, Image of bank, Innovative banking, Operation of various schemes, and Promptness of service significantly influence the customer satisfaction in Private Sector banks. In the case of Public Sector bank, seven Service Quality attributes, viz., Staff behaviour, Image of bank, Promptness of services, Guidance and counselling of customers, Variety of services, Computerization and Innovative banking statistically show a significant influence on customer satisfaction. Hence, it is concluded that these explanatory variables influence the customer satisfaction both individually and collectively and determine Private and Public sector banks of Chennai Region. Of the six / seven explanatory variables of Service Quality attributes that influence the differences in customer satisfaction in both the banks the calculated value is greater than the table value both at 1 percent and 5 percent level of significance and it also improves the fitness of the model (R2) in both the banks. Among these, six / seven variables have positively determined the customer satisfaction in both the banks. Since the sign of elasticity co-efficient of these variables is positive, it means that if all the six / seven service quality variables in both banks influence increase, the customer satisfaction also increase. The value of co-efficient of
determination (R2) indicates that the variables included in the Service Quality attributes bring about difference in customer satisfaction by 76 percent in private sector bank and 57 percent in Public Sector bank. As Private Sector banks are comparatively larger banks the Service Quality factors influence much more in customer satisfaction in Private Sector banks than in public Sector banks. The value of elasticity co-efficient of all the explanatory variables is less than one in both the banks indicating that the percentage change in the customer satisfaction (due to the Service Quality variables) is less than the percentage change in the Service Quality variables. In other words, the rate of decline in the customer satisfaction is less than the rate of increase in the Service Quality attributes.

The impact of Service Quality variables viz., Staff behaviour, Image of bank, Promptness of services, Guidance and counselling of customers, Variety of services, Computerization and Innovative banking for Public sector banks and Service Quality variables viz., Infrastructure facilities, Staff behaviour, Image of bank, Innovative banking, Operation of Various schemes, and Promptness of service in Private Sector bank are essential for customer satisfaction. Therefore, these important Service Quality variable determine customer satisfaction.
The findings of problems faced by the customers in Private and Public sector banks in Chennai region reveal the following facts. It is observed that the association between problems faced by customers in Private and Public sector banks and level of satisfaction indicate that the problems faced by the customers viz., Exchange on drafts and collection of cheques, Update of new products / service and Statement of accounts in Public Sector banks and problems of Arrangements for enquiry counter, Execution of standing instructions and Malfunctioning of ATM in Private Sector banks are negatively significant which will lead to less level of satisfaction.

Further, identification of differences of the problems faced by the customers in Private and Public Sector banks on level of satisfaction. It is observed that the first factor the problems faced by the customers in Private Sector banks on the level of satisfaction, indicates that the Hidden cost ranks first with 58.22 percent, Update of new products / service and Statement of accounts are the second rank with 55.49 and 55.211 percent, Exchange of drafts and collection of cheques is the third rank with 53.32 percent and Non resident external accounts as the fourth position in the 52.59 percent.

The second factor can be labelled as problems faced by the customers in Public Sector banks on the level of satisfaction item which consists of
Arrangements for enquiry counter, Execution of standing instructions, Malfunctioning of ATM, Delayed transactions and Inadequate safety lockers as those items are having high loadings on the second factors. The composite score of Delayed transactions occupies only the first rank with 87.43 percent, Inadequate safety lockers the second rank with 76.32 percent, Arrangements for enquiry counter and Execution of standing instructions occupies third ranks with 68.49 and 68.32 percent and Malfunctioning of ATM occupies fourth ranks with 61.42 percent.

The problems faced by the customers in Private Sector banks item (Factor I) and problems faced by the customers in Public Sector banks item (Factor II) are maximum to influence in the level of satisfaction. Therefore, the composite explanatory power of both factors on the level of satisfaction reveals about 92.14 percent. Therefore, the factor - I (i.e. problem faced by the customers in Public Sector banks are most important one in explaining the level of satisfaction compared to Factor - II (i.e. problem faced by the customers in Private Sector banks)
TESTING OF HYPOTHESES

This section deals with a discussion about the problem of agreement between the theories and data collected by using relevant standard statistical techniques.

