CHAPTER VII

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7.1 INTRODUCTION

The present research is an in-depth study to analyze the customers’ perceived and desired levels of service quality and the resultant service quality gap of the selected public sector banks in Madurai City. In this chapter the researcher presents a detailed summary of findings and constructive suggestions for the development of public sector banks.

7.2 FINDINGS

Chapter I

The competitive climate in the Indian financial market has changed dramatically over the last few years. Business houses have entered into financial service activities. Public sector banks have started mutual fund trusts and other products in the market, which have competitive advantage over product of the banks. Even private sector and foreign banks have introduced innovative services. The expectation of the customers has also changed nowadays. Many consumers expect a variety of services from the banks. Many household consumers now prefer to take consumer durable loans or buy on instant credit rather than save for a few years to buy the consumer durable.

As a result of this growing level of competition, service quality is emerging as an important element in banking activities. There is a need for the Indian banks to keep pace with their competitors by using service quality technique for business growth. Every bank tries to keep its customers base intact since the cost of acquiring a new customer is greater than the cost of
retaining the existing customers. The satisfied customers are not only an asset to a bank but also one of promotional measures for the bank. So the banks are taking the service quality as a weapon to enhance the customer loyalty in the banking field. The perception on service quality is highly related to the customer satisfaction and loyalty. Hence, the present study has made an attempt to exhibit the components of service quality and its linkage with various outcomes namely customer satisfaction and loyalty.

The economic performance of a country is measured in terms of its sectoral contribution. In recent times, there has been a growing importance of services sector worldwide and in the Indian context also this sector is gaining momentum. Of the various service industries that come under the ambit of service sector, the contribution of financial sector is one among the highest. This indicates the growing demand for the services of banking and insurance sectors. This is due to the effect of the financial sector reforms which has resulted in the increased competition among the banks that include public sector, private sector and foreign banks.

In order to survive in the fierce competition faced by the domestic banks due to the entry of international players, rapid innovation and introduction of new financial instruments, understanding of changing customers’ needs and extensive use of information technology have all become essential. However, with the adaptability of similar technology among almost all the banks, it is felt that it is only through the provision of better services to its customers, a bank can survive in the market. Hence, there is an imperative need for
identifying their ability to satisfy the service quality requirements as per their customers’ expectations. Segmenting the industry into different strategic groups and positioning themselves according to the consumers’ mindset can help the banks to restructure their policy choices to compete in this dynamic business environment. This necessitated the banks to utilize the existing resources, process of delivering quality services to its customers and transforming the superior service to generate better financial performance.

However, the human perceptions change from time to time and from individual to individual. It is therefore, necessary for banks to continuously assess and reassess how customers perceive the various services, what are the new and emerging customer expectations and how best they can be satisfied on an ongoing basis. This requires a continuous and consistent analysis and assessment of the customers’ preferences. The present study attempts to analyze the customers’ perceived and desired levels of service quality and the resultant service quality gap of the selected public sector banks in Madurai City.

Chapter II

A review of literature places a research study in its proper perspective by showing the amount of work already carried out in the related areas of the study. Any effective research must be based upon past-knowledge that helps to eliminate the duplication of what has already been done and provides useful and important information for research. The operating environment in the Indian banking industry is getting more and more complex after the economic
liberalization and the financial sector reforms like deregulation and introduction of prudential norms. Many traditional and newly emerged risk factors brought in greater pressures on the banks’ profitability. This scenario makes it necessary to keep a closer and continuous watch on the performance of the banking industry. A brief review of some selected studies with their scope and their objectives may be useful for understanding the present scenario of banks.

It is found that most of the previous studies conducted in banking or banking service aspects were from multi-functional angle. Most of the studies revolve around operational efficiency, performance analysis and comparative functional analysis of nationalized and private sector banks. They had failed to provide adequate attention to bring out the service quality of banks at micro level. The present study has aimed to provide focus on service marketing by banks from the point of view of customers.

The earlier studies were based on concepts but the implementation is the reality. The functioning of service market depends upon its components and the efficiency of market players. The market depends upon the market structure and its linkage with the customers. So any proven study has to analyze the market structure to bring out the root of any service marketing.

