CHAPTER VI

SUMMARY OF FINDINGS, CONCLUSIONS AND SUGGESTIONS

6.1. Introduction

In modern competitive environments, services are gaining increasingly more importance in the competitive formula of both firms and countries. Globalised competition has stressed the strategic importance of satisfaction, quality and consequently loyalty, in the battle for winning consumer preferences and maintaining sustainable competitive advantages. Since customers have more choice and more control, long lasting and strong relationships with them are critical to achieve and maintain competitive advantages and, as a consequence, earnings. In today’s business environment, the commercial banks face increasing competition from new players, including global banks and alternative sources of funds. Furthermore, the increasingly competitive environment prevailing in the global market and rapid advances in customer intelligence technologies have led retail banks to look for new business and marketing models for realizing intelligence-driven customer transactions and experiences. In this context, the present study has been conducted in Erode district with the sample size of 640 customers from 7 commercial banks. The problems and suggestions of customers with regard to retail banking of the commercial banks have been focused in the present study. The major findings of the study are presented below.

6.2. Objectives of the Study

The study has the following objectives:

1. To review the retail banking services offered by the selected commercial banks in Erode district.
2. To find out the factors influencing the customers to prefer retail banking services from the selected commercial banks in Erode district.
3. To study the level of satisfaction of the customers towards retail banking services of the selected commercial banks in Erode district.
4. To compare the service quality dimensions of the retail banking of public and private sector commercial banks in Erode district.
5. To offer suitable suggestions to improve the effectiveness of the retail banking services of the commercial banks based on the findings of the study.

6.3. Hypotheses

The following null hypotheses have been formulated and tested.

H₀₁: The personal variables of the customers such as age, gender, education, income, occupation, and the location they belong to will not have any influence on their level of satisfaction towards the retail banking services of the commercial banks.

H₀₂: There is no significant difference between the service quality dimensions of the retail banking of public and private sector commercial banks.

H₀₃: There is no significant relationship among the level of acceptance of the customers belonging to different socio-economic background towards their loyalty with the banks.

6.4. Methodology

6.4.1. Sampling Scheme

There are 37 commercial banks in operation in Erode District as on March 2010. Of which, 21 are public sector banks and 16 private sector banks. In order to collect primary data for the purpose of the study, multi-stage sampling technique has been adopted. At the first stage 7 commercial banks i.e. 4 public sector commercial banks and 3 private sector commercial banks which outnumber in number of branches were selected out of the 37 commercial banks. In the second stage, 10 per cent of the branches i.e. 16 branches were selected out of the 7 selected commercial banks. In the final stage, from each of the branch 30 savings bank account holders and 10 current account holders have been selected on the purposive basis for the study. Therefore, the sample size consists of 640 customers.

6.4.2. Field Work and Data Collection

The present study is empirical in character, based on survey method. As an essential part of the study, the primary data have been collected from 640 customers. Taking into consideration the objectives of the study, a questionnaire has been prepared after a perusal of available literature and thorough consultation with the experts of related
fields. Each question has been improved for its relevance and meaning by constant interaction with the experts in the areas. The questionnaire has been constructed based on Likert scaling technique. Pre-testing of questionnaire has been done during April 2010, involving 25 respondents to know the relevance of the questions. In the light of pre-testing, necessary changes have been incorporated in the questions and their sequences. The secondary data have been collected mainly from journals, magazines, government reports, books and unpublished dissertations.

6.4.3. Data Processing and Analysis

In order to study the perception of the customers, chi-square test, student t-test, analysis of co-efficient of variation, discriminant function analysis, multiple regression analysis and percentage analysis have been employed. Chi-square test has been applied to measure the association among the level of satisfaction of the respondents belonging to different demographic profile towards retail banking services. The student t-test has been employed to compare the service quality of the retail banking services of the private and public sector banks. The coefficient of variation has been employed to find out the consistency in the level of attitude of the respondents towards service quality of the retail banking services. Discriminant function analysis has been used to study how the customers of public sector banks differ from the customers of private sector banks in terms of their level of perception towards service quality of the retail banking services. Multiple regression analysis has been used to measure the effect of selected independent variables on the service quality of the retail banking services of the selected commercial banks. Comprehensive descriptive and percentage analyses have also been employed to examine the perception of the customers.

