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MANAGING CUSTOMERS- A CASE OF BANKING INDUSTRY

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ABSTRACT

As Indian economy has witnessed good growth after adoption of LPG process, all sectors are under reforms and facing stiff competition. Banking sector is also one of the sector which has undergone tremendous change like customer service, cutting edge technology and cost efficiency etc. The purpose of undertaking the study is to recognize and measure factors which affect level of customer satisfaction of banks in Valsad city. Principal Component Analysis was applied for extraction of factor to identify most important factor that determine level of customer satisfaction.

KEYWORDS: Customer Satisfaction, PCA Analysis, Customer Loyalty

INTRODUCTION

Customer satisfaction is applied to identify how product and services are delivered to the customer expectation. A customer is satisfied when his/her expectation is matched with the utilities of the product or service delivered by firm.

The decision regarding privatization of banking industry as a part of LPG process was milestone in the history of Indian economy. In the development of any economy banks plays crucial role in determining economic growth. In India, banks have to play extra ordinary role as good amount is financed to the industry by the bank. But in present era, banks are facing problems of customer retention. As there is cut thought competition in the market, only those banks will survive which are able to manage their customer satisfaction & loyalty. There is positive correlation ship between customer satisfaction and customer loyalty, so banks are now preparing their strategies in such way that it would generate, retain and increase high level of customer satisfaction. As it is rightly said that customer is king of market, it is necessary to satisfy customer. If customer is not satisfied he will switch over to other place. As there is introduction of new banking environmental policies, it has posed new threats to the banks (Lovelock 2001).

In the contemporary environment, banks are facing customer turnover issue. Research suggest that in highly competitive environment, customer relationship would play critical role in determining future of financial institution/banks. With the introduction e-banking in India, customers are now able to access their accounts related issue on their figure tips. Banks are offering various differentiated products and services to attract the customer of other banks.

At, strategic level banks are developing strategies in order to develop long term customer happy relationship. Because ultimately happy customer leads to satisfied customer and satisfied customer are loyal customer. As it has been observed that, loyalty of customer, growth of bank and profit of the bank moves simultaneously in a direction.

REVIEW OF LITERATURE

In today's highly competitive era, customer satisfaction is precarious factors in success of any business. As

Prabhakaran&Satya (2003) stated that customer is king of market. Making customer happy would be in beneficial for the service providing firm. Profit is reward for successful happy relationship between firm and customer. Loyalty is critical factor for growth and profit of the firm.

According to (Anderson and Sullivan, 1993; Patterson et al., 1997) customer satisfaction is related to the difference between customer pre-purchase expectation and post purchase experience about the product or service. Naeem and saif, (2009) suggested in their study that basic element in satisfying customer is how goods and services are delivered to them (customer).

While, serving the customer, cost would be preliminary factor for consideration. Cost must not be higher than benefit. In the study of Ndubisi (2005) and Pfeifer (2005) focused on cost parameters of retaining loyal customers. They mentioned that cost of serving loyal customers is almost five times lesser than generation of new customers (Gee et al. 2008)

Gronroos, 2000; Berry, 2002 mentioned that long term customer relationship is the critical success factor for service industry. They specifically emphasized on cost cutting and applying strategies for the development of customer relationship via electronic media. As several research suggest that service industry is completely based on relationship. Nowadays, customers are in search of unique service. Each banks is trying to differentiate their products and services by one or other way by adding new features in product or service called Innovation (Kotler 2000) Kumar et al. 2009,2010 mentioned that main factor which govern the customer satisfaction is quality of goods and services as per expectation of customers.

As more and more customers are satisfied, they will convert into loyal customers which is suggested by Han et al. (2008) that loyal satisfied customers are loyal and do not change the brand or firm frequently (Ehigie 2006)

It is observed by many researcher that satisfied customers does "word of mouth" publicity for the product or service which they are satisfied to the others and vice-versa(File & prince, 1992)

East (1997), suggest that high level of customer satisfaction lead to high level of usage of product and service. Thus, for a firm it would be beneficial to develop such kind of strategy to prioritize customer satisfaction large amount of research suggest that quality of goods & services are basic factor in determining level of customer satisfaction. (Bedi, 2010) it is quality of goods and services which gives customer satisfaction.

Mistry (2013) conducted study of 120 customers of public and private banks for identification of factors affecting customer satisfaction in both banks. Sixteen factors were initially identified by him with help of discussion with the clients. He developed five point likert scale to measure customer satisfaction ranging to strongly agree to strongly disagree. By applying factor analysis and more specifically Principal Component Analysis, five factors were identified that for the customer satisfaction namely reliability, responsiveness, assurance, empathy and tangible.

Reliability was the dimension in which he found highest Eigen value.

Research Methodology

Research methodology is important factor which determine the direction of research. No research can be exist without research objectives hence the following are the objective of the study.

Research Objective

The prime objective of the study is to identify key factors which affects the customer satisfaction and its magnitude.

Source of Data

Primary data is collected through structured questionnaire and secondary data was collected from various research journals

Data Collection Method

Primary data is collected through structured questionnaire by face to face interview. While secondary data is collected from various journals time to time.

Sampling Plan

Population - Valsad City

Sampling Unit – Bank Customer

Sampling Method – Non-Probability sampling Specifically Convenient sampling

Sample size – 150

Analytical Tools Applied – Spss 21

Pilot study was conducted initially with structured questionnaire and some modifications were done in the same.

Primary data was collected from with help of structured questionnaire by face to face interview of 150 customers of various banks of Valsad City. Five point scale was prepared starting from strongly agreed to strongly disagree.