The target aim of the services provided by banks is the customer satisfaction. The level of satisfaction may vary among the customers of banks. The nature and types of services required may vary according to the social class of the customers, area of location and their selectivity may differ due to
more than one reasons. The level of satisfaction experienced by the select customers on the services provided by the banks has been analyzed in the study.

The studies reviewed clearly indicated the importance of the customer service quality among the financial institutions. These studies had made use of various parameters to measure the service related variables. It can be noted that majority of these studies could establish their view on service quality in isolation. However, it cannot be denied that the level of satisfaction are strongly influenced by the socio-economic background of the customers, and none of the studies attempted to identify the extent of influence of these factors on the level of satisfaction on the service quality opinion. This study, apart from analyzing the service quality perception of the customers, would examine the extent of influence of socio-economic background on the satisfaction levels of the customers. In this regard this is a maiden attempt and exploratory in character. Through this, the study also contributes to the existing literature.

Chapter III

Customer satisfaction is an elusive area especially in the service sector since offerings are intangible. In fact, it has been said that intangibility is the key to determining whether or not an offering is a service or a product. Customer satisfaction is the sum total of the customers expression of the service quality. What goes into making of service quality is important for the survival of the business itself and this can be identified only by diligent research backing. The survival of business has direct correlation with the
satisfaction of the customer. Customer satisfaction, which is attributed to the conduct of business, has certain specific dimensions. Quantification and measurement of these dimensions is an area not sufficiently researched.

To measure the quality of services of the banks, the ‘SERVQUAL’ model, as suggested by Parasuraman had been used. The variables included in the model are functional quality dimensions, outcome quality dimensions and the perception of overall service quality.

The instruments used in the study to capture service quality contain 21 Likert type items. These instruments are categorized under five broad dimensions namely, (1) Tangibility, (2) Reliability, (3) Responsiveness, (4) Assurance and (5) Empathy.

The perceived service is the degree and direction of discrepancy between customers perceptions and expectations. A primary cause in many firms for not meeting customers' expectations is that the firm lacks accurate understanding of exactly what those expectations are. Understanding customer expectations is a prerequisite for delivering superior service. Customers compare perceptions with expectations when judging a firm's service. Customers assess service performance based on two standards: what they desire and what they deem acceptable and the zone of tolerance separates desired services from adequate services.

Empirical data obtained from consumers' results of SERVQUAL, is used to look at the relationship between the five dimensions that customers' use to form their expectations and perceptions of the service and to identify the key
areas of strength and weakness in the service quality delivery process of private sector banks. Using the statistical data and customer feedback obtained from the surveys for the different dimensions of service quality, the zone of tolerance for each of the five dimensions is determined.

Chapter IV

In chapter four, an attempt has been made to present the socio-economic conditions of the customers and their families.

Age of the customer is one of the determinants of quality of service provided in banks. It may provide some exposure and knowledge on the various services offered by the banks. The analysis reveals that the age of the urban customers in the savings are identified as higher than the age of the customers in the current account. Among the customers in the savings area the most important gender is male since it constitutes 70.77 per cent to the total of 325 customers. In the case of customers in current account, the male customers constitute 62.56 per cent to the total. The analysis reveals that the important gender among the customers is male.

The level of education of the customers has more influence on the choice of banks and also their level of expectations and perceptions on the services offered by the banks. The analysis infers that the level of education among the customers in the current account is greater than the level of education among the customers in the savings. Marriage brings heavier responsibilities to both men and women. The analysis infers that most of the customers were married.
Since the level of education of the spouse may have its own influence on their level of perception and expectation on the various service qualities in banks, it is included as one of the profile variables. The analysis infers that the level of spouses’ education among the customers in the current account was higher than the level of spouse’s education among the customers in the savings area.

The nature of family of the customers represents the family system followed by the customers. Since the nature of family of the customers may influence their perception on the service quality and services offered by the banks, it is included as one of the profile variables. The analysis reveals that most of the respondents were in nuclear family system. The analysis also revealed that the family size of the current account holders was higher than the family size of the customers in the savings account holders.

The family income represents the total income of all the earning members in the family during a period of one month. Since the family income of the customer is one of the important factors which influences the expectation and perception on the service quality and services offered by the bank, it is included in the present study. The analysis reveals that the family income per month among the customers in the current account section was greater than the family income of the customers in the savings accounts sector.

