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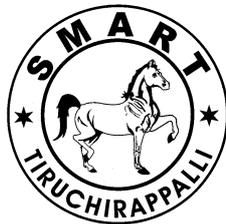
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TRANSFORMATION IN BANKING SERVICES

Customer's Choice Vs Customer's Shifting of a Bank

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Prelude :

With an ever-expanding competitive market place, domestically and internationally, customer service is gaining the pride of place in all the sectors of the economy. The emphasis is more in the case of a service industry like banking. The Indian banking scenario has witnessed a significant transformation in recent years. Not only there has been a phenomenal growth in the volume of deposits mobilized by the banks but more impressive have been the innovations in policy, organization and strategies, which have made such phenomenal growth possible.

The banks have designed several new strategies and programmes to help the hitherto neglected sectors of the society. In addition, they have also marketed their services in several new forms such as merchant banking, leasing, mutual funds, insurance, technology-driven services, etc. Economic reforms initiated by the government of India in the early 90's have brought a sea change in operational environment of financial sector and functioning and outlook of Indian banks. Features such as liberalization, deregulation, globalization, modernization, etc. impacted the qualitative customer service in Indian banks. With delayed entry in the globalization process compared to the peers, the Indian banking is at the crossroads. The financial sector in the transition phase of reforms has attached prime importance to traditional customer as well as to develop products to meet emerging demands of present and prospective customers.

The impact of banking sector reforms in the country is noticed in the area of the quality of banking services and customer satisfaction. Quality consciousness, in banking services, seems to be emerging and the fierce competition has brought customer service into greater focus. The concept 'customer is king' is becoming a reality. The customer is displaying the whimsical attributes of a 'king' and he is more demanding. Customers are now in a position to compare the service standards of a bank with other banks and with the alternative service providers and may even shift their banker in search of quality service. The existence of foreign banks, emergence of new generation private sector banks and more than this, the information technology revolution has brought about phenomenal changes in the attitudes and perceptions of the bank customers in the country. A few of the Indian bank customers have also been exposed to the world class service standards in different industries, including banking. Customers have also become more vocal about rigid policies and procedures in banking transactions and rude behaviors of bank employees. They are also aware of various forums for the redressal of their grievances. Banks in the country no longer hold monopoly and seem to be preparing for providing quality service for the maximum customer satisfaction, retention of the existing customers, attracting new customers, gaining better market share etc. The technological breakthrough has imparted new dimensions to the banking services in

the form of computerized branches, on-line banking, home banking, electronic transfer of funds, ATMs, plastic cards, etc. Technology in banking services contributes to quickness of services, accuracy of information, anytime and anywhere banking, total convenience on the part of employees and customers, etc. Hence Customer's Choice of a Bank and the Customer's Shifting of a Bank have prompted the "Transformation in the Banking Services".

Foreign banks with sophisticated technology, simple banking procedures, specially trained customer friendly employees, etc., appear to be attracting customers to their fold. New generation private sector banks are performing extremely well in all the fronts and are hoping to capture the limelight. Banks are realizing that there is no alternative to the use of technology for providing quality service and is adapting technology at various levels of banking services. Along with the recent developments and experience of world class services, expectations of the customers are growing much faster than the banks are prepared to meet such expectations. The profitability and survival of banks in the coming years are certainly dependent on meeting the growing expectations of the different class of customers. Banks in the current situation cannot just rely on exploiting the situational advantages as customers' choice of a bank on the basis of quality of service is increasing and customers do not hesitate to shift their bank if the quality of service provided is not up to their satisfaction. The evidences available show that foreign banks and the new generation private sector banks have been successful in attracting a section of elite customers.

Objective of the study :

The objective of this study is to analyze the Transformation in Banking Services in relation to Customer's Choice of a Bank and Customer's Shifting of a Bank.

Methodology :

The study made use of primary data to analyze the trends. Data have been obtained through a questionnaire administered to customers of Indian banks who also have an account with any of the foreign banks in India. The questionnaire consists of two statements. The statements were followed by a handful number of reasons for accepting or rejecting the statement in the form of Yes or No answers. The questionnaire was administered to the respondents in the branch premises and at the ATM counters of the foreign banks. A total of 76 respondents were chosen randomly to elicit their opinion with regard to the reasons for opening their bank account in a certain bank branch and reasons for shifting their bank. Customers were approached randomly after he/she completed their job either in the bank branch or at the ATM counters. Care was taken to involve customers from different segments such as different age groups, gender, education, occupation and income. Data obtained have been analyzed with simple percentages, in both the cases.

1. Customers' choice of a bank :

Earlier customers used to choose a bank on the basis of its location. Sometimes having a friendly and helpful staff helped in choosing a bank. For business customers, the main reasons were availability of loans and advances for business purposes. However, computerization and Internet

banking have changed all this. Visit to the bank for day to day banking needs is no longer necessary. ATMs and online banking have made banking accessible round the clock. Therefore, the customer is now more interested in the quality, promptness and cost of the service provided by the bank. Customers' choice of a bank is now determined by a totally different set of requirements. The study has made an attempt to bring out the various reasons for opening a bank account by the customers with a particular bank. The first statement in the Questionnaire seeks the reasons for their opening of bank account in the branch in which they are currently operating an account.

