

CUSTOMER SERVICE IN BANKS : AN INVESTIGATION INTO EXPECTATIONS OF CUSTOMERS IN PUNJAB

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Customer service is an integral part of the growth strategy of companies. Banking sector is an important multi-service providing industry. Effective customer service would imply that a bank should primarily be in a position to attract a customer to its services and then to keep him there. To do so, a bank must be able not only to identify the customers' requirements but also to render services to meet those requirements. In the present paper an attempt has been made to identify factors (as perceived by customers) which are expected to be dictating and determining the quality of service in banks of Punjab. Factor analysis, using Principal Component Method, was run on the gathered 250 responses from heterogeneous group. The respondents perceive that physical facilities i.e. location and layout of bank branch is the most important factor to get them satisfied. Computerised operations is considered to be an important feature of a good service giving bank branch. Knowledge and guiding attitude of employees followed by empathetic attitude of bank employees is the main intangible factor which the customers of the bank expects from their service provider. Feeling of safety and security among the customers of the bank is relatively less considered but an important perception. The costing of bank services is given least importance by the customers.

I- Introduction

The success of any organization depends upon how far it has been able to meet the needs and preferences of its customers. Particularly, in the service sector it is more important for the service marketers to understand the service expectations of the customers and then meeting them. Customer service refers to counter with the customers either directly or through other modes. The issue of proper customer service is focus of all business operations. That is why management experts have considered customer service as an integral part of the growth strategy of companies. Mahatma Gandhi also stressed the importance of the customer in all business operations. In fact, he went on to say that the businessmen are dependent on the customer for the success of the venture. Hence, a customer needs to be treated.

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with all care and attention. The major component of customer service is related to the involvement and commitment of the staff rendering such service.

Banking sector is an important service sector organization of any economy. It is considered a multi-service providing industry as it renders manifold types of services to the people who visit it. In India the banking industry is operating in highly competitive environment because of the co-existence of public, cooperative and private sector. The multi-agency approach of banking has further acuted the pressure of competition.

The marketing of financial service offered by banks very much depends on the quality of customer service and the satisfaction that customers derive from the services they receive. The important criterion to judge the progress of a bank is customer satisfaction in terms of good service. Quality customer service forms a significant basis of market discipline and is a measure of effective corporate governance.

To have an integrated, organized and unified effort for a study on customer service, Government of India appointed for the first time working group in 1977 under the chairmanship of Mr. R. K. Talwar, the then Chairman of State Bank of India. The working group felt that the services rendered by banks needed vast improvement and it had identified various reasons for the deterioration of customer service in banks. It made various recommendations to improve the situation. One of the landmark initiative taken to improve customer service can attributed to the Goiporia Committee appointed by the Reserve Bank of India in 1990. The Committee made a number of recommendations to improve customer service in banks after interacting with a wide cross section of Bank-customer groups, representatives of employees and managements of banks etc.

To protect the interest of consumers by providing easy access to justice, consumer Protection Act was enacted in the year 1986. The act has proved to be, by and large, beneficial to the aggrieved customers. Besides, the Banking Ombudsman scheme was launched for speedy redressal of customer complaints.

Effective customer service would imply that a bank should primarily be in a position to attract a customer to its services and then to keep him there. To do so, a bank must be able not only to identify the customers' requirements but also to render services to meet those requirements.

An ideal customer service means providing the customer what he wants, when he wants and where he wants. As banking is advancing with constant innovations of new products and services, customers are also getting more and more educated, sophisticated, discriminating and mobile. They are demanding more and more convenience and are no more loyal to a brand name. All this has resulted in business flowing in direction where it gets optimally served.

The customer service and business development are very closely related. In fact, an improved customer service would automatically facilitate development of business in banks. (Dr. N Kumar and Dr. M Kumar, 2005)

In this context, for the survival and growth of banks, it has become very essential for the managers to provide good quality service to its customer and then measure and monitor it continuously. In the present paper an attempt has been made to identify factors (as perceived by customers) which are expected to be dictating and determining the quality of service in banks of Punjab.

