CHAPTER I

INTRODUCTION

CHAPTER I

INTRODUCTION

Banking has been playing an essential role in the Indian economy. Further, the (LPG) Liberalization, Privatization and Globalization in 1991 ushered a new era in banking sector (Vijay et al. 1996). This resulted in relentless quest for quality and customer satisfaction. The entry of private and foreign banks the situation escalated to such a point where competition went haywire. The banking industry has transformed and is transforming consistently with new standards in all aspects of services such as speed, quality, accuracy and efficiency. This has brought a challenge of sustaining customer satisfaction. Most of this is because; in general people are adamant to change. However, with an ever-increasing change in recent years, it has been challenging in maintaining the satisfaction level of the customers (Gormley, 2010). The recent demonetization wave in 2016 and implementation of digitization/cashless system in banking are few examples that changed the habit of customers as well as the bankers bringing on certain advantages and disadvantages at the same time (Mehta et al. 2016). The disadvantages from bankers' point of view can be termed as bankers' inconvenience.

Comment [p1]: Vijay, J., Joshi, L., Joshi, V., Little, I. M. D., & Little, I. M. D. (1996). *India's economic reforms, 1991-2001*. Oxford University Press.

Comment [p2]: Gormley, T. A. (2010). The impact of foreign bank entry in emerging markets: Evidence from India. *Journal of Financial Intermediation*, *19*(1), 26-51.

Comment [p3]: Mehta, S., Patel, K., & Mehta, K. (2016). Demonetisation: Shifting Gears From Physical Cash To Digital Cash. *Voice of Research*, *5*(3), 47-50.

Banker Inconvenience can be defined as the challenges faced by the bankers in delivering their services to the customers. Inconvenience is generally associated more with the bottom level employees such as tellers, single window operators, service managers, loan officers, cross selling staffs and branch managers. These are the employees in a bank who deal directly with the customers. Since satisfaction in this setup deals with one on one experience hence the bottom level employees will serve the purpose of identifying various inconveniences which might hamper customer satisfaction and service quality. The present study is unique in nature as not a single literature or research deals with bankers' inconvenience. Further, this has not been studied in association with customer satisfaction and service quality. This study attempts to fill this gap and construct an overview depicting the inconveniences faced by the bankers in delivering their service to the customers and maintain service quality.

Service Quality is widely accepted as the factor in achieving competitive advantage in most service industries. Regulatory, structural, and technological factors are significantly changing the banking environment throughout the world. Regulatory changes especially after globalization have reduced or eliminated barriers to cross-border expansion, creating a more integrated global banking market. Structural changes have led to a greater range of activities, enabling them to become more competitive with non-bank financial institutions. Technological changes are causing banks to restructure their strategies for services offered to corporate, commercial and domestic customers' service quality and customer satisfaction are compelling the attention of all banking institutions in the changing environment.

Customer expectations are on rise ever with rising number of banks. Customer expectation of the services delivered is of paramount importance while measuring customer satisfaction. While almost every marketer has an intuitive sense of what the expectations are, service marketers need a far more thorough and clear understanding of expectations in order to comprehend the concept of service quality and to measure, manage and meet it. Understanding customer expectation is an important and essential issue for banks; by understanding their expectation, banks can try to reach the expectation of its customer by improving or providing superior quality services. Customer experience is a journey that a customer takes along a series of touch points; they become aware of a brand, consider what's on offer, make enquiries, make a purchase and use the product service. Financial service organizations like banking need to understand and respond to individual customer needs and circumstances and design an experience that creates value for both the parties. In general customer experience is defined by front office touch points (e.g. Bank teller, Sales Personnel, Mortgage Advisors, Call Centers, Marketing and Product Brochures, etc.) though it is dependent on back office capabilities (e.g. fulfillment, follow-up, delivery)and product performance. Customer experience is not just an operational but emotional aspect as well. Both emotional bonding and operational attributes must work together to produce the ultimate customer experience. Customer experience management is a vital way to differentiate any company from the competition.

