"An Empirical study on Quality of Services provided to Customers by Commercial Bank with reference to Bangalore District"

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Abstract:

Retail Banking is also known as consumer banking refers to offering of banking products to retail customers or individuals, rather than to companies, corporations or other banks typically for non-entrepreneurial purposes. In retail banking the focus is on the individual. It includes services given to savings and checking accounts, transactional accounts, mortgages, personal loans, debit cards and credit cards. In addition offering services to the individuals, they also have added a team of financial advisors with broadened product offerings and investment services such as wealth management, brokerage accounts, private banking and retirement planning. Additionally, retail banking also includes providing of debit and credit cards, utility services, depository services and other para-banking products and services viz. insurance products, capital market products etc. to retail customers. Thus, retail banking services broadly correspond to the banking services provided intermediate phase of evolution of banking. Internet finance banking is quickly catching up and the banks have started offering services through internet and mobile applications. Banks required to put immediate attention to educate the bank customers towards digitization and its use. Commercial Banks must offer ample opportunities for both type of customers that is Digital Deniers and Digital Generation customers to anticipate changes in customer attitudes. The mass retail banks of today would also have to plan a transit path for the class banking and gradually to entrepreneurial banking

Quality of services offered by the banks is going to be another key differentiator. In ultimate analysis, providing better services to the customers would be the key to generating larger revenue for the banks.

Keywords: Retail Bank, Consumer Banking, Retail Customers, Quality of Services.

1.0 Introduction:

1.1. Conceptual Background of Commercial Banks:

Commercial banks perform multiple functions. They provide financial assistance mainly to the agriculture, trade and industry. Banking in India on western lines had started from the beginning of 19th century. The first joint stock bank was established at Calcutta by the name of Hindustan and was under European management. But this bank failed at that time, the presidency banks they are bank of Bengal bank of Bombay and bank of madras were started with the financial participation of the government. These banks were called as the presidency banks and were given the right of note issue in their respective regions. The first purely Indian joint stock bank was the Oudh commercial bank which came into existence in 1889. The swadeshi movement of (1905) gave great stipules to the starting of the Indian Banks. The Indian banking system had gone through a series of crisis and consequent bank failures. Its growth was quite slow during the first half of this century. But after independence, the Indian banking system recorded rapid progress. This was due to planned economic growth, increase in money supply, growth of banking habit, control and guidance by the Reserve Bank and the nationalization of top banks etc. The nationalization of 10 top Banks in July 1969 gave banking a sense of direction and purpose. In 1980, there was another nationalization of six smaller banks. Recently these banks adopted green revolution by embracing the new agricultural technology. Multi agency approach was adopted regarding agricultural and rural credit. Commercial banks began to participate whole heartedly in agricultural finance.

1.2 The Indian banking scenario

The Indian banking industry is comprised of commercial banks, regional rural banks, co-operative banks, small finance banks and payment banks.

1.3 Commercial banks

Commercial banks could be scheduled banks or non-scheduled banks. All the commercial banks are regulated by the Banking Regulation Act, 1949. Commercial banks are “for profit” entities.

Scheduled commercial banks (SCBs) figure in the second schedule of the Reserve Bank of India Act, 1934. To qualify as a scheduled bank, the paid up capital and collected funds of the bank must not be less than INR five lakhs. Scheduled banks are eligible for loans from the Reserve Bank of India at bank rate and admitted to the membership of clearing houses. It may be noted that co-operative banks too figure in the said schedule. Scheduled co-operative banks embrace Scheduled State Co-operative Banks and Scheduled Urban Cooperative Banks.

1.**4 Co-operative banks**

Co-operative banks operate in urban and non-urban areas. All banks registered under the Cooperative Societies Act, 1912 are called co-operative banks. These are banks run by an elected managing committee. They confer certain rights on their members. They are subject to a slew of “communally developed and approved by laws and amendments.”

Unlike commercial banks, which are profit-driven, co-operative banks operate on a “no profit, no loss” basis. These are regulated by the Reserve Bank of India under the Banking Regulation Act, 1949 and Banking Laws (Application to Co-operative Societies) Act, 1965.

1.5 Regional rural banks

Regional Rural Banks or RRBs, simply put serve the rural areas and agricultural sectors with basic banking and adequate financial services. They were set up in 1975, based on the recommendations of a committee. Based in Moradabad, Prathama Bank, established on 2 October 1975, is the first RRB to open in India. It was sponsored by Syndicate Bank. The RRBs are owned by the central government (50 percent), the state government (15 percent) and the sponsor bank (35 percent). Several commercial banks have sponsored RRBs. Prominent examples include the Maharashtra Gramin Bank (sponsored by the Bank of Maharashtra) and the Himachal Gramin Bank (sponsored by Punjab National Bank). RRBs were set up to eliminate informal financiers like money lenders and to supplement the efforts of co-operative banks.

