



FACTORS AFFECTING CUSTOMER SATISFACTION IN RETAIL BANKING WITH SPECIAL REFERENCE TO COIMBATORE CITY

S.Kalaiselvi

Assistant Professor in Commerce, PSG College of Arts & Science, Coimbatore, India.

Abstract

Today, banking is regarded as a consumer-oriented services industry and banks have started realizing that their business increasingly depends on the quality of the consumer service provided and overall satisfaction of the customer. Relationship marketing has become the most critical aspect to corporate banking success. Today, customers expect higher quality services from banks which, if fulfilled, could result in significantly improved customer satisfaction, and potentially retention levels.

This study focuses on exploring the major factors that lead to customer satisfaction in retail banking in Coimbatore in Tamil Nadu. It also leads to developing a conceptual framework of relationship marketing practices in Indian banks by capturing the perspectives of consumers with respect to their satisfaction with various services. The findings revealed that customer satisfaction, a transaction-specific attribute, is dependent on nine different factors. It is hoped that this research paper would help the bank management not only in improving the overall level of customer satisfaction but also strengthening the bond between the banks and their customers, thereby helping the banks to retain and expand their overall customer base.

Keywords: *Customer Satisfaction, Retail Banking, Corporate Banking, Relationship Marketing.*

I. Introduction

Retail banking is a service industry focused towards the customer's money and its management. An element that strongly drove the satisfaction of customers in the banking sector was the conviviality factor related to the features of a bank and the attributes of its personnel. Retail banking has emerged a new sector in the Indian Banking Industry. It would be seen from these list of available services that retail banking mainly includes various financial services and products forming part of the assets as well as the liabilities segment of banks. Multiple products are Deposits, Credit cards, Insurance, Investments and Securities. Multiple customer groups are Customer, Small business and Corporate. The aim of the research is to assess the factors of customer perceived value in the retail banking sector. To achieve the aim of this research, a quantitative survey of retail customers of commercial banks was executed.

II. OBJECTIVES OF THE STUDY

The primary objectives of the study can be described as follows:

1. To measure the overall satisfaction of retail banking customers.
2. To identify the major factors of customer satisfaction in retail banks.

III. SCOPE OF THE STUDY

- The study is specific only to public sector, private sector and co-operative sector banks in Coimbatore district in Tamil Nadu.
- The study revolves around customer satisfaction and its related factors.
- The factors studied are: Tangibility, E- fulfillment, Convenience & Availability, Accuracy, Responsiveness, Empathy, Promptness, and Personal Assistance.

IV. REVIEW OF LITERATURE

Levesque and McDougall (1996) have empirically confirmed and reinforced the notion that consistent poor customer experience leads to a decrease in the levels of customer satisfaction and the chances of further willingness to recommend the service (i.e., word-of-mouth advertising or referrals) is lessened. Previous

researches have shown strong linkages between service quality dimensions and overall customer satisfaction (Anderson and Sullivan (1993)). Service quality is accepted as one of the basic factors of customer satisfaction (Parasuraman et al., (1994). However, there is much debate whether customer satisfaction is a precursor of service quality judgements (Parasuraman et al., (1985) and Bitner et al., (1990) or the other way round (Anderson and Sullivan, (1993).

Definitive analysis has showed that service quality cannot be divorced from the concept of customer satisfaction. Recent studies have shown that satisfaction is influenced not only perceptions of service quality also by perceptions of product quality, and pricing factors as well as situational and personal factors (Zeithaml and Bitner, (2000)). For example, customer satisfaction with retail banking will be a broader concept and will certainly be influenced by perceptions of service quality but will also include perceptions of product quality (such as variety of deposit options available to customers), price of the products(i.e., charges charged by the bank or rates offered by the banks on various deposits), personal factors such as the customers emotional state, and even uncontrollable situational factors such as weather conditions and experiences in conveying to and from the bank.

Pairot (2008) defined customer's satisfaction as the company's ability to fulfill the business, emotional, and psychological needs of its customers. In other words of Oliver(1981, pg.27), customer satisfaction is the summary psychological state resulting when the emotion surrounding disconfirmed expectations is coupled with the customers prior feelings about the consumption experience.

Customer satisfaction has also been defined by Hunt (1977, pg.459) as an evaluation rendered that the (consumption) experience was at least as good as it was supposed to be.

Engel and Blackwell (1977, pg.501) have opined it to be an evaluation that the chosen alternative is consistent with prior beliefs with respect to that alternative. It is a well-researched fact that investments in customer satisfaction, customer relationships and service quality leads to profitability and market share Rust and Zahorik (1993). Put differently, customer satisfaction leads to customer loyalty and this also leads to profitability Hallowell (1996). If customers are satisfied with a particular high quality service offering after its use, then they can be expected to engage in repeat purchase and even try line extensions and thus market share can be improved.