The personality traits of the customers may influence their levels of expectation and perception on the various components in service quality. Hence it is included as one of the profile variables. It was measured with the
help of the levels of sociability, media exposure, innovativeness, scientific orientation, risk orientation, environmental awareness and awareness among the customers. Regarding the possession of personality traits, the significant difference among the customers in the savings and the current account were identified in the possession of few personality traits since their respective ‘t’ statistics were significant at five per cent level. The overall personality score was identified as higher among customers in the savings sector than the score among the customers in the current account.

The association between the profile of the customers and their personality had been examined with the help of One-way Analysis of Variance. The included profile variables were nativity, age, gender, level of education, marital status, spouses level of education, personal income per month, nature of family, family size, number of educated population, number of earning members per family and family income per month. The significantly associating profile variables with the personality of the customers were nativity, age, level of education, spouse’s level of education, personal income per month, number of educated population, number of earning members per family and family income per month since their ‘F’ statistics were significant at five per cent level.
Chapter V

In this chapter the services provided by bankers as perceived by the customers are analyzed. The factors such as method of opening account, loan facilities availed, time taken for various services, complaints and grievance handling methods etc. are analyzed in detail.

The study reveals that the mean number of years as a bank customer for the sample respondents was 5.62 years; the standard deviation was 2.50 years and the co-efficient of variation was 0.44. This shows that the coefficient of variation in the period of relationship was highest among rural than urban customers. The period of relationship with bank significantly differed among urban and rural respondents.

The majority of respondents had opened accounts through their friends and relatives in urban as well as in rural areas. The prime mode for opening accounts was through friends and next through relatives. The mode of opening of accounts by the respondents significantly differed with reference to their area of residence.

The study revealed that majority of customers had secured jewel loans; which is followed by overdraft. Jewel loans were one of the most popular types of loans provided by the banks in rural and urban areas and the needs of the customers can be fulfilled immediately. It takes minimum time to process jewel loans and the majority of the customers go in for jewel loans provided they have gold jewels. It was seen that the mean time taken for
depositing cash was 16.96 minutes and the co-efficient of variation in time taken for depositing money was 0.52.

The services after 2 pm was preferred by 217 respondents and 105 respondents wanted to have timings from 8 am to 12 Noon and the rest 87 respondents wished to have timings from 10 am to 2 pm. The preference for bank timings significantly differed in urban and rural areas.

The study shows that on the whole 155 have complained about the services of the bank once; 161 had not complained and the rest 204 had complained more than once. The frequency of lodging complaints did not differ significantly with reference to the residence of the customer. In general 155 respondents said that steps were taken by the managers; 78 had stated that staff members took ameliorative steps; 54 were of the opinion that manager as well as the staff members took steps for the redressal of the grievances and the rest 38 were of the opinion that only higher ups took steps.

The services most frequently availed were the cheque book, ATM and cheque clearing facilities. The least availed services were the travelers cheques and gift cheques.

**Chapter VI**

The data revealed a clear difference between what customers expected and what they received. It identified a significant gap between the expected and perceived services offered by the public sector banks. The study indicated areas in the operations of the banks where customers expected to receive high quality
of service and other areas where they were not as critical about the quality of service they received. The study did highlight service quality weaknesses as perceived by customers’ and poor perception scores for services they received when dealing with the Public sector banks. The analysis also showed significant differences between the five different dimensions of service quality as perceived by the customers using banks. It identified areas that were expected to be high by service standards but which received poor service quality scores, such as responsiveness and reliability. The demographic data also highlighted some significant differences.

7.3 CONCLUSION

Banks are there for providing quality services to the customers. Now a days the bankers realize that they are all service organizations governed by the common philosophy of management distinctly different from pure profit making organizations. Many banks focus only on the marketing aspect of services with cost factors. In the developed countries, the service organizations are growing faster than the traditional profit oriented organizations. Delivering world class customer service will definitely improve the banking service conditions in this study area. Bankers should realize that if they are service persons and if they are getting it wrong at their point in the value chain of the customers, then they are very likely to destroy from the customer mind all the remembrances of the good treatment they had enjoyed at the bank. If any activity is rightly done, then there is a chance to undo all the wrongs that may
have happened before. Hence, the bankers should be sensitive to customer perceptions.