The responses are given in Table -1. A big majority of 93.42 % of the respondents have given more than one reason for opening their account in the present bank branch. Only 6.58 % of the respondents have quoted the single reason of the branch being the one operated by the employers for crediting their salaries. Facility of ATM, convenient timings and proximity to residence or work place are most important reasons quoted by the customers for choosing the present bank branch. A sizeable percentage of customers have also indicated that Sunday Banking Facility, Best

Table - 1
Response of Bank Customers about the Reasons for Opening their Account in the Present Bank Branch

Sl. No.	Reasons for opening the Account	% of Response
1	Nearness to Residence or Work Place	55.26
2	Employer's Bank [Salary credit by the employer]	36.84
3	Best Quality Service	40.79
4	Recommended by Friends/Relatives	22.37
5	Friendship with Employees of the Branch	18.42
6	Facility of Loans for different purposes	28.95
7	Convenient Timings	56.58
8	Provision of ATM Facility	82.89
9	Sunday Banking Facility	48.68

Quality Service and Employer's Bank [salary credits] are the other important reasons for their choice. Friendship with employees of the bank branch, recommendation by friends / relatives and facility of loans for different purposes have been quoted as reasons for opening the bank account only by a few customers. Even though proximity to residence or work place is an important factor in some cases where single bank branch is situated, factors such as facility of ATM, convenient timings, sunday banking facility and best quality service have played a dominant role in the selection of bank branch. Hence banking institutions will have to take into consideration the above factors influencing the customers' choice of a bank.

2. Customers' Shifting of a bank :

The customer of today may not come back to the bank tomorrow if the services available are not up to their expectations. Unless there is a realization in the banking circles that the customer cannot be taken for granted and the service quality standards as well as customer relations are customer-friendly, there is every chance of losing the discerning customers. The banker must understand the reasons for the customer shifting from his bank. The reasons may be related to service quality standards or banker customer relationship or personal reasons of the customers.

An attempt is made in this study to investigate the various factors responsible for customers' shifting a bank. The second question in the Questionnaire is meant for obtaining customers' response with regard to the reasons for shifting from their earlier bank.

Table -2

Customers' Responses towards Shifting from a Bank		[in %'s]	
Particulars of Response for Shifting from a Bank in the recent past followed by the reasons for Shifting the Bank	Yes	No	
Have you in the recent past Changed/Shifted your Bank	31.58	68.42	
1 Non Response and Discourtesy towards Customers	58.33	41.67	
2 Delays in Transactions	91.67	8.33	
3 Lack of Infrastructural Facilities	41.67	58.33	
4 Inconvenient Timings	83.33	16.67	
5 No Sunday Banking Facility	75	25	
6 Non-availability of different Loan Facilities	37.5	62.5	
7 Non-availability of specialized Service	37.5	62.5	
8 Rigid Systems and Procedures	83.33	16.67	
9 High Services Charges	16.67	83.33	

The customers' responses are provided in Table No.2. Sizeable chunks of 31.58% of the customers have shifted their bank in the recent past. Even though this is less than those who have not shifted their bank, the chunk of customers who have left their earlier bank is noteworthy. The prominent reasons for shifting from a bank as quoted by the customers are delays in transactions, rigid systems and procedures, inconvenient timings, no Sunday banking facility and the non-response and discourtesy towards customers by the employees. The lack of infrastructural facilities, non-availability of different, loan facilities and non-availability of specialized service have become less important reasons for customer shifting from a bank. A high service charge is not an important reason for shifting from a bank. What is important in this context is banks will have to review their systems and procedures, bank timings and banking on holidays. More importantly, banks will have

to take measures to shape bank employees' attitudes towards customers as large number of customers have left their earlier banks because of non-response and discourtesy towards customers by the employees.

Conclusions and Suggestions :

The study draws the following conclusions and suggestions:

- Use of technology in banking transactions has become inevitable for banks. Majority of the customers feel that the use of technology in banking transactions is essential.
- The qualitative aspects of the banking services such as the facility of ATM, convenient timings, sunday banking facility, quality service will determine the customers' choice of a bank.
- Delays in transactions, rigid systems and procedures, inconvenient timings, no sunday banking facility, non response and discourtesy towards customers are matters of serious concern as they are the major reasons for customer shifting from a bank.

In the face of competition, there is a need to serve the customers promptly and efficiently. The banks should re-organize their operations in such a way that would instil greater confidence in people in respect of quality of banking services. A banker has to respond promptly and has to be sensitive to the needs of the customers because the dissatisfied customers may defect to other banks and a satisfied customer will be willing to stay till something better emerges in the future.