6.5. Findings of the Study

Demographic Profile of the Respondents

Out of 640 respondents, 88 per cent are male and 12 per cent are female. The predominant age group of the respondents (41.10 per cent) is 41-50 years. A good majority of the remaining respondents are distributed in the age group 31-40 years. 16.25% and 2.65% of the respondents were distributed in the age groups above 50 years and up to 30 years respectively.
The highest level of education (48.90%) of the respondents is degree level. 14.20 per cent of the respondents have got education up to H.Sc education and 23.80 per cent have got Diploma/ITI education. 13.10 per cent of the respondents have PG and higher qualification.

21.90 per cent of the respondents are businessmen, 34.70 per cent are employed, 30.60 per cent of the respondents are professionals, 5.30 per cent are agriculturalists, 4.80% are students and housewives and 2.70 per cent of the respondents are pensioners.

50 per cent of the respondents have monthly income up to Rs. 15000 and 33.90 per cent of the respondents have Rs.15001 to Rs.25000 as monthly income. 9.40 per cent of the respondents have monthly income of Rs.25001 to Rs.35000 and about 6.70 per cent of the respondents have above Rs.35000 as monthly income.

31.25%, 25%, 18.75%, 6.25%, 6.25% and 6.25% of the respondents are the customers of Canara Bank, Indian Overseas Bank, State Bank of India, Indian Bank, Karur Vysya Bank, Lakshmi Vilas Bank and South Indian Bank respectively.

75 per cent of the respondents have savings bank account and 25 per cent of the respondents have current account. 81.30 per cent of the respondents are the customers of public sector banks and 18.30 per cent belong to private sector banks.

18.70 per cent of the respondents belong to urban area and 35.90% and 45.30% of the respondents belong to semi-urban and rural area respectively.

**Retail banking services availed by the respondents**

Only 1.40% of the respondents have availed the facility of traveler cheques, while 1.71% of the respondents have used foreign exchange facilities from their prime bank. Further 11.87% of the respondents have deposited their money in fixed deposits, 16.56 per cent of the respondents have availed safe deposit box service, 18.75% of the respondents have used the overdraft facility, 19.84% have availed business loan and 20.15 per cent of the respondents have used credit card facility from their prime bank. More than 55 per cent of the respondents have availed on-line banking and personal loan facility. 75 per cent of the respondents have savings bank account and 84.68 per cent of the respondents avail remittance facility. 98.13 per cent of the respondents have availed debit card facility.
Factors influencing the respondents to select bank for retail services

The overall influence of all the fifteen factors are considered as ‘very important’ in motivating the customers to prefer retail banking services by 20 per cent of the respondents, as ‘important’ by 26.09 per cent of the respondents, ‘neither important nor un important’ by 21.25 per cent of the respondents, as ‘not important’ by 21.41 per cent of the respondents and as ‘not at all important’ by 11.25 per cent of the respondents. The mean attitude score reveals that fast and efficient service (3.90) is the most important factor for the respondents to prefer retail banking services from the prime bank, followed by range of services (3.50). However, with regard to branch network, the respondents have assigned least importance (3.00).

Respondents’ satisfaction towards retail banking services

No significant association among the level of satisfaction of the respondents belonging to different gender, age groups, educational status, occupation, monthly income groups, and type of bank towards retail banking services in Erode district. There is a significant association in the level of satisfaction of the respondents belonging to different locations, the bank they belong to, the type of account towards retail banking services.

Male customers, respondents in the age group 31-40 years, respondents having education up to H.Sc qualification, students and housewives, whose monthly income is Rs.15001-25000, urban customers, customers of the State Bank of India, current account holders and customers of the private sector commercial banks are more satisfied with the retail banking services.

