Chapter II

Review of Literature

A number of studies have been carried out to explore the concept, framework and structure of universal banking worldwide. The concept of universal banking is of recent origin; therefore, not much research work has been done so far to analyze the conceptual framework, employee perception and customer satisfaction in these banks in India. For the purpose of this study, the review of literature has been divided broadly in three sections. In Section A, the literature on customer satisfaction as regards the services provided by Banks has been reviewed. Section B covers review of literature on Bank employee’s perception towards banking. Section C includes literature review of bank selection criteria by bank customers.

Section A

2.1. Studies on Customer Satisfaction

Parrish et al. (1996) assessed the relationship between the factors of leadership, internal communication and customer satisfaction. The bank chosen for study was a branch of a small bank in the South-eastern United States. In total 500 questionnaires were distributed out of which 128 were found usable, making response rate of 26 percent. The results of factor analysis showed that positive perceptions of leadership and satisfaction with internal communication lead to employee satisfaction that, in turn, leads to customer satisfaction as satisfied employees delivered good service.

Levesque and Mc Dougall (1996) investigated the drivers of customer satisfaction in retail banking (Canada). The sample consisted of 325 bank customers. For analysis, factor analysis and regression analysis were used. The results showed that, both core (Provides services when promised, do it right the first time, performs service accurately, do something by a certain time and tells when services performed) and relational performance (Gives individual attention, consistently courteous, always willing to help and understands specific needs) were important drivers. Features such as convenience, competitive interest rates and skilled employees also contributed to customer satisfaction. The importance of these findings was that positive attitudes
towards a retail bank are driven by service quality components, such as the employee-customer relationship, as well as other features/benefits of the service. The results also showed that a service problem that was not resolved has a substantial impact on the customer’s attitude towards the service provider. These results confirm the importance of problem recovery in maintaining customer satisfaction.

**Yavas, Bilgin and Shemwell J. (1997)** conducted a survey of Turkish bank customers to investigate the effect of service quality on customer satisfaction, complaint behaviour and commitment. Data for the study were collected by drop off and pick up procedure from residents of Istanbul located in northwestern Turkey. In total, 200 questionnaires were distributed out of which 156 were found usable making a response rate of 78 percent. For analysis, three bivariate (simple) regression analyses were run by using service quality (responsiveness, empathy, reliability, assurance and tangibles) scores as the independent variable and satisfaction, complaint behaviour and commitment as the dependent variables. Favourable service quality sentiments were expected to result in higher levels of consumer satisfaction and commitment, but in lower likelihood of complaint. Because of the scoring system used, the signs of the coefficients for each of the five service quality components were expected to be positive with respect to satisfaction and commitment, and negative for complaint behaviour.

It appeared that overall service quality was a significant determinant of customer satisfaction, complaint behaviour and commitment. A closer scrutiny of the results showed that tangibles, responsiveness and empathy were significant predictors of consumer satisfaction. Of the three attributes, tangibles and responsiveness were also significant antecedents of commitment. Empathy was the only attribute that showed a significant relationship with complaint behaviour.

**Kangis and Voukelatos (1997)** conducted a survey on service quality perceptions and expectations among the customers of public and private sector banks in Greece. A sample of 163 respondents was contacted by personal interviews. The results of factor analysis showed that in most of the dimensions measured, ‘quality expectations’ and ‘evaluation of services received’ were marginally higher in the private sector than in the public sector.
Athanassopoulus (1997) investigated the management’s role on the agenda of customer satisfaction in Greece. A sample of 272 bank managers was contacted by personal interviews. The results of factor analysis showed that the service provider was not in a position to understand the existence of time lags and subsequent service experience gaps between service organization and customer’s needs and wants.

