

STUDY ON CUSTOMER SATISFACTION IN INDIAN BANKING SECTOR

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Abstract—Indian Banking sector is one of the formidable and widely spread industry in Indian economy. Over the years due to stable and improved performance Indian banking system has retained high customer satisfaction and confidence. The customer satisfaction for the banking sector has got many dimensions and varies from person to person. There are many index measuring customer satisfaction and Indian Customer Satisfaction Index is one of the main measure used for cross industry benchmarking of organisations across banking sector. The paper studies whether the net profit and closing stock of a bank act as a factor in improving the customer satisfaction. The study shows that for the top nine Indian banks are taken under study, net profit and closing stock has no effect on customer satisfaction. There are many other factors beyond the profit and share value on improving the customer satisfaction.

Keywords: Indian banking sector, ICSI, ACSI, customer satisfaction, spearman ranked correlation, share value, net profit.

1. INTRODUCTION

The ICSI [Indian Customer Satisfaction Index] is introduced and maintained by Hexagon consulting a Delhi based management consulting firm that is in collaboration with the globally respected US based organisation American Customer Satisfaction Index(ACSI). Indian Customer Satisfaction Index will introduce self-sufficient and equitable measure for cross industry benchmarking of organisations across sectors. These measures have never come into practise in India but do exists in mature foreign markets. The index is being launched in India under ICSI a copyright brand by ACSI and Hexagon Consulting [1].

The Customer Satisfaction Index will paradigm organisations totally based on the customer satisfaction organised through surveys and analysis conducted by Hexagon consulting and ACSI which operates in US and many other countries. For determining customer satisfaction based indexed ranking, Hexagon will use software and statistical data collected through surveys over decades by its partner ACSI. The approach is copyrighted to ACSI and Hexagon will invest the same while taking into account the analytical data and the customer satisfaction results and will be compared across all the

sectors, industries, companies and time period in the index. ACSI is the only customer satisfaction index to produce index reliable scores. Thus it is expected to be strengthening and advantageous for both customers and organisations [2].

The index will be done on the basis of data collected from individual customers and the collected data will be thus used to create benchmarks for major companies and organisations in India that provides services to customers. Thus the customers of India will be able to know which company or organisations provides superior service and consumer experiences relative to others as ranked by the end customer perception and feedback.

As an eminent factor in firm gainfulness(profit) and worth, customer satisfaction is another factor which is taken into a/c and given much attention in the qualification of firm financial performance. The influence of customer satisfaction is reflected in the Profit Margin(PM), Return on Assets(ROA), Return on Equity(ROE), in the Market Value Added(MVA), and proxies of a firm profitability etc. These detailed factual studies indicate that the value and profitability of the banks are affected in a positive manner. The objective of the study was to analyse customer perception level on the quality of services offered by banks by using Spearman Rank Correlation.

2. LITERATURE REVIEW

According to the authors [3] [4], the Indian banking industry has imbued a number of larger changes after the independence. The liberalisation has revealed of the economy in the 1990s and the government's decision for privatizing the banks had resulted in the banking reforms. The banking industry too is facing a market that is changing rapidly compared to other financial institutes. Uncertainties had been driven away by using new techs. Over this, service sector such as banks have the responsibility to provide the best services in order to sustain competitive advantages. Further, practitioners in the banking sector face a lot of challenges in the global market. The satisfaction has been defined as the difference between expectancy and performance. A key driver for banks in maintaining a long term relationship with their customers are to enhance customer satisfaction. In the competitive world, many firms focus on their efforts to maintain a loyal customer base. Consumer Loyalty and satisfaction are widely affected due to brand image and these factors are dependent on each other. If customer is satisfied, his loyalty increases. Customer loyalty plays a very vital role for achieving competitive advantage in the

organization. Loyalty of consumers had been rooted around many years since [5].

The author [6] mentions that the banking system has faced many challenges and cut throat competitions. It is imperative to see for service providers struggle to meet or exceed the target customers' satisfaction with quality of services expected. However, the present study attempts to study customers' perception of quality of services. As proposed by the author the usage of IT enabled services in the banks is assessed as the objective and to analyse the factors that affect customer satisfaction with the quality of services. The study conducted at present was with respect to the public sector, private sector and foreign banks of New Delhi. The methodology deals with a multistage random sampling with a selection of sample of public, private and foreign banks. The study was carried out over the five zones (East, West, North, South, and Central) of Delhi. In consideration to this one out of the other three types of banks in these different zones were selected at random, provided the banks chosen should have at least five IT enabled services. These steps were followed to compare the intra-bank characteristics. The results depict that the employee behaviour and infrastructure were not satisfactory for the customers of nationalized banks, while the high charges, accessibility and communication were not satisfactory for respondents of private and foreign banks.