The banks have to build a service oriented culture and should define service offering. The expectations of the customers should be understood and powerful service strategy is to be created. The value of services provided should be measured in terms of quality and quantity. It is also to be observed that many customers certainly did not find customer relations easily accessible. For solving this problem customer feedback methods may be followed. The future expectations of the customers can be found out with the help of research tools and staff may be trained as active members of quality improvement with regard to bank services. The concept of ‘customer asset management’ may be emphasized so that the customers are treated royally in relation to bank services.

The analysis of the data provided the conclusions that almost in all the five dimensions, the perceived level of service quality was far lower than the desired levels. The study could also reestablish the conclusions of the earlier studies that the customers consider the Reliability dimension as the foremost important factor in banking service. This shows that, apart from the availability of man, machines and other infrastructure – the employees play a deterministic role in customer service. This indicates that it is the personal care taken by the employees that will determine the success of a bank. With better understanding of customers’ perceptions, the banks can determine the best actions required to meet the customers’ needs. They can understand their own strengths and
weaknesses, identify opportunities and chart out proper avenues for further progress and improvement.

The present study has made an attempt to assess the opinion of the customers on the quality of services offered by the banks. To achieve the goal, especially in public sector banks, flexibility is the key factor. In the emerging competitive business environment, only those banks that adhere to the strict financial discipline will survive. To create a cordial atmosphere and smooth relationship between the bank and the customers, it is essential to satisfy the need of the later.

7.4 SUGGESTIONS

The following suggestions are made based on the findings of the study for the development of banking sector.

Unnecessary formalities in providing loans and advances are the problems perceived in this study area. Though the formalities are universal in nature, steps may be taken to liberalize the procedures and formalities so that the people in this area may get the benefit of getting loans quickly with reasonable formalities.

Most of the modernized services have not yet reached the branches of banks in this study area. The banks can take steps to modernize their branches with computers and internet to enable the customers to get quality services.
Suitable training may be given to the staff in the branches of banks so that the feeling of friendly approach is increased in this study area. Customer friendly approach is always needed for providing better banking services.

Slow service rendered by the staff is a major hindrance in the study area. This can be minimized if advanced technological tools are used. Computers and online services may be provided to the bank branches so that the time taken by staff for providing services is minimized.

Location of the bank is also perceived to be a problem and this can be set right by changing the location of the banks in the prominent areas or in easy accessible areas. Distance between banks can be mathematically computed and steps may be taken to relocate the branches so that the location is not a hindrance to the customers.

Customers feel that the time taken by them for withdrawal of cash and depositing cash takes a longer time than is notified in the notice boards of the banks. If modernized machines and tools are used, the time taken for withdrawal and deposits will be minimized.

Suitable changes in bank timings may be made so that the customers can get the benefit of withdrawal and deposits as and when required. In metro cities and in many major cities, 24 hours banking have come into existence. Similar facilities can be extended to certain bank branches.

Most of the customers hesitate in filling complaints with banks. Hence their reasonable problems are not redressed. Steps may be taken to provide
complaint boxes outside the premises of bank branches so that their real grievances are redressed.

Whenever complaints are made in branches, all the staff in the banks should come forward to minimize the distress. Officers alone cannot mitigate the distress. Hence suitable instructions may be given to the staff with regard to redressal of grievances. This activity is to be considered as a team work.

The branches in this area may be provided with suitable furniture and fittings so that the customers can at least sit and wait for completing bank transactions. Standardized furniture may be provided to the customers, while waiting in the bank branches.

On-line clearing facility may be extended to the bank branches in this area so that the delay in clearing cheques is minimized. Sometimes the delay is abnormal and the customers have to wait for more than 20 days. Hence steps may be taken to provide quick cheque clearing activity.

The services rendered by the banks are intangible in nature. Hence steps may be taken by the banks to provide quality services within a short span of time. Only efficient staff can provide quality services. Hence steps may be taken to give proper training to staff in handling the customers.

Pricing for the services should be fixed in a reasonable manner. Arbitrary pricing methods with higher cost of service may prove to be disadvantageous to the banks. The customers may have to go in for other options available in the marketing environment.
Banks in this area should provide services to the diverse population in rural and urban areas, with different occupation and sources, with various economic backgrounds, and levels of education.

All top and senior executives should be placed in duly earmarked areas of responsibility and should be held answerable and accountable for all that happens within their respective areas. Persons who exploit their power, authority and position should be severely dealt with.