Bloemer et al. (1998) conducted a study among customers in Netherlands. The sample consisted of 2,500 existing private customers, interviewed through phone with regard to image of the bank, quality perception of the bank, satisfaction with the bank and loyalty towards the bank. The sample was randomly drawn and found to be representative for the bank’s private customers by checking the customer database. The descriptive data gathered in the study were compared with demographic variables that were available from previous market research studies within this bank. Pearson Correlation, Regression analysis and Factor analysis were employed for data analysis. The results showed that at the global level the image is indirectly related to bank loyalty via perceived quality. In turn, service quality is both directly and indirectly related to bank loyalty via satisfaction. The results also showed that reliability (a quality dimension) and position in the market (an image dimension) are relatively important drivers of retail bank loyalty.

Metawa and Almossowi (1998) in their study titled ‘Banking Behaviour of Islamic Bank Customers Perspectives and Implications’ studied the following aspects of banking behaviour of Islamic bank customers: (i) Comprehensive profile analysis of bank customers (ii) Customer awareness of key bank products and services, their usage and their satisfaction with delivery systems utilized in extending them. (iii) The key attributes used by customers in making their selection decisions. A total of 300 customers were selected for the purpose of primary survey. The profile analysis, was conducted by using of percentages, mean scores and ranks. The results showed that Islamic bank customers were well educated and were found to be most satisfied with products and services they used most (for e.g. current account, savings account, ATM, investment accounts). The results also indicated that bank selection decisions by customers are predominantly religion-based decisions, followed by rate of return and recommendations made by family and friends.
Naser, Jamal and Khatib (1999) assessed the degree of customer awareness and satisfaction towards Jordan Islamic Bank for Finance and Investment (Amman). A sample of 206 respondents was selected for a primary survey. In order to carry out data analysis descriptive statistics were employed. The results showed that vast majority of respondents were satisfied with most of the aspects of the Islamic bank's products and services. Further, it was observed that Islamic bank could promote its products by using physical evidence in their promotional material; as customers showed their satisfaction towards most of the physical facilities provided by the Islamic bank. A large majority of the customers were satisfied with the Islamic bank's name and image along with the bank's ability to provide confidentiality.

Lassar et al. (2000) examined the effect of service quality on customer satisfaction in South American banks. A second research goal was to examine the utility of separately measuring customer satisfaction from the perspective of both technical and functional aspects of the service delivery process. For the primary survey, a sample of 80 respondents was selected and the analysis was carried out with Ordinary Least Square (OLS) regression. The results showed that functional quality was both important and complex and it significantly influenced each of the satisfaction measures.

Athanassopoulus, Guars and Stathakapoulus (2001) investigated the behavioural consequences of customer satisfaction and the impact of customer satisfaction on customers’ behavioural responses. The sample consisted of 793 individual customers of commercial retail banks of Athens, Greece. The results of factor analysis supported the notion of direct effect of customer satisfaction on three criterion variables i.e. decision to stay with the existing service provider, engagement in word-of-mouth communications, and intentions to switch service providers.

Winnie, Long and Kanji (2001) examined the relationship between customer satisfaction and customer royalty in Hong Kong retail banking industry. A sample of 450 customers was taken for primary survey. For data analysis, structural equation models (SEMs) namely, American Customer Satisfaction Index model (ACSI) and European Satisfaction Performance Index model (ESPI) were used. The results suggested that there is direct relationship between customer satisfaction and customer loyalty. Thus, in
competitive markets with supplier switching, loyalty would grow steeply (i.e. loyalty gains) only at the higher levels of satisfaction.

**Jamal and Naser (2002)** analyzed the impact of service quality dimensions and customer expertise on satisfaction. A total of 167 respondents of Abu Dhabi Commercial Bank (ADCB) were contacted for the survey. For analysis, stepwise regression was applied, as customer satisfaction could be modelled using a multivariate regression analysis that links customer satisfaction to core, relational and tangible dimensions of service quality and a range of other variables (such as expertise, age, business type, education, ethnic background, gender, income, internet purchase, occupation, and number of years in the UAE). The results indicated that both core and relational dimensions of service quality were linked with customer satisfaction. Further, customer satisfaction was based not only on the judgment of customers towards the reliability of the delivered service, but also on customers’ experience with the service delivery process. In other words, customers who appreciated the core and relational dimensions of service quality provided by a service provider were satisfied with the services offered. The results also suggested that education and income were important factors determining the customer satisfaction and that one’s degree of satisfaction increases as per increase in one’s length of stay in a particular market place. This means that bank managers in the UAE could segment their market according to the number of years their clients have lived in the country.