Respondents’ perception towards service quality dimensions of the retail banking services

There is a significant difference between the level of acceptance of the respondents of public and private sector banks towards assurance of service, empathy, reliability of service, responsiveness, tangibility dimension of service quality, competence of the employees, communication, understanding the customers, access to services, security and compliant handling system.
The customers of the private sector banks have higher level of acceptance with the assurance of service, empathy, reliability of service, responsiveness, competence of employees, communication, understanding the customers, access to services, security dimension of the service quality and compliant handling system. On the other hand, the customers of the public sector banks have higher level of acceptance with the tangibility dimension of service quality.

The variation in the level of acceptance is high among the customers of the public sector banks towards assurance of service, empathy, reliability of service, responsiveness, tangibility dimension of service quality, competence of employees, communication, access to services, security and complaint handling system. On the other hand, the variation in the level of acceptance is high among the customers of the private sector banks towards understanding the customers.

Out of 640 respondents, 12.03%, 24.84%, 22.35%, 16.72% and 24.06% of the respondents strongly agree, agree, neither agree nor disagree, disagree and strongly disagree respectively towards assurance of service. The respondents have higher level of acceptance towards safety of transactions with their prime bank (3.58), followed by employees’ knowledge to answer their questions (2.87). In the case of behaviour of employees to instill confidence, the customers have low level of acceptance.

15.78%, 20.94%, 21.09%, 23.59% and 18.60% of the respondents strongly agree, agree, neither agree nor disagree, disagree and strongly disagree respectively towards empathy dimension of the service quality. The respondents have higher level acceptance towards best interest shown by the bank on customers at heart (3.16), followed by convenient operating hours to all types of customers (2.98). However, the customers have lower acceptance score (2.90) towards employees understanding on the specific needs of the customers.

Out of 640 respondents, 14.69%, 24.38%, 22.19%, 25.16% and 13.58% of the respondents strongly agree, agree, neither agree nor disagree, disagree and strongly disagree respectively towards reliability of service. The respondents have higher level of acceptance towards bank promises to do something by a certain time (3.49) followed by error free records delivered by the banks (3.16). However, the customers have lower level of acceptance (2.90) towards performing the service right at the first time (2.76).
13.91%, 24.38%, 21.09%, 24.37% and 16.25% of the respondents strongly agree, agree, neither agree nor disagree, disagree and strongly disagree respectively towards responsiveness. The mean acceptance score shows that the respondents have higher level of acceptance towards willingness of the employees to help customers (3.08), followed by their prompt service (2.95).

Out of 640 respondents, 18.44%, 30.78%, 21.72%, 20.31% and 8.75% of the respondents strongly agree, agree, neither agree nor disagree, disagree and strongly disagree respectively towards tangibility dimension of service quality. The mean acceptance score reveals that the respondents have higher level of acceptance towards neatness of the frontline employees (3.37), followed by visual appealing of materials associated with the services (3.32), Whereas, the customers have lower acceptance score (3.28) towards visual appealing of physical facilities in the selected commercial banks in Erode district.

Out of 640 respondents, 14.06%, 20.78%, 20.94%, 23.75% and 20.47% of the respondents strongly agree, agree, neither agree nor disagree, disagree and strongly disagree respectively towards competence of the employees of selected commercial banks. The respondents have higher level of acceptance towards lesser time taken by the employees to provide services (3.27), followed by their excellent technical skills (2.86). However, the customers have lower acceptance score (2.68) towards problem solving skills of employees.

14.69%, 23.91%, 22.03%, 23.75% and 15.62% of the respondents strongly agree, agree, neither agree nor disagree, disagree and strongly disagree respectively towards communication to customers. The respondents have higher level of acceptance towards updated information given to customers (3.21) followed by respect to customers and friendly approach of the employees (3.09). On the other hand, the customers have lower acceptance score (2.78) towards employees listening the customers in the selected commercial banks.

About 16.41%, 25.47%, 22.81%, 21.88% and 13.43% of the respondents strongly agree, agree, neither agree nor disagree, disagree and strongly disagree respectively towards understanding the customers. The respondents have higher level of acceptance towards maintenance of customers’ database (3.22), followed by concern for customers’ personal problems (3.11). In the case of customization of products and services, the customers have lower acceptance score.
Out of 640 respondents 17.34%, 25.31%, 21.56%, 22.66% and 13.13% of the respondents strongly agree, agree, neither agree nor disagree, disagree and strongly disagree respectively towards access to services. The respondents have higher level of acceptance towards easy approachability of the employees (3.38), followed by location of the branches (3.37). In the case of range of products and services offered, the customers have lower acceptance score.