Analysis & Findings

Table 1: Demographical Profile of the Customer

Profile	No. Of Respondents	Percentages %)
Age (in completed yrs)		
Below25	68	45.3
25- 35	37	24.7
36-45	22	14.7
Above 45	23	15.3
Total	150	100
Gender		
Male	104	69.3
Female	45	30.7
Total	150	100
Education		
Upto Grad.	70	46.7
Graduate	29	19.3
P.G.	51	34
Total	150	100
Employment status		
Self Employed	51	34
Professional	36	24
Students	15	10

Others	48	32
Total	150	100
Income PM		
Below20000	74	49.3
20000-40000	32	21.3
40000-60000	22	14.7
Above 60000	22	14.7
Total	**150**	**100**

On the basis of past experience and literature review and discussion with customer fifteen factors were determined for identification of level of customer satisfaction and its magnitude. The data was statically processed by SPSS. Mean score was identified for each variable and it was found that in the Assurance segment has the highest mean value of 10.75. (See Table No.2)

Table 2: Mean Score of the Banks of Valsad City

Descriptive Statistics		
Statements	**N**	**Mean**
Commitment My bank does whatever is committed within stipulated time.	150	2.81
My bank put a proper efforts in solving my issues	150	2.91
Bank Statement is always accurate **Approachability**	150	2.93
When I enter into bank I receive prompt service.	150	3.80
I am always assisted by bank staff wherever I required	150	2.78
Bank staff always let me know approximately what time will it take to render the service	150	2.57
Assurance		
The behavior of staff boost confidence in me while taking decision	150	2.83
I feel cent percent safe when it comes to BOB	150	2.70
Bank staff always ready to help me with smiling face	150	2.73
Bank staff have good knowledge to answer my query/question **Compassion**	150	2.49
The timing of bank is convenient to me.	150	2.72
I am personally attended as and when required.	150	3.26
Appearance My bank has pleasant looking environment	150	2.82
Staff of the bank is always well-ordered apparent	150	2.77
I am satisfied with physical facilities of bank	150	2.52
Valid N (listwise)	150	

In order to identify the factors affecting level of customer satisfaction & its magnitude factor analysis was applied by using SPSS. K.M.O. (Kaiser-Meyer-olkin) Measure of sample adequacy test was found out whether factor analysis can be applied?

Table 3: KMO & Bartlett's Test

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.812
Bartlett's Test of Sphericity	Approx. Chi-Square	1630.715
	Df	105
	Sig.	.000

Table 4: Extraction of Factors by Varimax Rotation Method

Component	Initial Eigenvalues			Extraction Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	5.791	38.609	38.609	5.791	38.609	38.609
2	1.761	11.737	50.346	1.761	11.737	50.346
3	1.595	10.631	60.976	1.595	10.631	60.976
4	1.144	7.629	68.605	1.144	7.629	68.605
5	.946	6.305	74.910			
6	.885	5.897	80.806			
7	.762	5.078	85.884			
8	.560	3.732	89.616			
9	.477	3.183	92.799			
10	.389	2.595	95.395			
11	.350	2.331	97.726			
12	.148	.989	98.715			
13	.114	.757	99.472			
14	.043	.286	99.759			
15	.036	.241	100.000			

Table 5: Factor Association with Loadings & Variance

Statements	Eigen Values	Factor Loading	Percentage Variance	Cumulative Variance
1	9.147 (Commitment)	.678	38.609	38.609
2		.376	11.737	50.346
3		.634	10.631	60.976
4	2.975 (Approachability)	.799	7.629	68.605
5		.423	6.305	74.91
6		.892	5.897	80.806
7	2.188 (Assurance)	.918	5.078	85.884
8		.937	3.732	89.616
9		.896	3.183	92.799
10		.713	2.595	95.395
11	0.498 (Compassion)	.603	2.331	97.726
12		.727	0.989	98.715
13		.746	0.757	99.472
14	0.193 (Appearance)	.542	0.286	99.759
15		.409	0.241	100

As there were fifteen factors were considered for analysis, Principal Component Analysis was applied to extract the factors affecting level of satisfaction of the customer. Kaiser (1960) criteria was applied to identify factors which has more than one Eigen value. Total four factor were selected which had more than one Eigen value. By combining all these four factors total 68.60% variance can be observed. PCA analysis was done by applying varimax rotation method. A comparison was made after extraction of factors to identify the factors which are associated with original factors.

At initial level, five factors were determined and statements were prepared in context with the factors like Commitment, Approachability, Assurance, Compassion and Appearance. Table No.4 explains the loading of factors and coefficient as well as Eigen value and individual variance can be found in the same. It can be seen from Table no.4 that highest Eigen value

CONCLUSIONS

The study was undertaken in order to identify the factors which had impact on the customer satisfaction & its magnitude. The study suggested that the factor which has the highest impact is the commitment. The findings also matches with earlier findings of Mistry (2013). It indicates that customer gives more importance to the commitment factor. It includes my bank does whatever is committed within stipulated time, my bank put a proper efforts in solving my issues and Bank Statement is always accurate. Second factor is approachability which includes prompt service, assistance from staff as when required and time to solve the issue. The important factor is that assurance which includes confidence in decision making, safety of transaction, staff always ready to help with smiling face and good knowledge of query/question of customer problem.

Finally, it can be concluded that customers of Valsad city can be retain by giving more focus on commitment, approachability and assurance. Higher satisfaction of the customer higher amount of profit and growth.

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