II- Review of Literature :

Kaur and Sandhu (2004) attempted to find out the important features which a customer considers while going for purchasing a car. They based their findings on the survey of 303 car owners/ potential buyers from major cities of Punjab and UT Chandigarh. After running factor analysis they concluded that nine most important factors considered by buyers while buying a car are safety & comfort, luxury, economy, reliability, fuel efficiency, ease of finance, variety, colour & spaciousness and brand image.

Chakrabarty (2001), opined that the customer satisfaction is the key to the profitability of retail banking in the UK and it implies the retention of customers for the long term, which is cheaper than

attracting new customers. In the current scenario of retail banking in the UK particularly with banks becoming larger, the closure of branches and the advent of internet banking, the question arises whether the customers are satisfied or otherwise and what are the elements of retail banking which lead to the satisfaction or dissatisfaction of customers. The results of the paper highlights that in-branch factors particularly staff, branch location and convenience are the most significant factors influencing customer satisfaction in retail banking.

III- Methodology

In an attempt to identify factors which are expected to be determining the quality of service in banks of Punjab, all the districts were ranked as per the total number of bank branches in them as on 31.12.2004. Then three districts were selected: one (Ludhiana) with maximum number of bank branches (459), another (Roopnagar) with medium number (184) and third one (Mansa) with least number of bank branches (67) in them (www.punjabgovt.nic.in). A non disguised structured questionnaire was prepared and tested from 15 respondents and then it was used to get responses from other respondents. Only the walk- in customers of selected bank branches were contacted for their responses. For the purpose of the paper, 300 respondents, 100 from each of the three districts, were contacted to fill up a questionnaire comprising 25 questions covering various aspects of customer service in banks. 250 completed questionnaires could be received and used for the present study. An attempt has been made deliberately to cover a demography with heterogeneous features, i.e. rural and urban, male and female, different age groups, etc. The three categories of banks viz, commercial banks, private banks and central cooperative banks were targeted. Randomly one branch each of commercial bank, private bank and cooperative bank were chosen to get the customer response in each of the selected districts.

Table 1 :
Key Demographic Characteristics of Sample

Demographic characteristic	Number of respondents	Percentage
Sex		
Male	200	80
Female	50	20

Age (in years)		
Below 20 years	8	3.20
20 to 24 years	127	50.80
25 to 34	103	41.20
35 to 58 years	6	2.40
Above 58 years	6	2.40
Education		
Qualification		
Illiterate	16	6.40
Upto matric	77	30.80
Upto Graduation	81	32.40
Upto Post Graduation	58	23.20
Professionally qualified	18	7.20
Occupation		
Agriculture	38	15.20
Govt. Service	53	21.20
Private Service	121	48.40
Business	38	15.20
Marital status		
Married	107	42.80
Unmarried	143	57.20
Place of residence		
Rural	59	23.60
Semi Urban	148	59.20
Urban	43	17.20
Place of work		
Rural	41	16.40
Semi Urban	125	50.00
Urban	84	33.60
Annual Income (in Rs.)		
Below 25000	10	4.00
25001 - 100000	59	23.60
100001 -250000	134	53.60
250001- 500000	39	15.60
Above 500000	8	3.20

Data so collected was used for factor analysis to bring out the important factors which a customer expects from its service provider i.e. bank.

Table 1 shows that majority of the respondents were male and belonged to a young age group (20-24 years). Number of respondents in age group from 20 to 34 stood at the dominant 92% of the total. The major proportion of respondents were educated (93.60%) and belonged to service class (69.60%). 57.20% of the responses came from unmarried ones and 59.20% of the total respondents resides in semi urban areas. As far as earning of respondents is concerned, majority of them (53.60%) were in the earning slab of Rs.1 lac to 2.5 lacs annually. Thus the majority of sampled respondents were educated unmarried young males, earning good through government and private services.