**Sureshchandar, Rajendran and Anantharaman (2003)** investigated the critical factors of customer perceived service quality in the banks of India. The three groups of banks in India (public sector, private sector and foreign banks) were compared with respect to each of the five factors of service quality (core services, human element of service delivery, systematization of service delivery: non-human element, tangibles of service and social responsibility). Data were collected using the ‘personal contact’ approach. A total of 452 customers from 51 different banks were approached, from whom 277 (from 43 banks) correctly completed responses were obtained. The results of confirmatory factor analysis and ANOVA showed that as regards customer’s perception of service quality, the technological factors (i.e. core service and systematization of the service delivery) contributed more in differentiating the three sectors while the people
oriented factors (i.e. human element of service delivery) contributed less to the discrimination. The results also indicated that foreign banks were performing well, followed by private sector banks and public sector banks.

**Yavas, Benenstein and Sthldreiers (2004)** investigated the role of service quality, service features, service problems and situational factors on customer satisfaction and future intentions with their financial institution. For analysis, correlation analysis, factor analysis and regression analysis were applied. The sample consisted of 325 respondents. The results showed that service quality was at the root of customer satisfaction and was linked to such behavioural outcomes as; word of mouth, complaint, recommendation and switching. However, different aspects of service quality and different consumer characteristics appeared to be associated with different outcomes. For instance, the results suggested that tangible elements of service quality and being a female were more closely associated with positive word of mouth and commitment. On the other hand, “timeliness” aspects of service delivery were more closely related to customer satisfaction, complaint and switching behaviours.

**Gautam and Sanjay (2004)** in their study titled "customer satisfaction in Nepalese commercial banks" studied the following aspects of banking: (i) customer orientation of Nepalese commercial banks, (ii) the comparative situation of customer satisfaction in four commercial banks, (iii) factors that could lead to customers toward satisfaction and (iv) the factors that lead to customers dissatisfaction. A total of 331 respondents were selected for the purpose of primary survey. Statistical tools such as Mean, Standard Deviation, Person's Correlation, ANOVA, Chi Squire, and Kruskal-Wallis were used for the analysis. The results showed that customers were more satisfied with the second-generation joint venture banks, though they had less ability to serve poor Nepalese people. Further, these were also found less reliable for future. To be more specific, customers were found satisfied with those banks where customers had to spend less time on waiting, and the employees' behaviour was good.

**Kaynak and Harcar (2004)** demonstrated the application of geo demographic segmentation to the service industry by using commercial banking of Pennsylvanian (US). A sample of 394 customers was taken for primary survey. For data analysis, t-test and factor analysis were performed. A six-factor solution was extracted i.e. attitude of
bank employees, bank service charges, extra services offered by the bank, confidence in the bank, positive bank image and convenience orientation. The results also indicated that there are substantial differences between customers of local and national US banks in their evaluation of the relative importance of bank service charges and overall confidence in the bank. Compared to national banks, local banks were evaluated more positively by customers in areas such as extra services offered by the bank, image of the bank, and convenience of the bank.

Aldlaigan et al. (2005) investigated the different types of attachment that customers develop towards retail banks (United Kingdom). The sample included seven focus groups, 39 one-on-one interviews and 1058 individual consumer questionnaires. Data were analyzed employing item to total correlation and factor analysis. The results identified three forms of attachment based on three different foundations: the credibility of the organization, compatibility between the values of the organization and those of the consumer, and the interpersonal or relational considerations.