It could be deducted from the above discussion that the formulated hypothesis of Socio-economic characteristics of the customers play a significant role to measure the customer satisfaction which is identified as validated on the basis of Percentage and $X^2$ test.

The second formulated hypothesis that the Service Quality is more effective in Private Sector Banks is significant, which will lead to higher satisfaction of customers than the Public Sector Banks and is identified as validated on the basis of Scoring techniques and $X^2$ test.

Third formulated hypothesis that the Use of new banking facilities by the customers in Private Sector Banks is more significant than the Public Sector Banks to measure customer satisfaction and is identified as validated on the basis Percentage and $X^2$ test.

The formulated fourth hypothesis of the satisfaction of customers in Public Sector Banks will differ more significantly from Private Sector Banks with respect
Service Quality variables is identified as validated on the basis of Discriminant analysis.

The fifth formulated hypothesis of the Effects of Service Quality variables exercise a considerable impact on customer satisfaction is identified as validated on the basis of Stepwise log linear regression model.

The sixth formulated hypothesis of the problems faced by the customers in Private and Public Sector Banks and negatively significant associated with the level of satisfaction is identified as validated on the basis of Mean and $X^2$ test.

The last formulated hypothesis of the Factor - I (i.e. Problems faced by the customers in Public Sector Banks) are more significant one in explaining the level of satisfaction compared to Factor - II (i.e. problems faced by the customers in Private Sector Banks) is identified as validated on the basis of Factor analysis.

SUGGESTIONS

The findings of the present study enabled the researcher to suggest some policy measures with respect to Private and Public sector banks.
Based on the above findings, the researcher has made the following suggestions:

I. FOR PUBLIC SECTOR BANKS

✧ There should be improvement in the quality of the banking staff. They should be very alert and empathetic to the customers and attend to their queries speedily and promptly.

✧ The time taken for cash payment and D.D. should be reduced. The process should be made very simpler and quicker.

✧ Transaction must be completed then and there (Time Saving) besides introducing Sunday banking. Timings of the Bank may be extended in order to satisfy their Customers as in foreign Banks. Telephone enquiry must be developed. Proper Notice should be given to their Customer whenever they increase the minimum balance.

✧ The Bankers should have interaction with the customers. They should improve good business relation with the customer. They should be taught the cardinal principles that “Customer is not an outsider of the business; he is the part of their business”. The staff appointed must be dynamic and must be capable of meeting challenges faced by the Bank.
Like foreign banks, public sector banks should also reduce staff, educate them. The staff members should be made to realize that the food they eat is from the customer's money. Bank staff should also realize that each customer is contributing towards his salary. If there are no customers then there would not be any banks.

Service should be prompt. Staff should behave more respectfully with the customers.

The banks should introduce the concept of quality circle so that effectiveness of service is enhanced. Training of staff members on human resources development management is given frequently to step up the quality of service standards. Staff members should be motivated by various means so that it would increase the standard of services. Daily plans to be drawn up well in advance. Contingency plans are to be drawn up and implemented with precision so as to avoid unpleasant situation. In fact, absence of such plans only lead to deficiency of services in the case of emergency and unexpected circumstances. Customer education, customer awareness should form part of any plan for improving service standards; "Customer is the king." "He never does wrong" all staff members should adopt principles.
Training on human relations should be given to staff to understand the value of customers.

The nationalized banks must be sensitive to the changes taking place in the environment and they must incorporate the changes in their own functioning in order to improve the quality of service. Prompt entries must be made in the passbook as and when the customer operates the A/C. Conduct of “Customer Meet”, Open House Meed should be seriously reviewed and monitored. Besides, the concentration on corporate value based A/Cs the middle-income group accounts and lower income group accounts should be given importance to tap in Resources. Thrust of “Retail Banking”, rural banking is needed to market the products, in rural areas.