Management audit is to be introduced as a tool for an objective evaluation of the management performance of the banks in the overall functioning of the organization. Such an audit should clearly reveal the lapses in the organization structure, systems and procedures, so that corrective actions can be taken.

Banks should be permitted to operate on the basis of operational flexibility and functional autonomy within the broad framework of the guidelines issued by the Reserve Bank of India: the approach to management of the resources should not be mere target-oriented. A ‘need based’ and ‘credit worthy’ policy instead of a ‘directive based’ lending could only minimize accumulation of non-performing assets.

With regard to the problem of transition of customers from public sector bank to private sector bank this can be overcome through their plans and programmes. They will be informed through newspapers, magazines and other dailies so that customer could avail those facilities. Once in a week customers meet may be arranged to get the feedback.
The bank should make every endeavour to enhance customer satisfaction. They should try to improve quality service through effective staff training, services monitoring, orientation and recognition programmes. Banks should offer the customer what he wants rather than offering what they have it in stock, for, every customer.

In the analysis, it was found that there was a gap between perception and expectation of the customers on the factor ‘use of modern technology in service’. This implies that the banks are the poor users of technology in services. Hence, attempts can be made to computerize the banks and their branches fully. For this purpose, training can be given to employees on the usage of computers in the related services. This would help to reduce the time of service provided and the paper work and stationery expenses. Concerted efforts can also be made to introduce “Core Banking Solutions” (CBS) in all banks.

Increasing the number of delivery channels like, Credit Card, Debit Card, ATM, Anywhere Banking, Multiple Delivery Channels, Single Window Service, Mobile Banking, Phone Banking, E- banking and service at the door steps would go a long way in improving the customer satisfaction and also in increasing the number of customers and the businesses of banks.

The discussions made with the officials of banks had helped to understand that due to the control of RBI, and the association, the investment made on the development of infrastructure is comparatively less. Hence, more investment can be made on infrastructure and in the creation of fixed assets to
increase the service provision and to make optimum utilization of the time so that the level of satisfaction of the customers can be increased considerably.

The study could establish that ‘employees could not give personal attention’ to customers’ work. The reason identified is that there is shortage of manpower. Hence, depending on the daily turnover of the customers and the extent of services provided, the number of employees can be increased such that it could reduce the time taken to serve a customer. Also, one senior most employee can be appointed in each of the crucial sections where an exclusive customer dealing is required. This can have multiple positive impacts on the services.

Apart from the usage of modern technology in business, expansion of business hours through the introduction of seven days’ banking and evening branches can facilitate the customers to get their required services at their convenience. This would help to increase their satisfaction considerably.

To understand the customers’ needs and their grievances, to help them in opening an account for new clients, a “May I Help You” counter can be opened by the banks.

The study could establish that the customers felt that the ‘bank employees were not consistently courteous’. In very clear terms it must be instructed to the employees to be courteous to their clientele to the maximum possible extent.
During the peak hours of business, to carry out the services of the customers whose work may take much time, token system could be provided. The customers can also be informed in advance exactly when the bank employees will be attending to their service needs.

When a customer approaches the employee, he can welcome him cordially with a smiling face and respond to his request immediately without making him to wait much. This would make the customers to think that he is willing to help him.

The banks can observe a specific day on every month, as the day of “Customer meet”. This meeting can be utilized as an opportunity to have personal contact with the customers and also to welcome suggestions and complaints from the customers and in creating awareness on the new schemes introduced, guiding them in choosing the right scheme based on their requirements and above all in creating trust and loyalty.

The services like, timely reminder about the maturity of term deposits, sending account statements promptly, crediting the cheques and mail transfers were found to be more time taking process. This could have created dissatisfaction among the customers of the banks. To overcome this dissatisfaction, banks can fix specific time duration for carrying out each of the services. This may be intimated to the customers. Beyond the specified time, banks can charge interest for the delay at savings bank rates for every day.
7.5 NEED FOR FUTURE RESEARCHERS

This study deals with the customers’ opinion on the various services of public sector banks at district level in detail. During the course of the study it was felt that any number of micro level studies can be undertaken to study the various problems covered in the banking services in order to obtain a greater insight into the problems and suggest more effective and result oriented action program. These exercises can be undertaken by further researchers, each researcher concentrating on a specific problem such as implementation of government schemes, technology implementation and job satisfaction of the employee.