The perceived factors in service quality of banking identified for the purpose of the present study are presented in table 2.

The respondents were asked to rate the twenty five factors as shown in Table.2 at five point likert scale, where 1 is strongly disagree and 5 is strongly agree. The mean score and standard deviation of these variables have been computed to show the respondents inclination towards the various aspects of service quality in banks.

The reliability of the scale was tested using Cronbach's alpha which is most widely used method to test reliability. It may be mentioned that value more than 0.6 is satisfactory for the scale to be reliable. (Malhotra, 2002) In our study this comes to be 0.8353 , thus indicating high level of reliability.

The adequacy of data to run factor analysis is tested by Kaiser Meyer Olkin (KMO) measure of sampling adequacy. It is recommended to have KMO statistic more than 0.5 for acceptance (Field, 2000). In the present study this value is 0.813 which shows that the sample is significantly sufficient.

Table 2 :
Perceptions For Customer Service in Banks

Sr no.	Statement	Average Score	Standard Deviation
P1	Branch location and approach	4.89	.37
P2	The outer look of the bank branch	4.95	.23
P3	Armed security guard at the gate of bank branch	4.92	.31
P4	Knowledge of staff providing service (without asking from other colleagues/	4.93	.26

	staff)		
P5	Display of latest loan and deposit schemes in the branch	4.97	.18
P6	Careful listening to customers	4.93	.28
P7	Staff's willingness to answer client questions	4.97	.18
P8	Vigilance camera (CCTV), fire alarm, burglary alarm	4.95	.21
P9	Restricted access to bank record (files, ledgers, computer, etc.)	4.95	.26
P10	Clear, up to date and reliable statements / reports provided by bank	4.96	.19
P11	Provision of conveniences (drinking water and toilets) and their maintenance	4.96	.20
P12	Costs/ charges of various banking services provided like, locker, cheque book issue, DD making, non maintenance of minimum balances in deposit accounts, processing fees of loans, etc	4.95	.21
P13	Approach of staff members when some client has a problem	4.93	.31
P14	Provision of alternative electricity arrangements in case of power failure (Generator set, inverter etc)	4.95	.22
P15	Comprehensive suggestions and guidance by staff to a particular query	4.93	.26
P16	Conveniently located/ marked service access points	4.95	.23
P17	Use of technology by staff	4.94	.26
P18	Availability of complaint/ suggestion box, register	4.93	.27
P19	Answering the telephone queries promptly	4.95	.21
P20	Sitting arrangement for clients inside the branch	4.97	.18
P21	Use of customer friendly terms while speaking to the clients	4.92	.27
P22	Parking place	4.92	.29
P23	Promptness in service	4.95	.22
P24	Level of cleanliness of the premises	4.91	.29
P25	Accuracy and reliability of responses of staff	4.90	.32
Cronbach's alpha : 0.8353			
KMO value : 0.813			

For the purpose of factor analysis we used Principal Component method followed by Varimax rotation. SPSS 10.0 along with MS Excel was used for various calculations.

Table 3.
Factored Perceptions About Customer Service
Among Bank Customers

Factor	%age Variance explained	Eigen value	%age Cumulative variance	Statement included in the factor	Loading	Communalities
F1: Location and layout	22.99	5.75	22.99	P1	0.48	0.42
				P2	0.77	0.63
				P5	0.95	0.95
				P11	0.85	0.81
				P14	0.81	0.68
				P16	0.78	0.62
				P20	0.95	0.95
				P22	0.62	0.41
F2: Computerised operations	11.27	2.82	34.26	P10	0.79	0.77
				P17	0.79	0.66
				P23	0.80	0.72
				P25	0.67	0.49
F3: Knowledge and guiding attitude of employees	9.85	2.46	44.11	P4	0.79	0.70
				P15	0.77	0.66
				P19	0.85	0.74
F4: Empathetic attitude of bank employees	8.90	2.23	53.01	P6	0.75	0.69
				P7	0.62	0.72
				P13	0.60	0.66
				P18	0.56	0.56
				P21	0.56	0.58
F5: Feeling of Safety and security	7.24	1.81	60.24	P3	0.64	0.49
				P8	0.64	0.65
				P9	0.74	0.59
F6: Costing of bank services	5.26	1.32	65.50	P12	0.88	0.81

Extraction Method: Principal Component Analysis.