V.SAMPLE AND SAMPLE SIZE

The selected respondents represented a balanced mix of various demographic factors (age, gender, marital status, education levels and employment status and income groups). Also, it has been suggested that a study designed to reveal factor structure should have consultation with experts and pilot tests was also performed. A 5-point interval Likert scale to examine how strongly respondents agree (5) (Very Satisfied) or disagree (1) (Very dissatisfied) with statements that measure variables in the hypotheses of this research was used. Existing established measures were modified and adopted for this study (Churchill, 1979). Finally, validity and reliability tests of the measures from the survey questionnaire were conducted to obtain reliable data that can be analyzed properly to reveal meaningful findings. 300 customers selected from different banks. 100 customers from public sectors banks 100 customers from private sector banks and 100 customers from co-operative sector banks.

Parameters		Public Sector		Private Sector		Co-operative sector		Total
		F	%	F	%	F	%	
Gender	Male	82	82	78	78	75	75	
	Female	18	18	22	22	25	25	
	Total	100	100	100	100	100	100	300

Age	Below 20	17	17		18	17	17	43
	20 to 35 years	46	46	40	40	37	37	123
	35 to 50 years	22	22	26	26	27	27	75
	50 to 60 years	8	8	9	9	15	15	41
	60 and above	7	7	7	7	4	4	18
	Total	100	100	200	100	200	100	300

Education	Less than SSC	11	11	8	8	9	9	28
	SSC	10	10	17	17	14	14	41
	HSC	20	20	25	25	25	25	70
	Graduation	30	30	26	26	31	31	87
	PG	12	12	11	11	11	11	34
	PG & above	15	15	10	10	7	7	32
	Illiterate	2	2	3	3	3	3	8
	Total	100	100	100	100	100	100	300
Occupation	Salaried	19	19	34	34	16	16	69
	Self employed	15	15	10	10	20	20	45
	Business	21	21	19	19	17	17	57
	Students	19	19	20	20	8	8	47
	Retired	11	11	9	9	1021	10	30
	Agriculture & Allied	10	10	5	5	21	21	36
	Home maker	5	5	3	3	8	8	16
	Total	100	100	100	100	100	100	300
Income	Below Rs.5000	20	20	18	18	19	19	57
	Rs.5000 to 10000	12	12	16	16	18	18	46
	Rs.10000 to 20000	20	20	25	25	17	17.5	62
	Rs. 20000 to 30000	21	21	22	22	26	26	69
	Rs.30000 to 40000	12	12	12	12	10	10	34
	Rs. 40000 and Above	15	15	7	7	10	9.5	32
	Total	100	100	100	100	100	100	300

There were two main reasons for analyzed the demographic features of the respondent of the research. First a clear profile of banking service users and second to analyze customer satisfaction issue based on demographic characteristics. This data is also used for further analysis and testing the hypothesis. Demographic profile includes gender, age, education, occupation, income level.

Table No.1 indicates the descriptive analysis for demographic information indicated that among the analyzed samples (N= 300), consisting 33% of public sectors banks, 33% of private sectors banks, 33% of cooperative sectors banks. Out of 300 respondents 79% of the respondents were male and 21% were female. In term of age group 17% were below 20 years, 41% were 20years to 35 years, 25% were 36years to 50 years,11% were 51 to 60 years,6% were above 60 years. Education status of the respondents indicates that 9% of the respondent were below SSC, 14% were SSC, 23% of HSC, 29% graduate ,11% of post graduate ,11% of PG & above , 3% were illiterate .There were 23% salaried persons,15% self-employee, 19% of business man/ women , 16% students, 10% retired persons,12% of agriculture , 5% of home maker. Income profile of the respondents shows that there were 19% of below Rs.5,000 ,15% of the Rs. 5,000 to Rs. 10,000 , 21% of the Rs. 10,000 to Rs.20,000,23% of the Rs.20,000 to Rs.30,000, 12% of the Rs.30,000 to Rs.40,000,10% of the Rs.40,000 and above.

Satisfaction Factors	Specific Attributes	Notation In Model
Tangibility	Giving customers individual attention	V1
	The behavior of employees instilling confidence in their customers	V2
	Physical facilities with the bank should be appealing	V3
	No charges should be cut on outstation cheques	V4
	Error free record is very important for me	V5
E-Fulfillment	Online banking facilities should be there	V6
	Customers feeling safe in their transactions	V7
	Employees are never too busy to respond to customers' requests	V8
Convenience & Availability	Operating hours convenient to all their customers	V9
	Core Banking facilities is very important for me	V10
	ATM should be available easily	V11
Accuracy	Keeping promise to do something by a certain time	V12
	Providing the service at the time the service was promised	V13
	Phone banking facilities should always be there	V14
Responsiveness	The employees should always neat & Tidy in appearance	V15
	The employees of the bank should be will dressed	V16
	Employees of bank must be always ready to help	V17
	ATM should always be in working condition	V18
Empathy	Bank must offer special counter for privileged customer	V19
	The employees understanding the specific needs of customers	V20
Promptness	Employees telling customers exactly what services will be performed	V21
	Employees giving prompt service to customers	V22
Personal Assistance	Employee having the knowledge to answer customers' questions	V 23
	Bank implement latest technology in working	V 24