Arasli, Katircioğlu and Smadi (2005) analyzed and compared the relationship between overall bank customer satisfaction in the Turkish and Greek speaking areas of Cyprus and positive word of mouth about their banks. The samples of 268 commercial banks customers were chosen for the survey. Factor analysis and multivariate regression methods were used to estimate the impact of service quality dimensions on overall customer satisfaction and word of mouth. The results revealed that expectations of bank customers in both areas were not met and that the largest gap was found in the empathy dimension. The assurance dimension had reflected largest influence on customer satisfaction and overall satisfaction of bank customers in both areas of Cyprus had a positive effect on their word of mouth.

Ndubisi and Wah (2005) evaluated the bank-customers relationships and customer satisfaction in the Malaysian banking sector. The sample consisted of 220 bank customers and the data analyses were carried out with the help of techniques like, factor analysis and stepwise discriminant analyses. The results indicated that relationship of customer and bank depends on the bank’s competence, commitment, communication, conflict handling and trust. Banks that show strong commitment to service and those that are competent, trustworthy, communicating efficiently and handling conflicts well would
have a better quality relationship with customers, while those that are lacking in these
dimensions would create a poor quality relationship with customers.

Baumann et al. (2006) explored the factors predicting the customer loyalty in
retail banking (Australia). Loyalty was measured in terms of a customer’s willingness to
recommend a bank and their intention to remain with their bank for short term (in the
next six months) and long term (from six months to five years) period of time. The study
was based on a mail survey of 1951 customers. The results of regression analysis
indicated that willingness to recommend is best predicted by affective attitude, overall
satisfaction and empathy. Short-term behavioural intentions were best predicted by
overall satisfaction and responsiveness, while long-term intentions were predicted by
overall satisfaction, affective attitude and empathy.

Gilbert et al. (2006) identified empirically core characteristics of customer
satisfaction ratings across six industries based on the ratings of 10835 respondents within
the USA. The industries included were banking and finance, retail, government, grocery
stores, hospitality/sports and restaurants. In order to analyse the data ANOVA,
MANCOVA, Pearson Correlation and Item-to- Total Correlation were used as a statistical
tools. The results indicated that the customers rated banking and finance and
hospitality/sports entertainment highest. Those dealing with government, general retail and
moderately priced food restaurants received lower service satisfaction ratings.

Koutouvalas and Siomkos (2006) examined the following issues relating to
customer satisfaction in Greek banks. (i) the factors shaping Greek bank customers
perceptions of service quality, (ii) direct influence of perceptions on customer loyalty,
and (iii) customer perceptions and switching intentions among public and private bank
customers. A sample of 200 customers was taken for primary survey. The results of
regression analyses showed that, there was direct and positive correlation between
perceived service quality and customer loyalty in the case of both private and the public
sectors banks; significant relationship was recorded between demographic characteristics
(except for occupation) and perceived quality of both types of banks. Customers of both
the banks were willing to express their complaints to bank employees. Thus, bank
employees were the bank agents and were acting as the connecting link between banks
and customers. Customer loyalty was related only to educational level (out of all the
demographic variables) since a higher educational level was related to an increased tendency for information search regarding competitive products/services/providers.

**Roig, Garcia, Tena and Monzonis (2006)** analyzed the dimensionality of the concept of perceived value in the banking sector of Spain. A total of 200 customers were selected for survey and factor analysis was used to verify the reliability and validity of the scale of perceived value. Perceived value was found to be a multidimensional construct composed of six dimensions; functional value of the establishment, functional value of the personnel, functional value of the service, functional value of price, emotional value, and social value.

**Lopez et al. (2007)** determined whether South Florida heterogeneous retail banking customers were having different perceptions about the service quality dimensions and ascertained the customer satisfaction level of various ethnic groups. The sample comprised of 230 retail banking customers. Multiple regression analysis was used for data analysis. The results indicated that ten dimensions (Reliability, Safety, Competence, Responsiveness, Credibility, Access, Communication, Courtesy, Tangibles and Empathy) of service quality (that Parasuraman et al. identified in 1985) are important to South Florida customer’s satisfaction with their retail banks. The research results showed no significant difference in satisfaction levels among the different ethnic groups.