Customer attitude is the result of how experience delivery fulfills, exceeds or falls short of customer expectation. Customers' attitude is created out of a complex mix of different components with most of them outside the control of banks. The customers' mind set can be described as combination and interaction of expectations, importance, and relevance. Interaction expectation is what customers expect when communicating or interacting with the bank, its products and service providers. Importance and relevance weigh each interaction in the minds of the customer. For example, it may be critical for a customer to transfer funds to cover a cheque, but not critical that it be done on line. The importance and relevance of an interaction is often the sole reason why an interaction may leave a lasting impact and change a particular customer's attitude towards the company. Interactions that do this are called moments of truth.

Satisfaction is a crucial concern for both customers and organization including banks. Satisfaction is a subjective concept and therefore difficult to determine (European Institute of Public Administration, 2008). It depends on a myriad of factors and varies from person to person as well as product to product. The environment where banks perform their activity is an intensively competitive one. Hence, it becomes extremely important for banks to identify those factors that ensure long term success. It is essential for bankers to understand the inconveniences faced by the bankers while delivering services and at the same time it is also important to measure customer satisfaction for the said services. This research is carried out to understand both the factors by integrating both of them.

Some of the main concept of satisfaction in the literature includes value, quality and satisfaction. Value according to Zeithaml (1988) is the importance attached to services based on their usages and amount paid in exchange. Quality on the other hand is the meeting of the needs and expectations of customers. Satisfaction is the meeting of the needs or wants of customer (Parasurman et al., 1991; Oliva et al., 1992; Fecikova 2004; ISO 2005). Customer satisfaction has been fundamental to the marketing concept for over many decades (Parker & Mathews, 2001). It is widely recognized in the goods and service sector that customer satisfaction is the main performance indicator and key to success for any business organization (Mihelis et al., 2001). However, the intangible nature of customer satisfaction makes the term hard to measure. Therefore, many researchers attempt to discover the antecedents and consequences of customer satisfaction in order to provide a better understanding of customer, increase market share and profitability, reduce cost and enhance product or service performance as well as internal quality control (Anderson & Sullivan, 1993; Ndubisi& Chan, 2005). Sprowl&Astinow (1962) discussed customer behavior model and reported that customer satisfaction results in repeated purchase and emphasize the importance of customer satisfaction for the organization. In early 1970's, Anderson (1973), and Olshavask& Miller (1972) investigated customer satisfaction based on the expectation and perceived product performance. Churchill &Superenant (1982) identified the antecedent and construct measurement of customer satisfaction based on disconfirmation paradigm. Previous studies define customer satisfaction as disconfirmation paradigm (Churchill &Superenant, 1982) which was a result of confirmation/disconfirmation of expectations and desire.Boulding et al. (1993) and Spreng et al., (1996) conceptualized customer satisfaction into transaction specific. The transaction specific viewed customer satisfaction as evaluative judgment after a specific buying process (Hunt, 1977; Oliver 1993). However, cumulative customer satisfaction emphasizes more on the total evaluation based on total consumption over time (Johnson &Fornell, 1991; Fornell 1992). Other researchers consider the term customer satisfaction as an attitude or evaluation formed by customers who compare pre-purchase expectations about the outcome of a product or service from the actual performance they received (Oliver, 1980; Fornell, 1992).

Banking is a service that encapsulates all the characteristics of service (Chakraborty, 2006). In retail banking, most of the customers' evaluation models have focused on a competitive judgment of expectations versus perceived performance resulting in customers' satisfaction (Morphy, 1996; Smith, 1992). This concept has been frequently applied in the retail banking sector (Lewis and Mitchell,1990; Smith, 1992). Chakraborty (2006) identified four satisfaction factors in Banks: branch satisfaction, remote satisfaction,economic satisfaction and ATM satisfaction that constitutes bank customer satisfaction in retail banking.