Rotation Method: Varimax with Kaiser Normalization. Rotation converged in 7 iterations.

By using the Principal Component Method, using Varimax rotation, 25 statements of the questionnaire were reduced to six factors. The Varimax method rotated six factors solution so derived is shown in Table 3.

It can be seen that all six derived factors taken together explains 65.5% of the total variance. The factor loading 0.40 to 0.49 are considered as more important and those with 0.50 and above are very significant. If sample size is 250 and above (as in our case) the factor loading above 0.35 may be taken as significant (Hair et al., p.112).

It can be observed from Table 3 that nine statements namely, Branch location and approach, The outer look of the bank branch, Display of latest loan and deposit schemes in the branch, Provision of conveniences (drinking water and toilets) and their maintenance, Provision of alternative electricity arrangements in case of power failure (Generator set, inverter etc), Conveniently located/ marked service access points, Sitting arrangement for clients inside the branch, Parking place and Level of cleanliness of the premises represent factor 1. The appropriate title for this factor can be **Location and layout of bank branch**. This factor explains as high as 22.99% of total variance. The eigen value comes to be 5.75.

In factor 2, we see that four statements namely, Clear, up to date and reliable statements / reports provided by bank, Use of technology by staff, Promptness in service and Accuracy and reliability of responses of staff can be placed. This factor accounts for 11.27% of total variance and has an eigen value of 2.82. The appropriate heading representing this factor can be **Computerised operations**.

The next factor i.e. factor 3 can be named **Knowledge and guiding attitude** of bank employees. It consists of 3 variables namely, Knowledge of staff providing service (without asking from other colleagues/ staff), Comprehensive suggestions and guidance by staff to a particular query and Answering the telephone queries promptly. This factor is responsible for 9.85% of total variation and has an eigen value of 2.46.

Factor 4 covers 5 variable namely, Careful listening to customers, Staff's willingness to answer client questions, Approach of staff members when some client has a problem, Availability of complaint/suggestion box, register and Use of customer friendly terms while speaking to the clients and it accounts for 8.90% of total variation. This factor is given the name of **Empathetic attitude** of bank employees. The eigen value here is 2.23.

It is depicted in the table that three variables (Armed security guard at the gate of bank branch, Vigilance camera (CCTV), fire alarm, burglary alarm and Restricted access to bank record) are clubbed into factor 5 which can comfortably be termed as **Feeling of safety and security**. This factor is responsible for 7.24% of total variance and has an eigen value of 1.81.

The last factor i.e. factor 6 covers only one factor Costs/ charges of various banking services provided like, locker, cheque book issue, DD making, non maintenance of minimum balances in deposit accounts, processing fees of loans, etc, therefore coined as **Costing of bank services** which accounts for 5.26% of total variance alongwith an eigen value of 1.32.

IV- Conclusion and Results

The above discussion indicates that there are six major factors related to various perceptions of customers about the service of banks. The respondents perceive that physical facilities i.e. location and layout of bank branch is the most important factor to get them satisfied. Computerised operations is considered to be an important feature of a good service giving bank branch. Knowledge and guiding attitude of employees followed by empathetic attitude of bank employees is the main intangible factor which the customers of the bank expects from their service provider. Feeling of safety and security (of themselves and their valuables) among the customers of the bank is relatively less considered perception. The costing of bank services is given least importance by the customers, but this should carefully be looked into by the bank so as to give optimum value for money to them.

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