**Molina, Consuegra and Esteban (2007)** investigated the impact of relational benefits on customer satisfaction in retail banking in Spain. Based on a theoretical framework regarding the relationship between relational benefits and customer satisfaction, an empirical study using a sample of 204 bank customers was conducted, and the theoretical model was tested. Confirmatory factor analysis was used to test the relational benefits and customer satisfaction. The results showed that trust and confidence in good service rendered by a given bank was the key to a good long-term relationship with the customers. However, special treatment benefits and social benefits were not found to be significant as regards the effect on satisfaction in a retail banking environment.

**Manrai (2007)** investigated the dimensions of customer satisfaction regarding banking services (U.S.A). The sample comprised of 578 respondents and for measurement of customer’s satisfaction with banking services, factor analysis technique
was used. The study identified four dimensions of customer satisfaction. These were personnel related considerations, financial considerations (interest earnings and interest payments), environment related considerations (atmospherics), and convenience related considerations (ATM and hours). The findings suggested that bank marketers should pay much more attention towards promoting factors like personnel, atmospherics, and convenience; this would help the banks in differentiating their offerings in customers’ perceptions and thus attracting them from the competitors.

**Lenka et al. (2009)** examined whether service quality of Indian commercial banks increases customer satisfaction that fosters customer loyalty. Data was collected from 350 customers of scheduled commercial bank branches in Orissa (India). The results of confirmatory factor analysis showed that better human, technical and tangibles aspects of service quality of the bank branches increase the customer satisfaction. In Indian banking sector, human aspects are more important than technical and tangible aspects of service quality that influenced customer satisfaction and promote and enhance customer loyalty.

**Section B**

2.2 *Studies on Bank Employees Perception*

**Schneider, Parkington and Buxton (1980)** investigated the employees and customers’ perceptions of service in banks. Total sample size was 1920, which included both employees (263) and customers (1657) of the banks. Data were collected from 23 bank branches of New York. The results of factor analysis showed that there was a strong relationship between employee perceptions of branch practices and procedures in relation to service and customer perceptions of service practices and quality.

**Bhatt (1998)** assessed the job satisfaction level of two leading profitable nationalized banks in the state of Gujarat and examined the various determinants of job satisfaction like personal factors, factors inherent in job and factors controllable by the management. The sample consisted of 100 bank employees and data was collected using survey method. The results indicated that supervisors were having little differences with management policies as prescribed by Government of India and they were also looking for a better motivational policy to encourage dedicated team within the organization. The
recent mechanization and computerization had reduced their repetitive task thereby increasing their satisfaction level.

**Durkin and Bennett (1999)** examined the nature and extent of employee commitment levels in case of the retail bank in United Kingdom, which was attempting to adapt to environmental change, and had introduced relationship-oriented strategies. The linkage between internal marketing and effective relationship marketing was clear when one considered the service-specific nature of banking and the important role that employee’s play in the development of customer relationships and implementation of sales strategy. This study was drawn on a sample of 200 respondents of UK retail banking. For analysis, factor analysis was applied. The results showed a low level internalized commitment. In the absence of high-internalized commitment, employee respondents displayed relatively high levels of compliance commitment and low intention to leave. It was concluded that the incentive to stay for such employees outweighed any feelings of not belonging or of not sharing the changing values of the organization. It was argued that high levels of internalized commitment were essential for the successful implementation of the emerging relationship banking strategy. The research revealed that the employees showed unexpectedly low levels of internalized commitment, coupled with higher than expected levels of compliance commitment.

**Islam and Saha (2001)** evaluated job satisfaction among bank officers in Bangladesh, with a focus on the relative importance of job satisfaction factors and their impact on the overall job satisfaction of officers. An investigation was also done to assess the work experience, age, and sex differences on the attitudes toward job satisfaction. The sample consisted of 129 bank officers and in order to carry out data analysis, several multivariate analysis techniques (such as factor analysis, multiple regression and MANOVA) were used to measure the level of job satisfaction. The results showed that salary, efficiency in work, fringe benefits, supervision and co-worker relation were the most important factors contributing to job satisfaction. The job satisfaction level of private bank officers was higher than those from public sectors, as they enjoyed better facilities and supportive work environment. Work experience was found to be the second most important factor affecting job satisfaction. Sex and age differences reflected
relatively a lower level of impact on it. The overall job satisfaction of the bank officers was found to be positive.