2.0 Nationalisation of commercial banks

India's commercial banks were nationalized in two phases – 14 in 1969 and six in 1980. Upon completion of nationalization, close to 90 percent of the banking sector in terms of credit had been cornered by government owned banks. A few foreign banks and some small private banks accounted for the rest of the credit. During the period 1980–92, the PSU banks had been completely government owned. The first bank to go public was the State Bank of India – it went public in 1992-93.

3.0 Review of Literature:

Commercial banks have played a vital role in the economic development of India. In the light of these developments the objective of this literature review is to identify the quality of services provided by these banks and its impact on their satisfaction towards all those services.

Johnson (1995), in his study on "the determinants of service quality". He revealed that there are some service quality determinants of internet banking, namely satisfiers and dissatisfies. The main sources of satisfaction are responsiveness, care, diligence and friendliness. Another main source of dissatisfaction is reliability, integrity, availability and functionality.

Govindarajalu (1996) in his study analyzed that Banks have lost the quality of customer service due to lack of knowledge by the bank employees about banking services and schemes offered to customers. This lead dissatisfaction of customers and the study focuses difficulties in development of banking sectors.

Hallowell (1996), in his study, "The relationships of customer satisfaction, customer loyalty and profitability: An Empirical study**"** mainly looked into the relationship between customer satisfaction and loyalty. The study revealed that the overall satisfaction of the customers is providing quality service and satisfaction with price. The measurements used in the above-mentioned study were reasonably all-inclusive. The findings of the study indicate that the service features f branch, staff and information are the dominant factors. He concluded that all the elements measured had a bearing on overall satisfaction.

Bhide (1997), "Information Technology in banks**"**. Revealed that customer expectation was changing. So, banks were under pressure what kind of service to be provided in the future. Therefore, information technology plays a very important role in satisfying the future needs of the customers. He stated that the ATM, PC banking, internet banking, electronic delivery channel, MICR and bank net have cut down cost and increased the productivity of the banks. He concluded that service institutions like banks had to evolve the implement strategies in fulfilment of their mission.

D Mishra (1997), in his study on the performance of commercial banks identified that the banks should enhance quality of services delivered to the customers and also speed of delivering services which in turn enhances the profitability of commercial banks which will help the banks to survive and also face the competitors successfully.

Angur (1999), the study analysed the suitability of substitute measures of service quality in the banking industry in the country. The data collected from bank customers' of top public-sector and private sector banks revealed that the concept of service quality in the mass banking is evolving in India since it is considered as one of the fast growing economy is a involved to construct of service quality.

Eapan Varghese and Ganesh (2003), in their study titled "Customer Service in Banks: An Empirical Study", mainly concentrated on how to measure the speed in which commercial banks were rendering service to their customers in 13 different proportions. The study resulted that there is no time gap while providing banking services to customers' between the public and private sector banks. It was noticed that bankers measured only action time and the accessing time and queuing time were not taken into reflection which is critical to customers.

4.0 Statement of the Problem

Commercial Banks is still evolving in the country. Banks, for a long time used to serve the wholesale segment, had trouble finding their feet in the retail banking space. On the part of retail customers, still have trouble finding their feet in the retail banking space. In the process, retail operations have been contributing more and more to their bottom lines with each passing year. Which in turn impacted customer behaviour. The development of consume banks lending in rising economies, is attributable to the quick advances in information technology, the financial market reform, developing macroeconomic environment and micro level demand and supply side factors. This study will extensively try to focus on the quality of services provided to customers by commercial banks and also the impact on the profitability of the banks

5.0 Objectives of the study

The objectives of the study are to:

1. To study the various practices provided by commercial banks to customers in Bangalore district.
2. To analyze the factors that influence the quality of services provided to the customer of commercial banks.

5.1 Hypothesis of the Study:

* There is no significant difference between selected independent variables like educational qualification, source of income and quality of services offered to customers.

6.0 Research Design

6.1 Methodology

This study is based on both primary and secondary data. The primary data has been collected through a structured questionnaire, administered to the respondents, who represents Commercial Banking customers of public and private sector banks, and consultants from Bangalore city. The secondary data required for the study have been collected from Books, RBI bulletins, unpublished theses, Websites.

6.2 Sampling Design:

The sample size for the study has been taken as 100 commercial banking customers. The sample has been selected randomly from public and private bank customers.

6.3 Data Analysis and Interpretation:

ANOVA Analysis:

Educational Qualification and Quality of Service

The distribution of sample respondents according to the educational qualification and quality of service variables like front office staff, Information of new products, after service of the bank, relationship with bank employees, easy accessibility, satisfactory technology, customer friendly products, turnaround time which always supports in overcoming the problems faced by the borrowers in retail banking, wherein their level of satisfaction and also to be loyal to their banks in a diverse groups of workplace which increases their efficiency at work place are shown below

In order to find out the relationship between educational qualification and quality of service a hypothesis was framed and analyzed with the help of ANOVA test. The result of the ANOVA test is shown in the following table.

Null Hypothesis: There is no significant difference between the factors influencing the quality of service with independent variable educational qualification.

