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**A Study on Customer Satisfaction in the Indian Retail Banking
Sector After Globalisation**

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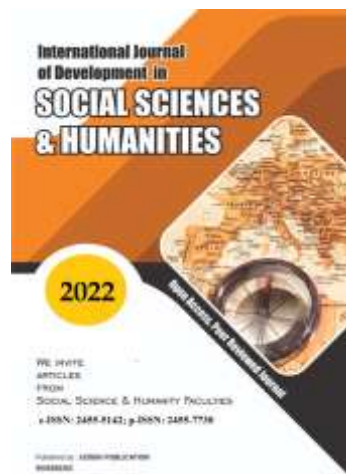
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ABSTRACT

This study attempts to investigate the relationship between service quality, overall customer satisfaction, and behavioral intentions across public and private banks in India. The findings indicated that service quality is a significant determinant of customer satisfaction in There are many indexes measuring customer satisfaction and Indian Customer Satisfaction Index is one of the main measures used for cross-industry benchmarking of organizations across the banking sector. The paper studies whether the net profit and closing stock of a bank act as a factor in improving customer satisfaction. The study shows that for the top nine Indian banks that are taken under study, net profit and closing stock have no effect on customer satisfaction. There are many other factors beyond the profit and share value in improving customer satisfaction. Keywords: Indian banking sector, ICSI, ACSI, customer satisfaction, spearman ranked correlation, share value, net profit. Globalization refers to the spread of the flow of financial products, goods, technology, information, and jobs across national borders and cultures. In economic terms, it describes an interdependence of nations around the globe fostered through free trade.

INTRODUCTION:

Indian banking industry irrespective of public and private sector banks Indian Banking sector is one of the most formidable and widely spread industries in the Indian economy. Over the years due to stable and improved performance Indian banking system has retained high customer satisfaction and confidence. Customer satisfaction in the banking sector has got many dimensions and varies from person to person. 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 organization American Customer Satisfaction Index (ACSI). Indian Customer

Satisfaction Index will introduce a self-sufficient and equitable measure for cross-industry benchmarking of organizations across sectors. Globalization refers to the spread of the flow of financial products, goods, technology, information, and jobs across national borders and cultures. In economic terms, it describes an interdependence of nations around the globe fostered through free trade. These measures have never come into practice in India but do exist in mature foreign markets. The index is being launched in India under ICSI a copyrighted brand by ACSI and Hexagon Consulting. The Customer Satisfaction Index will paradigm organizations totally based on customer satisfaction organized through surveys and analysis conducted by Hexagon

consulting and ACSI which operates in the US and many other countries. For determining customer satisfaction based on 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 periods 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 organizations [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 organizations in India that provides services to customers. Thus the customers of India will be able to know which company or organization 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 that 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 Market Value Added (MVA), proxies of 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 analyze customer perception level on the quality of services offered by banks by using the Spearman Rank Correlation

LITERATURE REVIEW

According to the authors, the Indian banking industry has imbued a number of larger changes after the independence. The liberalization revealed the economy in the 1990s and the government's decision for privatizing the banks resulted in banking reforms. The banking industry to 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 sectors 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. 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 is 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 the customer is satisfied, his loyalty increases. Customer loyalty plays a very vital role in achieving competitive advantage in the organization. The loyalty of consumers had been rooted around many years since [5]. The author [6] mentions that the banking system has faced many challenges and cutthroat 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 banks works by offering services and understanding the needs of customers. Services rendered vary from one bank to another and the technique used to satisfy customers also varies. Lewis said that the better the service rendered higher the customer satisfaction. The paper also discusses 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 the key factor in evaluating the performance of the bank and also its service rendered. Customer satisfaction and the rendering of services has an important relationship and only through the proper rendering of quality services the customer can be satisfied and can attain success in business. The author [8] discusses 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 affect customer satisfaction. 200 customers were chosen to conduct the study and different techniques like percentage, factor analysis, etc. were used to analyze the data. With the findings, a positive relationship between 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 a 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 starrealizingsing 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 undergonel. Levesque and McDougall 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 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.

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 the Capitaline database. Capitaline database is a sister concern of capital market, which specialized in data collection and standardization of financial institutions.

The Frequency Distribution Table :

Table 5: Frequency Distribution of respondents with respect to professional appearance in Private & Nationalized Banks

Private Banks	The staffs of the Bank are professional and have a pleasing and presentable appearance?				
	Strongly Agree	Agree	No Opinion	Disagree	Strongly Disagree
Frequency	105	85	17	45	48
Percentage	35.00	28.33	5.67	15.00	16.00

Nationalized Banks	The staffs of the Bank are professional and have a pleasing and presentable appearance?				
	Strongly Agree	Agree	No Opinion	Disagree	Strongly Disagree
Frequency	95	75	20	52	58
Percentage	31.67	25.00	6.67	17.33	19.33

SAMPLE SIZE

A banking company in India has been defined in the Banking Companies Act, 1949 as one “which transacts the business of Banking which means the accepting, for the purpose of lending or investment, of deposits of money from the public, repayable on demand or otherwise and withdrawable by cheque, draft, order or otherwise”. The ICSI has got data regarding 12 leading banks in India and from this 12 (Twelve) banks (State Bank of India, Axis Bank, HDFC Bank, Punjab National Bank, ICICI Bank, Canara Bank, Bank of India, Bank of Baroda, Kotak Mahindra Bank, IndusInd Bank, Yes Bank, Union Bank). Analysis The main aim of the study is to analyze the customer perception level of 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 between two variables. The final value relies upon 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 the relationship between the net profit and stock price of the banks with customer satisfaction. For this net profit and stock price of the banks under study are taken from the Capdatabaseata 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.

RESULTS & DISCUSSION:

From the report of Reserve Bank of India 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 do not have an effect on the perceived customer satisfaction for the bank.

Customer Satisfaction Index:

Key Result Areas	Satisfaction Score	Importance Scores	Importance Weight	Weightage Satisfaction score
Quality of service	3.8	3.63	0.16	0.61
Value for money	3.77	3.15	0.14	0.53
Service efficiency	3.72	2.91	0.13	0.48
Service accessibility	3.82	2.75	0.12	0.47
Customer care	3.63	2.53	0.11	0.41
Handling complaints	3.63	2.29	0.10	0.37
Trust worthiness/Reliability	3.81	2.69	0.12	0.46
Product/Service innovations	3.77	2.5	0.11	0.42
CSI				3.75

SUGGESTIONS & CONCLUSION:

Indian banking environment, where Indian bankers consider delivery of excellent service quality to customers a key to success and survival, the findings from the study can provide them with valuable insights into ways of enhancing service quality so as to induce greater customer satisfaction and positive behavioral outcomes. Indian banking

has seen momentous changes in the post-independence era. From the study, it is found that the net profit and closing stock of a bank do not have an impact on improving customer satisfaction. There are many other factors like credibility, customer services, easiness of operations, etc. which act as a driving factors for improving customer satisfaction. The study also shows that banks

with very high profits and closing stock prices do 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

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