Bankers should update their knowledge regarding the services and they have to implement it in their branches.

They should endeavor to get ISO standards.

Verification of Documents and formalities can be simplified so that the problem of the Customer may be solved at the earliest. Any customer
who comes to the Bank should be satisfied and he should think of utilizing
the facilities given by the Bank.

- The existing savings products should be "REDESIGNED". Daily saving
  scheme for traders', small business people should be reviewed. The bank
  should simply credit application forms/Documentation.

- The banks should arrange for supply of handouts Manuals, procedures
  for each and every account.

- A P.R.O in every branch to interact with customers should be very effective
  in improving the service. This would also clarify the cumbersome
  procedures in many transactions associated with banking which most of
  the people may not be aware of.

- The D.D. charges are on the higher side and the interest rate of Fixed
  Deposits is too low. If possible, they can think of doing something
  beneficial to Customers and ultimately that will lead to Customer
  Satisfaction.

- The bank should keep suggestion Box at the entrance. And also provide
  safety locker and alarm systems in the branch.
● Locker facility should be accessible to lower income groups also provide safety locker and alarm systems in the branch.

● Locker facility should be accessible to lower income groups also as there is always hot demand for lockers.

● The payment of property tax and income tax through banks must be popularized among the customers.

● Separate Counters should be opened for issuing D.Ds, as it will reduce the transit time. Also increase number of branches for Providing Credit Card facility for all customers.

● Some nationalized banks have the teller facilities. Nationalized banks in all the areas must provide this service.

● Schemes like 2 in 1 A/C (Deposit with Drawing facility, dial a Demand Draft, should be made available. The nationalized Banks should provide new Value Added services, which are available with the Private Sector Banks and foreign Banks practice, also.

● Tele Banking needs to be introduced.
They can try with the idea of providing bonus for longterm depositors. They may also introduce monthly income schemes as prevalent in Post offices.

The banks should have full-fledged computerized system.

Some of the current services like ATM etc. may be provided in all the branches to improve the standard. Passbook updating must be done immediately after the transaction.

The payment of property tax and income tax through bank must be popularized among the customers.

Nationalized banks should take a leaf out of the services of the private banks like Citibank, American Express Bank, Standard Chartered, Grindlays, Bank of America, ABN Amro, HDFC, ICICI Centurition Bank.

Timing of Bank may also be extended in order to satisfy their customer like foreign banks.
Increasing of the Banking hours for the convenience of the customer is done in the Metro cities currently, but it should be extended to urban areas too. It may be 24 hours.

It is observed that majority of customers including senior citizens hold the view that people open account with nationalized banks only for safety and security purpose, even though they have to go through all hardships. The relatively young persons who do not have much money prefer only foreign bank, as they could not take risks.

II. FOR PRIVATE SECTOR BANKS

Customer and staff relationship should be cordial. The services are to be speeded up.

Staff should help the customers while taking D.Ds’ and enchasing the cheques.

The human aspect of service quality such as attitude, responsiveness and courtesy are not on the top of mind of the employees while these are minimum expectations of customers.

Personal bankers should update customers about the new products.
They should be co-operation and have better understanding with the colleagues.

Numbers of staff have to be increased; The persons posted to the counters should have good communication skill, patience, and knowledge about bank working and fully conversant with various types of forms and vouchers and should keep with him ready stock.

Employees have job knowledge but they do not do it accurately by acquiring skills. Training and development approach in improving the quality of staff needs attention.

Managers of the banks must provide up to date information to the customers about the various schemes of loans and types of facilities available to them.

The rate of interest on deposit should be increased; the rate of interest on loans and advances is to be decreased.

As a measure of stepping up the service level, the number of holidays should be at the barest minimum. The customers would be too happy, if the banks are open on all seven days in a week.
Fixed deposit for locker facility should be minimized. It is better if they provide parking facility. The Bank should offer multi facility service counters for paying off telephone bill, corporation tax, Income Tax etc. More information should be provided about the services each bank offers. The checklist may be provided to every depositor.

