ABSTRACT

Retail banking refers to the banking services that are geared primarily to the individual customer. Commercial banks as well as smaller community banks usually make available retail banking products and services to their customers. The focus of retail banking is on consumer markets. Entities dealing with retail banking provide a wide range of personal banking services, including offering savings and checking accounts, bill paying services, as well as debit and credit cards. Through retail banking, consumers may also obtain mortgages and personal loans. Retail banking products may also extend to small and medium sized businesses.

Today much of retail banking is streamlined electronically via Automated Teller Machines (ATMs), or through virtual retail banking known as online banking. Retail banking deals with lending money to consumers. This includes a wide variety of loans, including credit cards, mortgage loans and auto loans, and can also be used to refer to loans taken out at either the prime rate or the subprime rate. In Retail banking, the banking institutions execute transactions directly with consumers, rather than corporations or other entities. Retail Banking is also described as “the part of a bank’s operations providing services at its branches for small (in bank terms) account holders.” Retail banks offer banking services to individual customers such as saving accounts, personal loans, remittance services etc.

Retail banking is generally conceived to be the provision of mass market banking services to private individuals. It has been expanded over the years to include in many cases service provided to small and medium sized businesses. Some banks may also include their “private banking” business (i.e. services to high networth individuals) in their definition of retail banking.”
The evolution of retail banking in India can be traced back to the entry of foreign banks. The conventional banking business by public Sector Banks (PSBs) was done on a more generalised approach and there was no specific demarcation in terms of retail and non retail activities. The entry of new generation private sector banks in early 1990s has created a new approach to retail banking. PSBs also, with technology initiatives and redefined business model for retail, aggressively entered to the market, creating a retail war and capture their share of the pie in the liberalised economic environment and the resultant opportunities in retail banking. The retail war is in full swing now with a win-win situation for all the players and focus is on capturing and improving the market share and customer base.

This study makes a review of the “Retail Banking in India since 1991: a comparative study between Public Sector Banks and Private Sector Banks”. It aims at identifying the Retail Banking practices in the banking sector in India. It presents an overview of the evolution and concept of Retail Banking in India since 1991. It also focuses on the management, working and organisation of retail banking in India. The study also purposes to ascertain whether the customers of banks have maximum satisfaction regarding the service quality dimensions in both the public sector banks and private sector banks.

The review of literature made in this study reflects that fairly much work has been done in the field of retail banking by learned academician and professional of banking. However, the literature review brings to fore that the published work generally and mostly relates to the information based on evolution, management, working, prospects and challenges of banking in India and abroad. Most of these studies deal with the quality of banking services as a whole covering various aspects of banking operations and practices in India. Some of them have devoted to measure the
levels of satisfaction of bank customers with the quality offered by Indian banks and made recommendations for bringing about improvement in quality standards. All the published work relates to the retail banking industry deals with the service quality of ATMs, levels of customer satisfaction with ATMs, retail banking challenges predicting consumer behaviour in retail banking and so on. As far as the pertinent published literature reviewed in this study, no work has been specifically done related to the retail banking segment in India both in the public sector banks and private sector banks. Nor does any work reviewed tried to examine the comparative performance of public and private sector banks on the service quality dimensions in the context of Indian Retail Banking Industry.

The present study deals with the banking structure of India which is full of potential for growth. Indian banking industry have registered considerable development with significant impact on growth of GDP, a spectacular rise in National Income, increase in Per Capita Income and expansion of financial sector of India. For future prospects retail banking has emerged as the showcase of innovation and development through its various products like personal loan, home loan, educational loan, deposits, credit cards and depository services. Hence, there is need of constant innovation in retail banking, a paradigm shift in bank financing through innovative products and mechanism involving constant upgradation and revalidation.

The present work is devoted to a detailed study of working and organisation of Retail banking in India. It contributes to the various retail products and services provided by the public sector banks and private sector banks to their valuable customers. It determines the present status and performance of retail banking in both public and private sector banks. Retail banking has become the cause of concern through its various advance products and services which provide new dimension of
success for the public sector banks and private sector banks. It also covers the inside view of working and organisation of retail banking products by both public and private sector banks. Both banks are facing national as well as global competition as retail banks but private sector banks are more able to enhance their growth prospects as compared to public sector banks.

The study examines the service quality dimensions (Tangibles, Reliability, Responsiveness, Assurance and ATM Service Quality) of retail banking in India. The SERVQUAL model developed by Persuraman (1986) was used to measure the customer satisfaction on the basis of service quality dimensions. The hypotheses of the study have been constructed around the service quality dimension in retail banking in India. An attempt has been made to ascertain whether public sector banks or private sector banks do better on the service quality factors like tangibles, reliability, responsiveness, assurance and ATM service quality. The study proves the facts about the perception of customers regarding the various service quality dimensions.