Table: 1.5

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.019[a]	.000	-.002	.490	.000	.138	1	398	.710

a. Predictors: (Constant), Educational Qual

Table: 1.6

ANOVA[b]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	.033	1	.033	.138	.710[a]
	Residual	95.557	398	.240		
	Total	95.590	399			

a. Predictors: (Constant), Educational Qual

b. Dependent Variable: Banks Customer Satisfaction

It is observed from the above analysis that there is no significant difference between the independent variable educational qualification and dependent variable quality of service of commercial banking borrowers. Therefore all the predictor variables like Level of satisfaction of the after service of the bank, Personalized relationship with bank employees, Easy accessibility, Satisfactory technology level, Customer friendly products, Turnaround time (TAT). Here when the commercial banks introduce the innovative practices which also increases the customer relationship of the various retail banking practices which does not varies with independent variable educational qualification always holds good. When the educational qualification varies between SSLC, Intermediate, Graduation and Post Graduation the level of satisfaction of customer satisfaction also increases accordingly. It is believed in informed circles that there is a strong relationship between the bank officers and level of customer satisfaction. Hence, the null hypothesis, educational qualification and quality of service of retail banking borrowers is accepted.

Monthly Income and Quality of Service:

The distribution of sample respondents according to the monthly income and quality of service variables like front office staff, Information of new products, after service of the bank, relationship with bank employees, easy accessibility, satisfactory technology, customer friendly products, turnaround time which always supports in overcoming the problems faced by the borrowers in retail banking, wherein their level of satisfaction and also to be loyal to their banks in a diverse groups of workplace which increases their efficiency and organizational productivity are shown below

In order to find out the relationship between monthly income and quality of service a hypothesis was framed and analyzed with the help of ANOVA test. The result of the ANOVA test is shown in the following table.

Null Hypothesis: There is no significant difference between the factors influencing the quality of service with independent variable monthly income

Table: 1.9

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.035[a]	.001	-.001	.490	.001	.500	1	398	.480

a. Predictors: (Constant), Monthly Income

Table: 2.0

ANOVA[b]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	.782	1	.782	3.282	.071[a]
	Residual	94.808	398	.238		
	Total	95.590	399			

a. Predictors: (Constant), source of Income

b. Dependent Variable: quality of servvice

It is observed from the above analysis that there is no significant difference between the independent variable monthly income and dependent variable like quality of service of retail banking borrowers. Therefore all the predictor variables like Level of satisfaction of the services of front office staff of your bank, Information on new products, Are you satisfied with after service of the bank, Personalized relationship with bank employees, Easy accessibility, Satisfactory technology level, Customer friendly products, Turnaround time (TAT). Here when the commercial banks introduce the innovative practices which also increases the customer relationship of the various retail banking practices with independent variable monthly income always holds good. When the monthly income of the borrowers varies between <=50000, 50000-100000, >100000 the level of satisfaction of the borrowers does not varies whatever their monthly income. It is believed in informed circles that there is no significant difference between the banking services provided by the retail banking officers and level of customer satisfaction of monthly income borrowers. Hence, the null hypothesis, monthly income and quality of service of retail banking borrowers is accepted.

7.0 Results and Discussion:

The analysis of data and its interpretations revealed that the quality of services offered by the commercial banks are very satisfactory. The impact of retail banking practices on customers in enhancing the quality of services provided to customers was found to be satisfactory. The main services that a borrower expects are front office staff, information about new products, after the transaction services, relationship with bank employees, accessibility, satisfactory technology, customer friendly products, turnaround time etc. It was observed that customers' grievances are mainly centered on the aforesaid factors, in retail banking. The study indicates that there are no significant differences between educational qualification and source of income and other factors on the one side and the factors influencing the quality of services of commercial bank customers.

An impact in favor of bank finance in commercial bank among the borrowers was analyzed. The factors such as ease of availing loan, transparency, availability of LTV, free accident insurance etc. was examined. It was observed that banks raise the interest rate on loans on floating rate basis.

The banks should not raise the interest rate on loans and any benefit accruing to banks should be accounted in favour of borrows. It was observed that regulatory regime is not adequate and the same to be strengthened. The present day banking, customers and borrowers are highly knowledgeable, and are aware of the charging of interest rate. They are conscious of the interest rates and other terms and conditions of bank loan. Borrowers resort to comparison shopping whom they intend to take loans. Customers do not tolerate any delay in sanction of loans, and resent when banks demand information.

For further improvement in the customer services and retail banking practices offered by the banks to their customers the following suggestions are made.

Banks required to put immediate attention to educate the bank customers towards digitization and its use. Retail banking must offer ample opportunities for both type of customers that is Digital Deniers and Digital Generation customers to anticipate changes in customer attitudes. It is suggested that Public sector Banks have to enhance their quality and technology based service to catch up with the modern private sector banks which has attracted the young and digital savy youth of the country.

Front office bank officers have to increase their knowledge in banking products to provide quick solution to customer's grievances and they have to be more customers friendly. Though banks address the customer's grievances many borrowers who use E-mail, SMS and CRM are not satisfied with slow customer service of bank officers.

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