Vallejo et al. (2001) examined the relationships between the characteristics of particular jobs, and job satisfaction (in relation to supervision, age, salary and qualifications). The level of job satisfaction of 366 clerks employed in the bank of Balearic Island (Spain) was examined. For analysis, ANOVA Method was adopted. The results indicated that the most important factors determining the subordinate’s job satisfaction were linked to the branch manager role, their esteem, mobility, representation and tolerance towards uncertainty. Job satisfaction was positively related to psychological well being, personal satisfaction and geographical settings.

Yoon et al. (2001) examined work climate variables and their impact on service quality. The sample included 277 employees and 1120 customers from the retail bank South Korea. The Factor analysis and Cross-construct correlation were used for data analysis. The results showed that both climate variables are affecting the attitudes and behaviour of employees, and consequently affect the customer perceptions of employee’s service performance. Both climate variables directly contributed to job satisfaction and work effort, and indirectly affected the customer perceptions of employee’s service quality. Also, empirical results indicated that in addition to job satisfaction, employees work efforts also played a strong and central role in determine customer’s perceptions of employee service quality.

Doukakis (2002) carried out an exploratory study in the UK retail-banking sector with the aim of shedding light on the principles and practice of employee development within business units at a branch level. A sample of 35 branch managers and 21 employees were selected for primary survey. The study produced some interesting findings structured in the form of relationships. The strong competition and homogeneity that characterized the industry had put pressure on banks to raise their competitiveness by investing in their personnel. The quality of staff and its impact on the quality of customer service were found to be vital in gaining a competitive advantage in the bank industry. Employee development was being used to motivate staff to become truly dedicated for delivering high service quality.
Crossman and Zaki (2003) investigated the relationships between job satisfaction, individual job factors, socio-demographic variables and job performance in the Lebanese commercial banking sector (United Kingdom). The sample included 202 employees from the nine commercial banks. The results of factor analysis indicated that, job satisfaction was not independent in all job factors and that satisfaction with one factor might lead to satisfaction with another. Female employees were found to be less satisfied with all factors except pay. Those with lower educational qualifications were least satisfied.

Huang et al. (2006) examined the societal trust and distrust with customer orientation and also investigated the impact of the above associations on organizational and HRM aspects of cautiousness, culture change and job satisfaction in the banking industry. The data for this paper were collected from 812 mid-level bank managers in China, Taiwan, Hongkong and USA. Descriptive Statistics, Pearson Correlation, Factor Analysis, and Multiple Regression were used for data analysis. The results indicated positive association between trust and customer orientation, and provided support for the conceptual distinction between societal trust and distrust. Both cautiousness and job satisfaction had exhibited positive association with customer orientation. In addition, the study showed that the presence of a culture for change in banks moderates the relationship between societal trust and customer orientation.

Okpara (2006) investigated the perceived gender differences in pay and promotion of bank managers in Nigeria and how these differences affect the overall job satisfaction of male and female bank managers in selected banks in Nigeria. The sample comprised bank managers who were members of the Chartered Institute of Bankers of Nigeria. A total of 800 questionnaires were sent to potential respondents chosen from 50 banks. A total of 512 usable questionnaires were returned giving a response rate of 64 percent. Mean comparisons and multivariate regression analysis were used for data analysis. The results showed that salary differential exist between male and female bank managers in Nigeria. Male managers were more satisfied with their salary than their female colleagues. Results also indicated that there were gender differences in promotion and male managers were overall more satisfied with their company promotion policies than their female counterparts.
Awamleh et al. (2007) evaluated the impact of five core job dimensions (skill variety, task identity, task significance, autonomy, and feedback) on satisfaction (affective response) and performance (behavioural response) of bank employees in the UAE. The sample consisted of 194 employees, representing seven banks. The results of multiple regression revealed that core job dimensions had not shown any impact on job satisfaction, but it had significant impact on performance. The results suggested that banks in UAE would benefit by actively looking into the impact of job design and by training their managers to acquire job redesign skills.