Bank customer satisfaction could be regarded as bank fully meeting the customers' expectation (Bloemer et al., 1998). It is the feeling or attitude formed by the bank customers after service which directly link to various purchasing behavior (Jamal andNaser, 2002). Previous research in bank customer's satisfaction suggest that customer's satisfaction lead to a better retention of customers, more profit, and increase customer's loyalty with banks. It also encourages banks to improve service quality, provide innovative products and efficient bank management (Anderson, et al. 1994; Cohen, et al. 2006). Therefore bank customer satisfaction has been widely accepted as one of the key factors for banks survival in global financial competitive markets.

Customers generally evaluate service quality before and after their use. According to Zeithaml et al. (1993) consumers evaluate service and products through three processes. These are pre-purchases or search qualities, experience qualities and credence qualities. Search qualities are the features that consumers look out for before buying and those that they can see, feel or touch. On the other hand, experience qualities are post purchase that customers access, while, credence features are those that are not easy for consumers to assess during the post purchase period. Banks services are of the experience and credence type and are therefore difficult to assess by customers. Customers cannot evaluate these types because they do not have the required skills, expertise and knowledge to carry out the evaluation. To that effect, customers place a high premium on the image and reputation of the bank before purchasing. There are many other factors associated which help customers to take decision. The attitude of the service organization also plays a role to understand the quality of the service. A receptive attitude is a key ingredient for giving customers a positive image of the bank and their services. The physical environment regarding the infrastructure, the basic hygiene, the general atmosphere is equally considered by the customers when assessing the quality of service of banks (Chakraborty, 2006). Similarly, the duration of service delivery, the waiting time, the behavior of the employees are a few things which change the impression of the customers regarding service quality. In general, customers assess bank services on the basis of face to face interaction with the bank personnel in the process of banking transaction. Tsoukates andMastrojianni (2010) indicate that retail customers need special attention and care from bank employees in order to trust bank services. A service encounter occurs every time a customer interacts with the service organization. There are three general types of service encounters: remote encounters, phone encounters and face to face encounters. According to Zeithamlet.al (1988) a customer may experience any of these types of encounters, or a combination of all three, in his or her interaction with service firm. In the case of remote encounter, it can occur without any direct human contact, such as, when a customer interacts with a bank through the ATM.

Various Facets of Customer Satisfaction and Service Quality:

Service quality is intangible, heterogeneous and inseparable which makes it difficult to measure and understand (Parasuramanet.al,1985). Researchers (Carman 1990; Garvin 1983; Parasurman et. al,1985,1988) have defined and measured service quality by examining the attribute of service quality while others (Bitner&Hubbert 1994; Iacobucci et al., 1994; Oliver 1993; Oliver & De Sarbo, 1988; Parasurman et al., 1994) focused on the application in service to conceptualize the relationship between service quality and customer satisfaction. Therefore, a combination of the service quality and customer satisfaction literature has formed the foundation of service quality theory (Clemes et al., 2007; Parasuraman et al., 1985; Parasuraman et al., 1988).

The global trend and challenges in services in today’s business shows that service companies are under constant and dynamic change while customers are becoming less loyal and more price sensitive and discerning (Sigil and Christov, 2006). Customers are the lifeblood of any business. Because of this centrality and importance, they perceive that they have the power to demand high quality service (Mac Donald, 1995). This has led most companies to commit their scarce resources to battle and compete for customers. Moreover, customers are now aware of the products of other service providers as well as the range of financial products available to them (Akan, 1995). An intense and intimate knowledge of the customer is required in a way that no competitor can match up to in order to help any company win in the market place. Every company must focus its activities and products to meet consumer demands. Consumer wants are the drivers of all marketing decisions. No strategy is pushed until it passes the test of consumer research. Every aspect of market offering, including the nature of the product itself is driven by the needs of potential consumers.