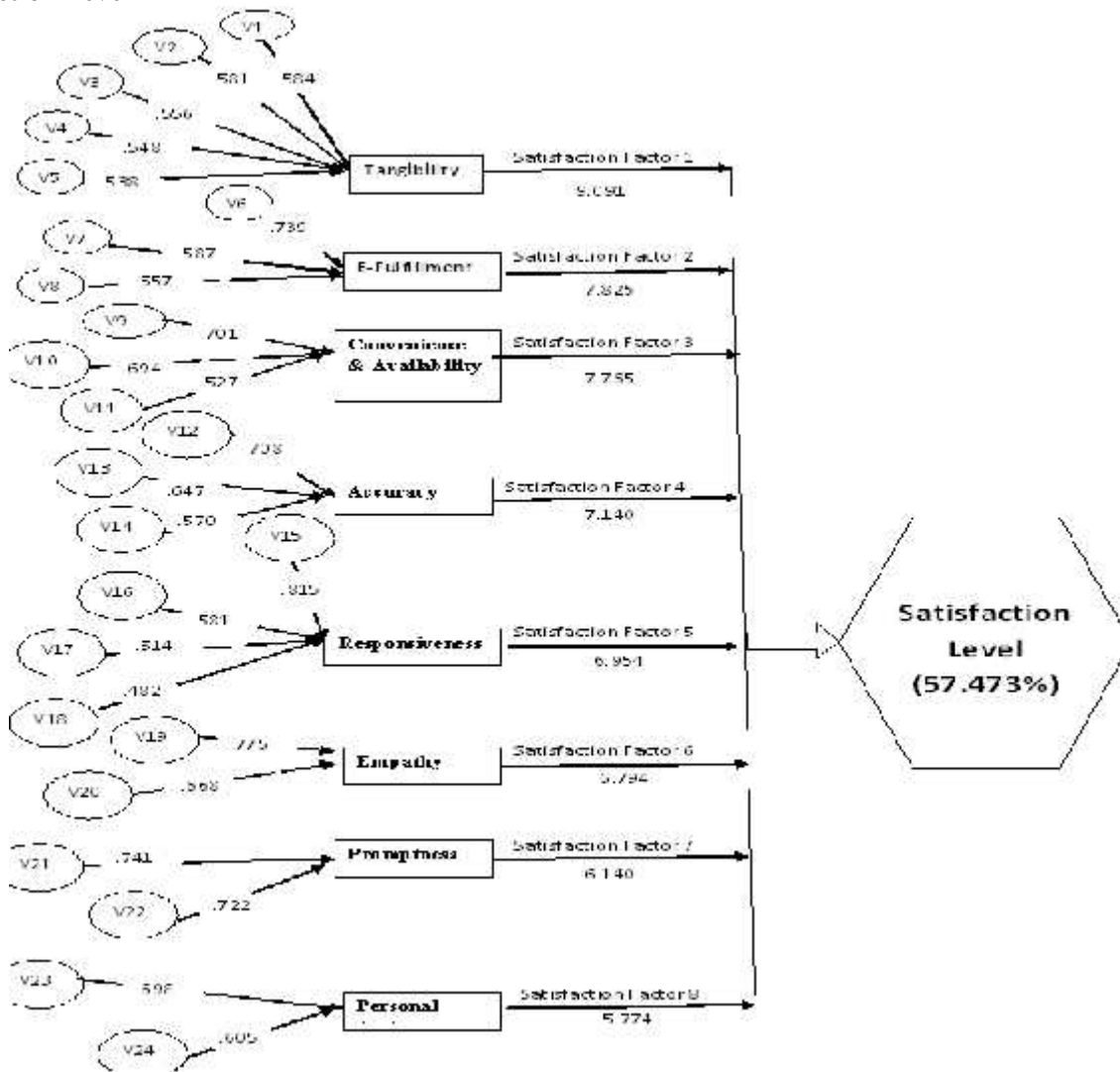
ATTRIBUTES OF SATISFACTION FACTORS

Communalities: Initial vs. Extraction

- **Communalities** - This is the proportion of each variable's variance that can be explained by the principal components (e.g., the underlying latent continua). It is also noted as h^2 and can be defined as the sum of squared factor loadings.
- **Initial** - By definition, the initial value of the communality in a principal components analysis is 1
- **Extraction** - The values in this column indicate the proportion of each variable's variance that can be explained by the principal components. Variables with high values are well represented in the common factor space, while variables with low values are not well represented. (In this example, we don't have any particularly low values.). After extraction some of the factors are discarded and so some information is lost. The amount of variance in each variable that can be explained by the retained factor is represented by the communalities after extraction.