Kaur (2007) examined the job satisfaction level of employees of the banks before and after organizational change initiatives. The sample included 297 employees from the two public sector banks (State Bank of India and Punjab National Bank, Chandigarh). The mean, frequency, standard deviation, Kendall’s co-efficient of concordance and ANOVA were used for data analysis. The results showed that employees of both the banks were satisfied with their jobs after the organizational changes.

Rehman et al. (2009) investigated the level of job satisfaction of bank employees in Dhaka city. The important job satisfaction factors that are associated with the overall satisfaction of bank employees were identified. The sample of 156 bank employees was taken in this study. For data analysis, Chi-square test, descriptive analysis and multiple regressions were used. The results indicated that payment, healthy relationship with colleagues, sense of accomplishment, adequate information available to do job, ability to implement new ideas are the most important ones to improve the level of job satisfaction of bank employees.

Kamal (2009) identified and measured the various factors of job satisfaction among various commercial bankers in Pakistan. Pay has been considered as the major factor for job satisfaction however other related factors like promotion, recognition, job involvement and commitment were also taken into account. The sample included 70 employees from three commercial banks namely Standard Chartered Bank, United Bank of Pakistan and Allied Bank Limited. The correlation and regression techniques were used for data analysis. The results indicated that job satisfaction of bank officers is significantly dependent upon pay, promotion opportunities, rewards, relation with boss
and co-workers. The results also indicated that the dependent variable satisfaction with pay has the expected positive effect on job satisfaction.

Section C

2.3. Studies on Bank Selection criteria by Bank Customers

Cicic et al. (2004) examined the bank selection criteria of students of Bosnia and Herzegovina (South eastern European country). A total of 300 students aged 19-24 years of the University of Sarajevo served as a sample for the study. Mean, t-test and factor analysis were used for data analysis. The results revealed that main factors determining student’s bank selection are reception at the bank, friendliness of bank personnel, low charges, ease of opening a current account, and confidence in bank management.

Devlin (2005) explored the customer choice and multiple banking. A quantitative methodology incorporating 495 respondents was employed in the analysis. Mean and factor analysis showed significant differences between selecting a first and secondary bank. The results showed that ‘Recommendations from others’ were influential and significantly more important in prompting choice of secondary bank while ‘Offering an incentive’ was significantly more important in prompting choice of secondary bank. However, it was less influential in terms of overall ranking of importance. Service expectation and low fees/overdraft charges were less significant in prompting secondary bank choice.

Senyucel (2007) investigated bank selection factors of Turkish and Greek Cypriots in Cyprus. Study included the sample of 350 respondents. Mean scores, independent sample’s t-test, factor analysis were employed for data analysis. The results showed that a most important bank selection criterion for Turkish Cypriots was “availability of internet banking”, and least important factor was “Recommendation of Friends”. On other hand, for Greek Cypriots most important was “paying higher interest on saving accounts”, and least important is “family tradition”.

Mokhlis (2008) determined the factors that were considered important by undergraduates in Malaysia in selecting a bank. Further, it was also examined that whether the undergraduates constitute a homogenous group in relation to the way they
select a bank. A total of 200 customers were selected for survey. In order to analyse the data Mean, t-test and factor analysis had been used as a descriptive statistical tool. The results indicated that the bank selection decision was based primarily on nine selection criteria. ‘Secure feelings’ was the most important factor in influencing the students in selecting a bank. ‘ATM service’ was the second prioritized factor followed by ‘financial benefits’. The next three criteria, ranked fourth, fifth and sixth, respectively, were ‘service provision’, ‘proximity’ and ‘branch location’ that can be grouped as moderate factors. By contrast, the students considered ‘non-people influential’, ‘attractiveness’ and ‘people influences’ which were ranked seventh, eighth and ninth, respectively, did not play significant roles in influencing their decision in selecting the bank. The results also showed that the responses did not constitute a homogenous group since gender, stream of study; ethnicity and number of saving accounts held produced different prioritized factors in bank selection.