Relationship creates value for individual consumers through such factors as inspiring greater confidence, offering special benefits and providing special treatment. Customers tend to value the extra attention given to their needs. They also appreciate the efforts to meet the special requests. It is also useful for organization to know more about their customers, because the more they know them, the better they might be at serving them. The way the customer is treated can help the organization succeed or fail since they hold the financial purse needed by companies to survive (Yayla et. al, 2005).

Bankers are facing lots of challenges in delivering services. This is due to a stiff competition in the market as well as day by day increased is demand of the customers. Customer complaints are increasing and they ask for prompt solution to those (Avikaran, 1997). One of the prominent framework explaining the link between a banks' employees, customers and their connection to overall bank performance is the service-profit chain this suggests that satisfied employee, achieved internally through various resource management practices, can deliver high–quality service, creating satisfied customers; satisfied customers would subsequently become loyal to the bank, which will lead to improved business performance through outcomes such as repurchase and advocacy (Heskett et al.,1994).

The service- profit chain proposes that if customers are provided with high–quality service, they will be satisfied, leading to the desire to repurchase and advocate for the bank by way of referrals and positive word of mouth, directly impacting banks' performance (Grönroos,1990). The delivery of high quality service is important for any business but particularly for service-based business. Customer perceived service quality, or perceptions that result from a customer's comparison of their expectations prior to service encounter with their perceptions of their actual experience is one of the most important and widely researched topics in service marketing (Grönroos, 1990). Customers form service expectations from both internal and external sources, including past experiences, word of mouth and company advertising. Continually exceeding customer expectations allows a firm the ability to enhance customer loyalty, thus providing the firm with a competitive advantage (Zeithaml et al., 2006). For organizations like banks customers' expectation are very high in all aspects which also includes service. For tangible goods like room design or furnishing it is possible to satisfy the customer expectation in most of the cases but in case of intangible aspects like providing the good service the first time, helpful employees and efficient customer service, the judgment is in the hand of the customers. From the banker's point of view, it is very difficult to measure the customer satisfaction level and in some instances itis not possible to fulfill all the demands (Macintosh andLockshin, 1998).

Loyalty to a service versus loyalty to tangible products is more dependent on the development of interpersonal relationships (Macintosh andLockshin,1998), in which front- line employees take center stage. Front-line employees are important as they are the "link" between the organization and its customers. During service encounters, they are the face of the organization, and for this reason their performance is the key to customer's perception of service quality and to customers' cognitions, attitude and intentions (Stafford, 2005). For any big financial transaction longtime relationship plays a vital role for both prospective. For example, based on the longtime relationship with the bankers a client may avail a big amount of loan from bank for commercial use. On the other side banks may get big amount of deposit from the client due to longtime relationship. In today's scenario bankers are facing problem in relationship building exercise with the client due to frequent job rotation from one location to another. A customer's willingness to maintain a relationship with a firm is contingent on his/her perception of the benefit of a high-quality service that provides a continuous flow of value (Sirdeshmukh et al., 2002).

In the banking system, excellence in customer service is the most important tool for sustained business growth (Hasanbanu, 2004). Customer complaints are part of the business life of any corporate entity. This is more so for banks because they are service organizations. As a service organization, customer service and satisfaction should be the prime concern of any bank (Hasanabanu, 2004). The bank believes that providing prompt and efficient service is essential not only to attract new customers, but also to retain existing ones. However, banks minimize instances of customer complaints and grievances through proper service delivery and review mechanism and to ensure prompt redress of customer complaints and grievances (Hasanabanu, 2004). The review mechanism should help in identifying short-coming in product features and service delivery. Customer dissatisfaction can ruin the name and image of a bank.

On the other hand bankers are facing lot of inconveniences while dealing with customer complaints.

The main causes of inconvenience have been listed by Roy (2011) as the following:

1) Most of the complaints are not based on any logic.
2) Most of the complaints are not in the purview of banking process.
3) Few complaints are not related to banking process.
4) Few complaints are personalized in nature.
5) Most of complaints are related to e-banking and phone banking.