According to the author [7] banks works by offering services and understanding the needs of customers. Services rendered varies from one bank to another and the technique used to satisfy customers also varies. Lewis said that better the service rendered higher the customer satisfaction. The paper also discusses about the methods adopted to attain maximum satisfaction of customers. And provide good quality service and satisfaction. The banks work by understanding what is expected by the customers and by the interactions of the bank authorities in a proper way the customer expectations can be satisfied. Customer satisfaction can also be considered as the key factor in evaluating the performance of the bank and also its service rendered. The customer satisfaction and rendering of services has an important relation and only through proper rendering of quality services the customer can be satisfied and can attain success in business.

The author [8] discuss about the dimensions of service quality and the effect of customer satisfaction. It also shows how the service quality and the satisfaction of customers were calculated and the methodology used to calculate it. This study also throws light on what the customer expected about the service quality and what kind of services they got or did the services meet their expectations. Rust and Zahorik (1993) provided a framework for assessing the quality or standard of services provided by the bank and the relationship between the services and the satisfaction of customers and how the services effect the customer satisfaction. 200 customers were chosen to conduct the study and different techniques like percentage, factor analysis etc. were used to analyse the data. With the findings a positive relationship between the service quality and customer satisfaction were

identified. According to the survey, Empathy has greater effect on customers, that is what customers expect from the banks and some other factors customers laid emphasis were credibility, reliability, assurance etc. The study also reveals the fact that out of the seven dimensions only three met expectations and it also shows how service quality and customer satisfaction is linked and has positive effect on each other.

According to author [9] business field is becoming more and more competitive day by day and now Indian banks have started realising that business depends on client services and the satisfaction of the customer. This is compelling them to improve customer service and build relationships with customers. West Brook and Reilly suggested that customer satisfaction is a marketing term and is a measure of how products and services supplied by a company or a firm to meet and fulfil the needs and expectations of customers. Howard and Seth has defined it as "The buyers cognitive state of being inadequately for the sacrifices he has undergone".

Levesque and McDougall [10] stated that customer satisfaction has its own benefits when more importance is paid to customers in satisfying their needs it helps the firm positively in its long run because customers are the key to the success of the business. By satisfying the customers the earning ability of a firm would increase and also through customer satisfaction the business between customers and firm will be remarked and will help in improving the relations with customers. This study found about the expectations of customers regarding the physical and mechanical facilities at bank on how it should appeal to the minds of the user or the customers. Certain suggestions were put forward in order to improve the customer satisfaction. The suggestions were such as the salesperson should be given adequate details about the product, staff should appear and approach in an appealing manner, banks should have modern equipment etc. by following or taking into account these suggestions one can attain a 100% positive relationship with customers.

The author [11] states that the banking sector has gone too far to satisfy the needs of their customers they have made it easier and satisfying for the customers. With the idea of increasing customer satisfaction banks have introduced easier and wider choice methods for customers. This has made banking more-easier. With the increased level of awareness among bank customers the relationship between service quality and customer satisfaction is becoming more crucial. Sureshcander (2002) has stated that in the past few years the relationship between service quality and customer satisfaction has gained more attention. They conducted a detailed study on the banking customers and found that customer satisfaction plays the role of a mediator. Serving the needs of customers and providing them with customer satisfaction is considered as the slogan of the modern marketing theory. When analysing the past two decades the financial services has gone through extreme changes and this has led to increased competition, less growth in primary demand, and increased deregulation.

ICSI

The mission of ICSI is to help the Indian companies develop and to make the customer aware about the comparative capacity of the organisation to contribute an excellent customer satisfaction by evaluating cross industry structure across most sectors of Indian economy. The ICSI will use the most globally methodology of ACSI. The alliance of Hexagon and ACSI will ensure the credibility of this indexed benchmarking is as credible in India as it is globally. By using the method which has the validity of two decades of research experience to organisations that provide superior consumer experience through feedback and apprehension. The customer satisfaction index for ranking and comparing exist in most other mature markets but this is the first time India is experiencing with it. ICSI is introduced in India for benchmarking of organisations and for measuring consumer satisfaction. Hexagon in collaboration with ACSI is using it for doing the analysis and survey. This unique index will enable all industries and organisations to benchmark and measure all aspect of experience of customers. The consumer will be benefited by end consumer satisfaction through this index. Organisations will get an idea of how to improve their action to improve consumer satisfaction through ICSI. ICSI will help the organisation to identify the areas where they will need to improve and it has many layers of customer perception and integrating aspects. The ICSI will benchmark in Indian banking sector covering both private and public sector banks.

ICSI is planning to give a kick start from Banking sector in India and data flourish to other sectors. Credible Information on consumer satisfaction by ICSI will help both the consumer and organisations. ICSI aim at improving the competitive nature of Indian Government. ICSI helps in analysing the future performance and profitability of an organisation or industry and lead to indications of the performance of brand and organisations. Hence equity analyst will benefit from such benchmarking as it has already been indicated through former researches and studies. ICSI helps in analysing what is needed to be improved and ICSI hope to benefit organisations through consumer satisfaction benefit maturity of Indian economy

3. RESEARCH METHODOLOGY

Objective

The objective of the study is to study whether the net profit and closing stock of a bank act as a factor in improving the customer satisfaction by doing a spearman ranked correlation on Indian Customer Satisfaction Index.