Out of 640 respondents, 20.31%, 25%, 21.41%, 20% and 13.28% of the respondents strongly agree, agree, neither agree nor disagree, disagree and strongly disagree respectively towards security. The mean score reveals that the respondents have higher level of acceptance towards banks’ efforts to minimize fear, uncertainty and doubt (3.51), followed by maintenance of secrecy (3.34). In the case of absence of frauds and errors, the customers have lower acceptance score (2.79).

10.16%, 18.59%, 22.81%, 26.72% and 21.72% of the respondents strongly agree, agree, neither agree nor disagree, disagree and strongly disagree respectively towards compliant handling system. The mean score reveals that the respondents have higher level of acceptance towards reasonable service charges (2.75), followed by competitive interest rates (2.69). On the other hand, the customers have lower acceptance score (2.90) towards complaint handling system of the selected commercial banks.

There is a significant difference between the level of acceptance of the respondents of public and private sector banks towards overall service quality of the selected commercial banks in Erode district. The customers of the private sector banks have higher level of acceptance towards overall service quality of the selected commercial banks. Moreover, the variation in the acceptance is high among the customers of the private sector banks (7.93%), followed by the customers of the public sector banks (5.93%) towards overall service quality of the selected commercial banks.

The gender, age, education, monthly income and type of account of the respondents have no significant impact on the service quality of the retail banking in the public sector commercial banks.

The gender, age, education and monthly income of the respondents have no significant impact on the service quality of the retail banking in the private commercial
banks. However, type of account of the respondents has significant effect on the service quality of the retail banking in the private commercial banks.

The gender, age, education and monthly income of the respondents have no significant impact on the service quality of the retail banking in the selected commercial banks. On the other hand, type of account of the respondents has significant effect on the service quality of the retail banking in the selected commercial banks.

Discriminant function analysis has been used for analyzing how do the respondents who are customers of public sector banks differ from those who are customers of private sector banks in terms of their level of attitude on the service quality dimensions. ‘Assurance score’ is the maximum discriminating variable ($R^2\% = 77.79\%$) between the customers of the public and private sector commercial banks, followed by competence score (15.92%), price/compliant handling score (15.60%), and empathy score (9.42%) in that order. Contribution of other variables in discriminating between the customers of public and private sector banks are less than 5%.

No significant difference is found among the level of acceptance of the respondents belonging to different gender, educational qualifications, type of account and type of bank towards their loyalty with the banks. There is a significant difference among the level of acceptance of the respondents belonging to different age groups, income groups, location and bank they belong towards their loyalty with the banks.

Out of 640 respondents, 22.34%, 25.78%, 21.25%, 20% and 10.63% of the respondents strongly agree, agree, neither agree nor disagree, disagree and strongly disagree respectively towards their loyalty with the banks in Erode district. The mean score reveals that the respondents have higher level of acceptance towards good services provided by their prime bank (4.09), followed by their better services than other banks (3.43). In the case of recommending others, the respondents have lower acceptance score (3.03), followed by encouraging their friends and relatives to have deal with the banks.

80.79% of the respondents are not ready to change their prime bank in future, whereas 19.21% of the respondents were in the opinion to change their prime bank in future.
Ranging from 13.82 per cent to 33.33 per cent of the respondents’ are having idea to change their prime bank in future. The reasons are salary account with other banks, change of residence, customer request is denied, services are not up to expectations, non-availability of IT based services and lack of attractive advertisements. Ranging from 39.02 per cent to 43.08 per cent of the respondents will change their prime bank in future due to inadequate marketing efforts, strict formalities to avail loans and suggestions of the well-wishers.

**Respondents’ problems with retail banking services**

Ranging from 31.45 per cent to 39.37 per cent of the respondents have problems with the retail banking of the commercial banks such as absence of customer intimate strategy, inadequate range of products, inadequate customer communication, and absence of creativity and innovativeness. Inadequate customer contact programmes, absence of up-to-date information to customers, lack of customer specific strategies and delay in service are the problems of the customers with regard to retail banking of the commercial banks at 41.87%, 42.65%, 43.12% and 46.56% respectively.