In order to make the bank's mechanism more meaningful and effective, a structured system needs to be built. Such system would ensure that redress is just and fair. The guideline should be made available at all branches for the information of all employees, to ensure better customer service and general awareness in the bank.

In rural areas, there is problem at both ends. Due to low level of literacy rate, most of the customers do not understand the norms of the banks and it is very difficult for bank employee to make them understand about banking process. Hasanbanu (2004) pointed out that rural customers do not have any idea as to how much time is required for any type of bank services. The rural customers are not aware of the purpose, availability of the loan and how they can be availed, since they do not know the complete rules and regulations and procedures of the banks and as such, bankers reserve them for themselves and do not find interest in educating the customers.

To understand the banking scenario of India and how it is related to customer satisfaction, different literature were reviewed .From the review of the literature, different attributes of customer satisfaction were identified which helps to get the clear picture of the reason for customer dissatisfaction for getting the services from the bank. From the literature the performance and expectation gaps were identified and also studied different quality scales like SERVQUAL, SERVPERF and SYSTR SQ for better understanding of the problem. Few literatures were also reviewed to understand the problems from bankers prospective. The research gap was identified after reviewing the literature.

This research tried to identify the inconveniences faced by the bankers while delivering the service in the study area along with the customer perceived service quality of the bank customers. Finally, this research is tried to integrate the bankers inconvenienceand customer satisfaction.The bankers'questionnaire was constructed with the help of literature review and interaction with few bankers. The customer'squestionnaire was constructed from the variables gathered from literature review. Parametric and Non parametric tests were performed to analyze the data.

From the analyses,few inconvenience factors were identified like third party related inconvenience, high expectations related inconvenience, infrastructure related inconvenience, process related inconvenience etc.

From the customer perception point of view the views are different depending on the age, occupation and frequency of visit.Different age groups have different views about the attributes and this is applicable for both frequency of visit and occupation also. In case of priority of the customers different age groups have different priority and people have different occupations also have different priority. From this study,it has been found that trust worthiness, proper maintains of transactions, service charge, addressing the grievances are the few attributes which are given more priority by customers compared to others.This study is also tried to reduce the gap of expectation vs performance and for that bank wise few strategies were suggested.

Looking at the importance that have to be put on providing quality service to the customers and keeping them satisfied, it is imperative for the banks to develop strategies for keeping the rate of complaints to the minimum. But it is observed from the bankers' point of view, they too face a lot of inconvenience due to various constraints. Therefore, it was felt necessary undertake this study where efforts have been put to maximize satisfaction of customers by reducing the constraints. At the beginning, the constraints faced by the bankers have been identified by carrying out a survey among the bankers. It has been followed by finding out the attributes of the banking system that customers give importance too and their level of satisfaction with respect to those attributes. At the end efforts have been put on finding out the best possible practices that would reduce the inconveniences of the bankers and at the same time enhance satisfaction level of the customers. The research has been segmented in chapters for a better understanding to the topic. The scheme of Chapterization is as follows:

1) **Chapter One: Introduction**
2) **Chapter Two: Literature Review**: This chapter discusses various works done by different scholars on the related topic. This led to the identification of the research gap. On the basis of the identified gap, objectives were designed.
3) **Chapter Three: Research Methodology**: This chapter discusses various research techniques and tools used for analysis. Starting from sample design, variable identification, selection of parametric and non-parametric tests is discussed in this chapter.
4) **Chapter Four**: **Bankers' Inconveniences**: This chapter discusses about bankers' facing inconveniences while delivering service to the customer. Factor analysis has been used to identify the major inconveniences.
5) **Chapter Five**: **Customers' Perception**: This chapter discusses about the customer perception about the services availed from the bank. ANOVA has been used to find out differences in perception among different group of customers.
6) **Chapter Six: Priority of Customers**: This chapter discusses about the customers' priority about the different attributes.
7) **Chapter Seven**: **Satisfaction Analysis:**This chapter discusses about the satisfaction level of customers of different banks.
8) **Chapter Eight**: **Discussion and Conclusion.**