Rehman et al. (2008) analyzed the major determinants of a bank selection by customer of private (ABN Amro Bank, Bank Alfalah and Soneri Bank), privatized (Muslim Commercial Bank, United Bank Limited and Allied Bank) and nationalized banks (National Bank of Pakistan, The Bank of Punjab and First Women Bank), located in the city of Lahore (Pakistan). The sample of 358 customers was taken in the study. Mean, factor analysis and multivariate analysis were used for data analysis. The findings of the study revealed that online banking facility, profit rate, banks internal environment and external appearance, convenience and accessibility are some of the important factors in a bank selection by the customers.

Mokhlas (2009) examined bank selection criteria employed by the single and multiple bank users in Malaysia. In total, 350 questionnaires were distributed out of which 281 were found usable making response rate of 87 percent. The results of factor analysis revealed as regards the existence of a significant variation between single and multiple bank users in the following selection factors: attractiveness, branch location, ATM service, financial benefits and secure feeling. Multiple-bankers appeared to place significantly more importance to all these factors. In addition, the study found that female customers engaged in multiple banking significantly more than their male counterparts.
Rashid et al. (2009) examined the impact of demographic disparities on the bank selection criteria applied by diversified customers of domestic Islamic banks in Bangladesh. The sample consisted of 371 respondents of Islamic banks. Factor analysis and regression analysis were used for data analysis. The results indicated that Corporal efficiency, Core-Banking services, Confidence, Availability of Core Banking services and Compliance were given higher weights by majority of the respondents.

Mokhlis (2009) analyzed gender differences in the relative importance of choice criteria in respect of selecting a retail bank. A quantitative methodology, using responses given by 368 Malaysia’s undergraduates, was employed. Findings of mean, chi-square and factor analysis showed differences in choice factors employed by male and female customers in selecting a bank for patronage. Factors of which both male and female had variation were attractiveness, marketing promotion, ATM service, proximity, people influences and financial benefits. The results also recommended that bank marketers should treat male and female customers as distinctive segments while designing their marketing strategies.

Over last two decades, a tremendous change has been noticed in banking sector; these were due to the ever-expanding marketplace, huge competition in the market, globalization of markets, the upsurge in the technological developments and financial deregulation. Examining bank employee perceptions and customer satisfaction has been a common practice among banking and finance researchers over the years. The main reason for continued interest in this area of research is ever changing banking business environment throughout the world. Customer satisfaction and employee perceptions are the most important issues for each and every banking organization. If the customers are not happy and employees are not satisfied with the working culture of the bank, the business cannot work profitably. For this reason, customer satisfaction and employees perception in the context of universal banking environment needs to be explored.

However, not much research has been conducted to study the employee’s perception and customer satisfaction in universal banks in India. Hence, need of the study arises due to the changing concept of banking in India, along with the inclusion of new products and services under universal banking. As the concept of universal banking is of recent origin in India, hence the researcher has not come across sufficient literature on
this concept in India. Though, there are several studies conducted worldwide to assess the level of customer satisfaction in specialized banking.

The present study has been undertaken with the object of examining the impact of changing banking environment on customer’s satisfaction and employee’s perception. The aforesaid, review of various studies broadly reveals different aspects of customer satisfaction and employee’s perception. The review of preceding studies has also helped us in understanding the determinants of customer satisfaction and employee perception as well the methodology adopted by the researchers in analysing such issues. In India, however no comprehensive study has been undertaken to examine the customer satisfaction and employee perception in context with Indian Universal Banks. So a lot of scope for wide spectrum research in this area is open for researchers. This study is an attempt to bridge this gap.