Communalities		
	Initial	Extraction
Physical facilities with the bank should be appealing	1.000	.494
The employees of the bank should be well dressed	1.000	.633
The employees should always neat & Tidy in appearance	1.000	.684
Bank must offer special counter for privileged customer	1.000	.638
Employees of bank must be always ready to help	1.000	.640
The employees understanding the specific needs of customers	1.000	.621
ATM should always be in working condition	1.000	.492
Core Banking facilities is very important for me	1.000	.647
Online banking facilities should be there	1.000	.626
Error free record is very important for me	1.000	.549
ATM should be available easily	1.000	.601
Phone banking facilities should always be there	1.000	.553
No charges should be cut on outstation cheques	1.000	.491
Bank implement latest technology in working	1.000	.597
Keeping promise to do something by a certain time	1.000	.632
Providing the service at the time the service was promised	1.000	.520
Employees telling customers exactly what services will be performed	1.000	.632
Employees giving prompt service to customers	1.000	.605
Operating hours convenient to all their customers	1.000	.541
Employees are never too busy to respond to customers' requests	1.000	.521
The behavior of employees instilling confidence in their customers	1.000	.498
Customers feeling safe in their transactions	1.000	.532
Employee having the knowledge to answer customers questions	1.000	.610
Giving customers individual attention	1.000	.437
Extraction Method: Principal Component Analysis.		

Satisfaction Level



About 57.473 % of the total variance in the 24 variables is attributable to the first **eight** components. Also we can judge how well the eight-component model describes the original variables, by examine the above table and concluded that Component 1 explains a variance of 2.180, which is 9.081% of total variance of 24, Component 2 explains a variance of 1.878, which is 7.825% of total variance. Similarly, same kind of conclusion can be drawn for other components. The amount of variance accounted for by the **eight** components is 13.796, which about 57.47% of the total variance in the 24 variables is attributable to the first eight components ($13.796 / 24 = .5748$), and remaining 16 components together accounts for 42.51% of the total variance.

VI. CONCLUSION

As far as future investigations are concerned, researchers should make use of the variables considered in this research for studies on other industries as these are not industry specific and thus can be used to measure the customer satisfaction levels in other retail settings. Secondly, similar studies can be conducted in other cities as well as on other banks. Regarding the limitations of the study, it can be said that the recessionary trends being faced currently might have some influence on the satisfaction levels of the customers of banking in India. Secondly, responses have been solicited from customers or retail bank in a developing economy, i.e., India. Also, the study has endowed insights and implications for bank management, thus enabling them to develop strategies to improve customer satisfaction and consequently, retention rates.



REFERENCES

1. Green S, Salkind N and Akey T (2000), Using SPSS for Windows: Analysing and Understanding Data, Upper Saddle River, Prentice Hall, NJ.
2. Hair J F, Black W C, Babin B J and Tatham R L (2006), Multivariate Data Analysis, 6th Edition, Prentice-Hall, Englewood Cliffs, NJ.
3. Hallowell R (1996), "The Relationships of Customer Satisfaction, Customer Loyalty and Profitability: An Empirical Study", International Journal of Service Industry Management, Vol. 7, No. 4, pp. 27-42.
4. Hunt Keith H (1977), Business Research: A Practical Guide for Undergraduate and Postgraduate Students, Macmillan Press Ltd
5. Jham Vimi (2005), "Insights into Customer Interactions in the Banking Industry: A Qualitative Relationship Marketing Study" Review of Professional Management, Vol. 3, No. 1, pp. 10-17.
6. Johnston R (1997), "Identifying and Critical Determinants of Service Quality in Retail Banking: Importance and Effect", International Journal of Bank Marketing, Vol. 14, No. 4, pp. 111-116.
7. Kamel H. and Hassan I., (2003), "A study on risk factors of Internet Banking", International Journal of E-Banking, Vol.5, No.4, pp.17-22.
8. Krishnan M S, Ramaswamy V, Meyer Mary C and Damien Paul (1999), "Customer Satisfaction for Financial Services: The Role of Products, Services and Information Technology", Management Science, Vol. 45, No. 9.
9. Kumbahar V. M. (2010). "Reliability and validity of „eBankQual“ Scale in ATM Service Settings" A Study, in VINIMAYA, Vol. XXXI No. 4 January – March 2011, published by National Institute of Bank Management, Pune.
10. Levesque T and McDougall G H C (1996), "Determinants of Customer Satisfaction in Retail Banking", International Journal of Bank Marketing, Vol. 14, No. 7, pp.12-20.