There are either little or no variety of services provided to customers leave alone service quality. So efforts be taken to increase the variety of products.

Bank transaction should be entirely computerized. All accounts sections are to be computerized.

There is little or no competitive efficiency in providing service. The service component as a cost variant must acquire a position in the banking sector.

People at the enquiry counter must help the customer to fill up the forms. ATM service should be provided in all branches / banks. "May I help you. Counters" should be installed in the banks, which do not have it. The monthly statements of customers should promptly be sent to the customers.

Minimum balance for savings and current A/c should be reduced.
Quick service have to be provided. Income tax rules regarding income from interest should be sent to the customer at proper time.

More sitting arrangements should be made available to customers as during peak hours, customers have to keep standing till their transaction are completed.

The customers complaints are grievance have little relevance as long as they are not responded in time. More establishment of a cell or a unit is not the solution to the problem but its operation and activation will serve the purpose.

III. GENERAL SUGGESTIONS

One shudders to think of the wide range of products that are being offered by nowadays bankers. The products were few in numbers in olden days. Thanks to competition and the growth in market conditions, the range in products offered by banks to the customers has grown manifold. Products’ galore is the order of the day and expects the banks in the millennium to continue to fiddle into the mindboggling and innovative range of products in order to attract customers to their fold and also to offer a variety, the spice of life.
Staff members are the backbone of banking sector that provide service to customers. The improvement in the quality of these staff members and their efficiency is sine qua non. Steps be taken to identify the potentials and help them to sharpen their axes. The less talented need not be discarded or deprecated but utilized in appropriate places as the proverbial potter used the leaking pots to sprinkle water for creative flowery gardens.

The level of satisfaction of an individual customer also depends to a certain extent on the environment in which he interacts for getting such services. The environment varies from a tiled roof old house to a much sophisticated, palatial, cozy and air-conditioned buildings. As the service providing environment has an impact on the provision of customer service, it is better for the banks to provide a cool environment that may dissuade the customers from throwing down the gentlets.

In yesteryears, the bank staff were given only minimal training so to say, the concept of training as self-improvement resulting in the attitudinal change which may lead to provision of excellent service was not at all accepted. Subsequently, training was accepted as a tool. But the selection of staff was not scientific and no system prevailed. That being the case, same staff members were being sent for training frequently defeating the
very purpose for which training was started. In the present scenario, an awareness must be created that the training will not only result in self-improvement but also result in improving the organization. This aspect of training as a tool to enhance the level of attitude of employees extending excellent customer service may be thought of by the top officials and the staff members imparted need based training.

- Technology is the latest tool in the armory of provision of effective customer service. Outdated and obsolete technology no doubt impedes service provisions. On the other hand, advanced, latest, up to date and state of the art technology enhances the quality of service. The Banks should therefore take every opportunity to introduce the advanced technology tools in their day-to-day operations.

- No doubt, banks are institutions more concerned with profit. But every Indian Bank is bound to realize its responsibility towards the society in which it has set up the empire. The bank is nowhere sans society. It is a common knowledge that banks could flourish only in the society and flourish because of the society. It is, therefore, all the more essential that they should care for society. Conscious of their responsibility to the society, the banks in India have been rendering assistance to the poor and weaker
section of the society through various schemes like Differential rate of interest, 20 points economic programme, Jawahar Rozgar Yojana etc.,
Besides continuing with the existing schemes, Banks should also embark upon new and innovative schemes to help the poor and downtrodden.

SCOPE FOR FURTHER RESEARCH

Corporate Customers

The present study covers only one of the segments of customers who avail themselves of banking facility viz. individual customers. Though in terms of numbers, the corporate customers are not as large as individual customers, they are not insignificant. In fact, the bulk of business comes from corporate customers. A good scope is there for any one to tread on the terrain of corporate customers and find out the level of satisfaction, their expectations in juxtaposition with paraparalia available with the banks to appease the ever-growing needs of the corporate customers.