The study surveys the divergence of opinion among the customers of banks regarding service quality dimensions both in public sector banks and private sector banks. This has been done by eliciting perception of customers regarding the service quality dimensions and their level of satisfaction.

For this purpose, a questionnaire was prepared on Likert’s five point scale and respondents have been asked to tick the relevant satisfaction and dissatisfaction agreement. The SERVQUAL model questionnaire was used with certain modification to elicit the perception of customers and their level of satisfaction regarding service quality attributes in retail banking in India from various districts of UP, Uttarakhand and the State of Delhi. The questionnaire was distributed personally among the
customer of various banks and their different branches. The total numbers of respondents are ‘497’. The age of the respondents are divided into five categories and gender of the respondents is male in most of the responses.

To find out the compatibility between public sector banks and private sector banks regarding the service quality dimensions in retail banking, independent samples t-test and Analysis of Variance (ANOVA) were used. Significant difference is existing between the service quality dimensions of retail banking in both the public sector banks and private sector banks. The survey also confirms the hypotheses of this study. While analysing the results, it was found out that the significant differences emerged between the Public Sector Banks and Private Sector Banks on the Service Quality dimensions. Customers of Private Sector Banks are highly satisfied in comparison to Public Sector Banks on the Service Quality dimensions. Customers of Public Sector Banks are not as much satisfied on the ground of Tangibility, Reliability, Responsiveness and Assurance on the Service Quality which shows the difference in the percent Service Quality of the customers in Public Sector Banks and Private Sector Banks. Customers of the banks have different perceptions and expectations regarding the Service Quality of their banks.

The Service Quality dimension of 'Tangibility' measures the 'Physical features', 'physical appearance', 'physical material' such as Pamphlets etc. and 'department of reception desk employees'. The perception of customers regarding the dimension 'tangibles' between Public Sector Banks and Private Sector Banks is different. The mean value of private sector banks is higher in comparison to Public Sector Banks which evidently indicates that there is significant variation in the perception of customers regarding the Service Quality dimension of ‘tangibles’ between Public Sector Banks and Private Sector Banks. The customers of Private Sector banks have
positive attitude towards the physical facilities of their banks in comparison to the customers of Public Sector Banks.

The Service Quality dimension 'reliability' means the 'Service offered by banks', 'problem solving', on time service, error free service'. The perception of customers regarding the dimension 'reliability' between Public Sector Banks and Private Sector Banks differs. The mean values of Private Sector Banks is higher in comparison to Public Sector Banks which identifies that there is significant variation in the perception of customers regarding the service quality dimension of reliability between public and private sector banks. The customers of private sector bank have positive attitude towards the reliability of service quality dimension in comparison to Public Sector Banks.

The service quality dimension 'responsiveness' measures the response of the employees regarding the prompt services, willingness to help, response to request and bank’s behavior with their customers. The perception of customers of Public and Private sector Banks is varies in regard to the service quality dimension of responsiveness. The mean score of private sector banks is higher than the Public sector Banks which indicate the significant variation in the perception of customers regarding the service quality dimension of reliability between Public and private sector bank. It is found that the customers of Private Sector Banks have more satisfaction towards the ‘responsiveness’ attribute of their bank employees in comparison to the customers of Public sector Banks.

The service quality dimension 'assurance' measures the behaviour of employees, safety in transaction, politeness of employees and knowledge of the employees. The satisfaction level of customers regarding service quality dimensions 'Assurance' is in variance in Public sector Banks and Private Sector Banks. The mean
values of Private Sector Banks is higher than Public Sector Banks which shows that there is significant variation in the perception of customers for the service quality dimension 'Assurance' between Public and Private Sector Banks. The customers of Private Sector Banks have more satisfaction towards the behavior of employees, safety in transaction, politeness of employees and knowledge of the employees in comparison to Public Sector Banks.

The service quality dimension ‘ATM service quality’ measures the 'quick cash withdrawal through ATM’, ‘ATM location’, ‘safe and secure ATM transaction’, ‘ATM machine’, ‘Attractive appearance of ATM’ and ‘excellent quality of currency’. The satisfaction level of customers regarding the service quality dimensions 'ATM service quality’ is same in both the Public Sector Banks and Private Sector Banks. The mean values in case of public and private sector banks for ‘ATM service quality’ do not make any difference. This indicates that there is no significant variation in the perception of customers for the Service Quality dimension ‘ATM Service Quality’ between Public Sector Banks and Private Sector Banks in Retail Banking. It is found that the customers have no difference in the satisfaction towards the 'quick cash withdrawal through ATM, ATM location, safe and secure ATM transaction, ATM machine, Attractive appearance of ATM, excellent quality of currency between Public Sector Banks and Private Sector Banks in Retail Banking.