**Respondents’ suggestions to improve the effectiveness of the retail banking services**

Ranging from 29.68 per cent to 35 per cent of the respondents suggest that satisfaction of internal customers, customer intimate strategy, high-quality customer service and training to employees will improve the effectiveness of retail banking services of the commercial banks. About 35.62%, 36.25%, 37.03%, 37.81% and 38.75% of the respondents suggest that use of technology, tailor-made products, customer communication, creativity and innovativeness, and customer contact programmes will improve effectiveness of retail banking services respectively. More than 40% of the respondents opine that providing up-to-date information to customers, customer segment specific strategies and provision of prompt service will improve the effectiveness of retail banking services of the commercial banks.
6.6. Suggestions

In India, there is tremendous potential of retail banking in semi-urban and rural areas in addition to the metros and cities. On the global view, India’s retail market has great prospect in future. The various suggestions for improving the effectiveness of the retail banking services of the selected commercial banks are follows:

**Satisfaction of Internal Customers**

In general, the location of the bank, opening hours, security of deposits, security of customer information and customer waiting period are the key reasons for choosing a particular retail bank. Similarly, the most common reason for customers to leave retail banks is the poor attitude of the staff in the banks. Besides, service delivery quality moves from internal customers to the external customers. Therefore, the selected commercial banks should provide the necessary incentives to boost internal customer satisfaction because they are the most important resource in delivering the services of the bank. In addition, the managements of the banks should take internal marketing seriously with respect to good communication flow, rewards and incentives to internal customers so as to deliver excellent service to the customer. Therefore, managements of the selected banks should be aggressively engaged in internal marketing to arrive at a synergy of satisfied employees and upgraded organizational performance.

**Customer intimate strategy**

The selected commercial banks must formulate a customer intimate strategy based on a comprehensive market segmentation policy that moves beyond demographics to include psychographic attributes. They also need to pay meticulous attention to information technology as the enabler to achieve market leading to customer intimacy and provide management with a feedback mechanism to manage competitive strategy.

**High-quality customer service**

In a competitive market, the majority of customers seeking services from a retail bank make the choice based on other customers’ recommendations. The best way to stimulate referrals is to provide memorable customer service. However, marketing texts refer to more than satisfied customers as “Ambassadors” who typically inform 3 to 4
people about the memorable service they received. Given the relationship between
customer service and the word of mouth, investing in high-quality customer service
should be a significant part of the Indian retail banks marketing budget.

Staff training

The banks should design program to train staff with the skills and knowledge
required to deal with customers effectively. Over time, the banks should find personal
relationship to be profitable because of the higher level of customer retention. Therefore,
it is important that the current level of service is not only to be maintained but also to be
enhanced, if they are to retain the evidently good relationship that they have with the
very important and profitable customer segment.

Use of technology

To meet the changing preferences of the customers and to stay ahead of
competitors, retail bankers are bound to provide quality and efficient services. Banks can
enhance their customer service by leveraging on technology, maintenance of efficient
service delivery standards and business process re-engineering. The government is
embarking on measures such as the recently launched economic reform, different
financial liberalization measures and restructuring of financial institutions.

Tailor-made products

Retail banking is untapped in rural and semi-urban areas still now due to lack of
awareness about the use of modern technology, fear of frauds and security, lack of
infrastructural facilities, illiteracy, etc. Further, tailor-made products offered by retail
banking should be suited to the requirements of untapped customers. Indian commercial
banks are giving importance to the growth of retail lending as compared to the growth of
retail deposits. But they should not forget that retail banking does not refer to lending
only and retail depositors have also a significant role on the success of retail banking.

Customer communication

To achieve competitive advantage, technology based services may help, but to
retain competitive advantage, the banking institutions have to improve their services at
the branches. The availability of and access to banking information is required for
customers to move towards e-banking. Similarly, on-line information will enhance customers’ ability to utilize e-banking services.