Data

The entire study is based on the analysis done on data publicly available from the ICSI. The ICSI [Indian Customer Satisfaction Index] is introduced and maintained by Hexagon consulting a Delhi based management consulting firm that is in collaboration with the globally respected US based organisation American Customer Satisfaction Index(ACSI). The financial data for the banks taken under study were obtained from Capitaline database. Capitaline database is a sister concern of capital market, which specialized in data collection and standardization of financial institutions.

Sample size

The ICSI has got data regarding 12 leading banks in India and from this 9 banks (Axis Bank, HDFC Bank, ICICI Bank, SBI, Punjab National Bank, Canara Bank, BOI, Bank of Baroda, Kotak Mahindra Bank).

Analysis

The main aim of the study is to analyse the customer perception level on the quality of services offered by nine leading banks. For this Spearman rank correlation is done on the customer satisfaction index which is obtained from Indian Customer Satisfaction Index data.

Spearman's Rank Correlation coefficient is a method to find out the strength and direction among two variables. The final value relies between one and minus one. It is mostly considered as a statistical method to assist either with rejecting or not rejecting a hypothesis.

Spearman ranked correlation is used to determine the strength of relationship between the net profit and stock price of the banks with the customer satisfaction. For this net profit and stock price of the banks under study are taken from Capitaline data base. From this average annual growth rate and two-year annual growth rate are calculated.

The annual growth rate and second-year growth rate is then ranked and compared with the customer satisfaction index ranking. Spearman ranked correlation is done to find the relationship between net profit and closing stock price with customer satisfaction index.

From table 2, the ranking of the different banks taken under study is compared with the customer satisfaction index ranking (table 3). The customer satisfaction score for the banks taken under study is obtained from ICSI and then based upon the satisfaction score ranking is done.

Table-1

Bank Name	Year	Net Profit	Closing Price	Average Annual Growth Rate	2 Year Annual Growth Rate
Axis Bank	2014	43725.46	292.09	10.249	20.944
	2015	51610.76	560.4		
	2016	52883.49	444.55		
HDFC Bank	2014	8478.38	748.85	20.428	45.030
	2016	10215.92	1022.85		
	2016	12296.21	1071.2		
ICICI Bank	2014	9810.48	226.45	0.472	-0.858
	2015	11175.35	286.64		
	2016	9726.29	215.05		
Canara Bank	2014	40811.84	257.13	-67.288	-135.926
	2015	41218.21	357.85		
	2016	-	184.66		
BANK OF BARODA	2014	4341.08	144.27	-141.963	-218.816
	2015	3398.44	163.3		
	2016	-5395.54	147.1		
BANK OF INDIA	2014	2729.27	228.9	109.466	123.107
	2015	1708.92	195.75		
	2016	6089.21	97.05		
STATE BANK OF INDIA	2014	10891.17	191.83	-187.730	-8.635
	2015	13101.57	267		
	2016	9950.65	194.3		
KOTAK MAHINDRA BANK	2014	1502.52	389	522.089	1290.915
	2015	1865.98	656.58		
	2016	20898.78	681		
PUNJAB NATIONAL BANK	2014	3342.57	148.82	-119.110	-218.902
	2015	3061.58	144.4		
	2016	-3974.4	84.7		

Table-2

Bank Name	Net Profit ranking		Stock Return ranking	
	2014-2015 GR Rank	2015-2016 GR Rank	2014-2015 GR Rank	2015-2016 GR Rank
Axis Bank	4	4	2	2
HDFC Bank	3	3	3	3
ICICI Bank	5	5	6	6
Canara Bank	6	7	7	7
Bank of Baroda	8	8	5	4
Bank of India	2	2	9	9
State Bank of India	9	6	4	5
Kotak Mahindra Bank	1	1	1	1
Punjab National Bank	7	9	8	1

Table-3

Bank Name	CSI SCORE	CSI RANK
Axis Bank	68	3
HDFC Bank	68	3
ICICI Bank	70	2
Canara Bank	66	4
Bank of Baroda	68	3
Bank of India	65	5
State Bank of India	62	6
Kotak Mahindra Bank	71	1
Punjab National Bank	61	7

Table-4

Year	Net Profit Spearman's Rank Correlation	Closing Stock Price Spearman's Rank Correlation
1 Year	-0.51667	-0.61667
2 Year	-0.51667	-0.68333

4. RESULTS

From table 4, it is found that the correlation coefficient for the 1st year and 2nd year for the relationship between the net profit and closing stock price is negative, which shows that the net profit and closing stock price of a bank does not have an effect on the perceived customer satisfaction for the bank.

5. CONCLUSION

From the study it is found that the net profit and closing stock of a bank does not have an impact in improving the customer satisfaction. There are many other factors like credibility, customer services, easiness of operations etc. which act as a driving factor for improving customer satisfaction. The study also shows that the banks with very high profit and closing stock price does not guarantee good customer satisfaction. The indicators of customer satisfaction depend upon the intrinsic as well as extrinsic services rendered by the bank which would add value to the organization as well as the customer not on the share value price or the profit margin.

6. REFERENCE

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