Based on the research, it is suggested that there is difference of opinion among the customers of public sector banks and private sector banks regarding the service quality dimensions. Although customer is the king in the present day market, their opinion is more important compared to profitability of the banks. They regard the objectives of retail banking achievable on the service quality dimensions. It is necessary for PSBs and private sector banks to increase the motivational powers of the
customers by satisfying them through well organized efforts, especially by providing confidence that the working and products of retail banking are highly useful for the customers.

The need for retail banking services provided by public sector banks is to improve their speed and efficiency of service delivery in a secure environment. There is need to improve the quality of service delivery in such areas as accuracy in customer accounts management and, excellent and cordial banker-customer relationships by public sector banks. It is felt that retail banks should embark upon confidence building of their customers, so that both the parties would grow simultaneously in the process. This would help to increase credit facilities and investment advisory services to their worthy customers.

In order to have confidence of customer, the public sector banks have to consciously cultivate the habit of treating their customer as king. This would include provision of more and more customized services that are tailor-made to suit their individual needs.

The setting up of a new competitive environment has resulted in new challenges for the public sector banks to retain their share. Ongoing changes in the structure of Indian banking industry are clearly visible. The new private sector banks have succeeded in enhancing their position as retail banks. The public sector banks need to recast their strategies for the different dimensions of service quality so that they can be able to choose the right dimension and instrument to offer competitive services for the sake of holding sustainable growth and profitability for the organization.

The service quality dimension “Tangibles” need improvement specifically in
PSBs. The physical facilities and material associated with the services should be visually appealing at the bank. The customer notices tangibles before or upon entering the banks. These visual factors help customer to form their initial impression. All these tangibles that are the service facilities equipments and communication material are clues about the intangible services. The public sector banks can improve quality through tangible means to attract attention of customers to the smallest details of the banks. This visible detail can add up for customers and signal a message of caring and competence.

The service quality dimension “Reliability” needs to be strengthened. The ‘promise to do’, ‘problem solving techniques’, ‘performed service right to the first time’ and ‘error free records’ are the main ingredients of ‘Reliability’. Performing the services dependably and accurately is the heart of service marketing excellence. Although there is no doubt that the public sector banks have been acquiring the large number of customers as compared to private sector banks but the customers of private sector banks feel more satisfaction regarding the Reliability dimension.

The service quality dimension “Responsiveness” demands ‘quick response to request’ and ‘courteous behaviour of employees’. It is associated with the overall customer satisfaction. The behaviour of the bank’s customer service representative, the abruptness of the employees at the teller counter, reverses the impression created by high technical quality. The public sector banks need to improve on the responsiveness dimension by provision of personalized, courteous services and helpful employees who understand the customer’s need and this can be the strongest driver of success.

The service quality dimension “Assurance” represents the ‘willingness to help’ and ‘politeness of bank employees’. The service quality dimension assurance is associated with the dealing of individual customers and importance of customer at the
counter. Unwillingness to help or harsh behaviour of employees has a negative feedback about the bank’s employees which will reduce the faith of the customers in the respective bank. Hence, the public sector banks need to improve their treatment of customers on the dimension assurance by their employees in a positive way so as to retain their customers.

The service quality dimension “ATM service quality” must provide the ‘convenience of branch location’, ‘spreading the bank’s ATM network’, ‘quality of currency’ and ‘quick cash withdrawal’. The ATM service quality dimension is the enabling factor contributing to service quality by making it easy and comfortable for the customer to do business with their banks on regular basis. The banks need to improve their retail banking business through ATM service quality by expanding their withdrawal limit, new ATM locations increase the safety of transactions and prompt card delivery.

The study has identified the areas of concern and pointed out the suggestive measures to remove bottlenecks and the operational lacunae in rendering of customer services and satisfaction. This would really help the appropriate bank authorities to evolve suitable strategy for the enhancement of customer satisfaction by providing efficient service and to put forth best performance level in future.

The study has incorporated time factor, human relation approach of bank employees, the enquiries and the employee response, knowledge and skill of the employees as indicators of good customer satisfaction. These variables are systematically weighed in determining the customer satisfaction. The outcome of study would definitely enable the bank authorities to bring this to the notice of bank employees who must shoulder the moral responsibilities for the growth and development of the country, in retail banking industry in particular.