**Creativity and innovativeness**

The needs of the customers keep on rising always. So it is recommended to the banks to stay one foot ahead to the needs of the customers. Banks must have an idea about what is going to happen in future, depending on which they can plan their services and offerings. In general, customers look for banks with convenience, flexibility having innovative ideas, changing their offerings according to the needs of the customers.

**Customer contact programmes**

Banks need to realize and understand the importance of customer relationship management. It has a value and is broader in term. There in no doubt that customer’s interaction and satisfaction, convenience, speed of processing transactions and trusts are the vital aspects that need to be given importance. There might be different and various dimensions of customer relationship management, but banks need to concentrate on customer relationship management. By using e -customer relationship management and the different benefits provided by it, banks can enhance their relationships with customers.

**Providing up-to-date information to the customers**

Customer will be loyal when the bank has through understanding of the customers requirements. If banks don’t have enough information about customer, it is impossible to understand customers’ business problems. It is recommended to keep on tracing the customer and get through knowledge about customers problems, so that the banks can provide up-to-date information to them to solve their problems.

**Customer relationship management**

A long delay in making available the services to the customers in case of disruption of the customer relationship management may erode the banks credibility and goodwill as well as the customers’ confidence in the banking services. Therefore, the business continuity planning should be an integral part of customer relationship management policies.
6.7. Conclusion

Retail banking has been introduced in the Indian banking sector in recent years. Customers of Indian commercial banks are responding to a great extent to this new banking strategy. Nowadays, banks are in a fluctuating business environment as they experience an increase in competition and in customer demand, and a decrease in profit margins. Thus, it is critical for banking practitioners to focus on a differentiated strategy, known as service quality improvement, to strengthen their core competitive edge, and urgently make a decision to focus on either the area of personnel counter services or electronic services or both, to be able to allocate limited resources to serve that decision. For banks to grow organically, a strong commitment to strategic customer growth options must be articulated through a well-structured approach, designed to improve customer attitudes toward bank capabilities and assess their potential value. Therefore, banks must break with traditional, one-sided, inwardly focused customer initiatives and drive toward a well-balanced, customer focused model to exploit the potential of its most valuable customers. Further, Customer service has become an important integral component of many businesses in order to remain competitive. As banks become more and more “high-tech,” their technical services are becoming standardized, reducing the importance of such services as a differentiating factor; thus, customers will evaluate banks based more on their “high-touch” factors than on their “high-tech” factors. Although the satisfaction levels are on the higher side, yet there remains a lot to be done by the managements of the retail banks in order to maximize their customer satisfaction and improve on the retention rates. A major contribution of this study is the provision of an approach for managers in retail banks thus enabling them to improve customer satisfaction and retention rates. Retail banking in India is also experiencing a fierce competition as public sector banks, private sector banks and foreign banks are trying to perform their best to expand their respective market shares. Therefore, success of leading banks in future will depend on product innovation, latest technological developments and strategies to tap the potential retail market. Above all, an important factor of retail banking is the quality of customer service. The study will provoke the authority concerned to take some positive measures for improving the effectiveness of retail banking.
6.8. Suggestions for future research

In the present study, an attempt has been made to examine the perception of the customers towards retail banking services of the commercial banks in Erode district. Based on the experience, a few areas may be suggested for pursuing further research in future. Although in this study an attempt has been made to cover all aspects of retail banking services, there may be certain aspects that might have been omitted or that may become relevant as new trends in banking evolve. Future research can be conducted, taking into account how the various dimensions of service quality, are changing, in terms of definition as well as new services that are being offered by the banks. In future, customers may reveal new aspects of service quality in retail banking that are important to them, and these would have to be incorporated in the scale so as to further explore the concept of service quality in the retail banking arena. Future research is needed to examine not only what determines the service quality, but how the determinants effect service quality in the whole delivery process of retail banking services from the perspectives of bank employees and customers. Future investigations should focus on loyalty program, component analysis, customer loyalty measures, customer attraction and profitability, and design and costs of loyalty programs. Studies similar to this, if conducted on a large scale at regular intervals by the researchers and financial intermediaries, will help the bankers to introduce varied e-banking services in the forthcoming days.